Generative AI in Financial Reporting: Early Evidence from the Field".

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This research aims to shed light on how Generative AI is reshaping financial reporting and the accounting labor force. We collaborate with a company that provides Generative AI-powered accounting software to accounting firms. The software's main function is to automate transaction analyses for journal entries (e.g., classifying transactions, recording accruals, and reconciling accounts). We leverage a staggered implementation of the software to gain insight into its impact on our outcomes of interest. First, we observe whether this AI software improves accounting labor productivity. We quantify the efficiency gains and analyze whether these gains vary across types of accounting functions as well as accountant experience. Second, we analyze whether the implementation of AI software results in changes to firms' financial reporting quality. In terms of process, we evaluate the timeliness, complexity, and accuracy of several accounting functions; in terms of outcome, we examine cash flow predictability and accrual quality. Importantly, underlying these quantitative analyses is a detailed institutional monograph that characterizes the engagement between accountants and Generative AI tools.