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The Influence of AI on the Accounting Services Industry

Market dynamics, investment signals and competitive outcomes in an AI-accelerated sector

Accounting Services Practice Overview

Accounting Services Investment Banking



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Citizens Expertise

In-Market	In-Market	Coming to Market	Coming to Market				
Accounting Services Firm A	**Accounting Services Firm B**	**Accounting Services Firm C**	**Accounting Services Firm D**	pipaya ACQUIRED BY Prosperity PARTNERS A PORTFOLIO COMPANY OF UNITY PARTNERS	GENERAL ATLANTIC STRATEGIC GROWTH INVESTMENT IN FRAZIER & DEETER	SUMMIT PARTNERS STRATEGIC GROWTH INVESTMENT IN UHY	pinehill ACQUIRED BY CFGI A PORTFOLIO COMPANY OF CARLYLE
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The AI Ecosystem Transforming CPA Firms

The signal is in the capital. Nearly $700M has moved into accounting AI in 18 months – firms that understand where it's going will capture a structural advantage

Established Platforms

Intuit ProConnect

Smart Navigation • AI Briefing

GenAI-assisted return prep, client summaries, next-step workflow nudges for individual & biz returns

Thomson Reuters

Checkpoint Edge • CoCounsel

AI tax research, document review & drafting; $600M SafeSend acquisition anchors workflow automation

Wolters Kluwer CCH

Expert AI • Agentic-Ready

CCH Axcess Expert AI (Oct '25): unifies tax prep, audit & firm mgmt with AI agents built into workflow

VC-Backed New Entrants – AI-Native From Day One

Accordance

$13M • Khosla + GC + Anthropic

AI expert co-pilot for complex tax scenarios; trained on federal, state, local & international codices

Accrual

$75M • General Catalyst

AI-native tax prep & review — handles complex K-1s, 1099s; live with Armanino & H&R Block; cuts prep time from hours to minutes

Aiwyn

$127M • KKR + Bessemer Partners

AI practice management — payments, billing, engagement letters, project mgmt; 130 of top 500 CPA firms

Basis

$138M • Accel + Google Ventures • $1.15B val

End-to-end AI agents for tax, audit & CAS; 20 – 50% efficiency gains; ~30% of top 25 firms; unicorn valuation

Canopy

$105M • Viking Global + Ten Coves

Tax-centric AI practice OS — AI-driven workflow, client portal, time tracking; positions as the firm's 'operating system'

DataSnipper

$100M • Index Ventures • $1B unicorn

Excel-native AI for audit — 500K users, 125 countries, all Big 4; eliminates 'ticking & tying'; no hallucination design; profitable

Rapid investment and product velocity suggest a coming realignment in how tax, audit and advisory work is produced and reviewed, as firms begin shifting from manual workflows to AI-directed pipelines.

Source: Citizens Capital Markets Research

AI is a Productivity Lever – Not a Replacement for Judgment

The firms that win will use AI to do more with fewer hours, at higher utilization – while protecting what clients pay for: expertise, trust and judgment

Key Signals in the Current Landscape

41% of U.S. firms using AI in daily workflows (up from 9% in 2024) (1)

80%+ of individual 1040 prep now automatable per early adopters (2)

70% of accountants cite data security as their top AI concern (3)

Use Case Progression → Start Here, Expand Fast

TODAY: Low-Risk, Repeatable

- Tax document extraction & auto-population (W-2s, 1099s, K-1s)
- Audit data reconciliation & anomaly flagging
- Tax law Q&A via CCH AnswerConnect / TR Checkpoint Edge

EXPANDING: Knowledge & Workflow

- Internal knowledge mgmt – searchable precedent & policy libraries
- Workpaper rollforward & documentation automation
- Engagement letter & billing automation (Aiwyn PracticeOS)

HORIZON: Judgment-Adjacent

- Technical accounting analysis (FASB, revenue recognition) – Updraft
- Full-population audit testing; proactive tax planning triggers

Governance Imperatives – Non-Negotiable

Board-Approved AI Policy

Every firm needs a documented, board-ratified AI governance model: approved tools, data handling rules, human oversight standards and liability boundaries.

Data Security & Private Deployment

Do not use public AI tools with client PII. Require private model deployment, SSO, audit trails and vendor SOC 2 compliance. 70% of accountants cite security as top concern.

Shadow AI Is Already Happening

48% of professionals use tools not authorized by their firm. Firms must standardize tools proactively or risk uncontrolled data exposure and inconsistent outputs.

Workforce Enablement = Competitive Edge

AI adoption gaps are a training problem as much as a tech problem. Firms 3–4x more likely to see gains when they have a clear AI strategy with active team enablement.

Associations as AI Centers of Excellence

AICPA, state CPA societies and firm networks (CPA.com, CPAFMA) can accelerate adoption by sharing playbooks, AI policy templates and vetted tool recommendations.

(1) Wolters Kluwer Future Ready Accountant Report, Oct 2025
(2) AICPA / CPA.com 2025 AI in Accounting Report, June 2025
(3) Karbon State of AI in Accounting Report, Feb 2025

Who Wins – And Why Smaller Firms Have An Advantage

Speed of adoption + the right incentive structure will determine competitive outcomes more than firm size

Move First

- ✓ Firms using AI tools today are seeing 40 – 60% reduction in prep time. Early movers lock in efficiency gains and can expand client capacity without headcount.
- ✓ Thomson Reuters: firms with AI strategy are 3–4× more likely to see revenue growth vs. laggards.

Smaller Firms' Advantage

- ✓ Large firms face partner equity structures that resist pricing model change. Smaller, PE-backed or incentive-aligned firms can redeploy AI-freed hours to advisory instantly.
- ✓ No legacy governance to slow them down – just deploy, measure, iterate.

Point Solutions Win

- ✓ No firm should build custom AI tools (rare exception: PKF O'Connor Davies' bespoke RPA for investment audits).
- ✓ The right strategy is select best-in-class point solutions and plug into existing workflows.

Adoption = Culture + Tools

- ✓ AI alone doesn't produce results – workforce enablement does. Firms that invest in training, clear governance policy and remove shadow-AI risk will compound gains.
- ✓ AICPA AI Working Group + state CPA associations can accelerate this with shared playbooks.

Value Pricing Follows

- ✓ AI compresses hours per engagement → pricing model must evolve. Fixed-fee and subscription models replace hourly billing as 'time saved' becomes structurally embedded.
- ✓ The KPMG/Grant Thornton 14% audit fee cut is the opening act – clients will ask for this at scale.

The forcing function: The Ghost Accountant — see page 6

PE as AI Accelerant

15 of the top 30 U.S. CPA firms are now PE-owned – and the Ghost Accountant is exactly why PE is doubling down, not pulling back. PE isn't buying labor. It's buying a client relationship platform that delivers compliance at commodity cost and advisory at premium margin. You either command premium value or you become someone else's acquisition.

OUR VIEW: AI is today a change management problem. By 2028 it will be a strategic survival problem. The firms that build governance structures now, adopt point solutions fast and train their workforces proactively will capture a durable competitive advantage – regardless of size.

What Nobody Is Saying

Four angles on accounting AI that won't appear in any vendor white paper — a perspective from Citizens Bank Investment Banking



COINED TERM

The Ghost Accountant

A New Concept in Accounting Firm Economics – Introduced by Citizens Bank Investment Banking

Ghost Accountant – The unit of productive capacity that AI creates inside a firm without appearing on the payroll. When an associate using AI completes the work of three, the other two capacity units are Ghost Accountants: real output, zero headcount cost, zero benefits, zero turnover risk.

Understanding the Capacity and Cost Dynamics

- Every associate carries fixed overheard – salary, benefits, supervision – whether their hours produce revenue or not.
- Ghost Accountants flip this math entirely. Every AI-liberated unit of capacity carries no fully-loaded cost. For PE sponsors running EBITDA optimization across firm portfolios, this is not a technology story – it is a workforce economics story with direct multiple expansion implications.
- The Ghost Accountant reframes the profession's AI fear. AI does not replace the associate – it makes them the manager of ghost capacity. The human accountant does the thinking. The Ghost Accountant does the grinding.



The AI Dividend Trap

Clients will demand the savings AI creates – KPMG/Grant Thornton 14% fee cut is the opening move. Reframe AI gains as advisory capacity or watch margins compress, not expand.



The Knowledge Destruction Clock

75% of CPAs near retirement is a permanent knowledge destruction event. Firms that capture senior partner expertise in LLMs now build a durable AI advantage. Those that wait lose it forever.



The Unpriced Liability Problem

Partners are signing AI-assisted returns and audit opinions with no professional liability framework in place. Documented human-in-the-loop protocols aren't just governance – they are your legal shield.

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