



Exploring AI use cases within the Office of the CFO

March 20, 2024

www.prophix.com

Agenda

- 1 Evolving landscape
- 2 AI in the Office of the CFO
- 3 Exploring use cases
- 4 Risk reduction
- 5 Adopting an AI strategy



If 2023 was the year of AI, what can we expect in 2024?





43%

of finance leaders said that focusing on finding innovative ways to increase efficiency and generate insights is the main focus of their finance department.





Finance leaders are investing in technology

Top priority tech investments:



Cybersecurity



Planning, budgeting, and forecasting software



Risk management



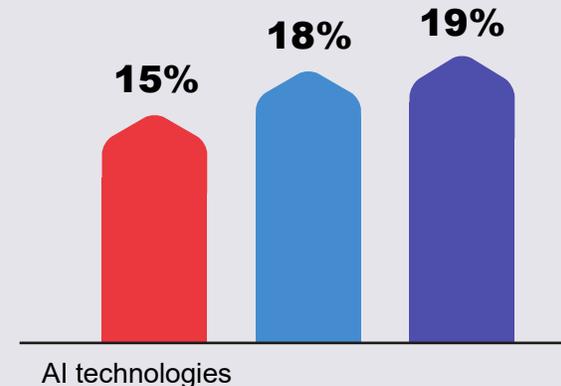
Download survey

2023 Finance Leaders Survey

Investment in AI is set to increase

What are your top areas of technology investment?

2023 2024 Beyond



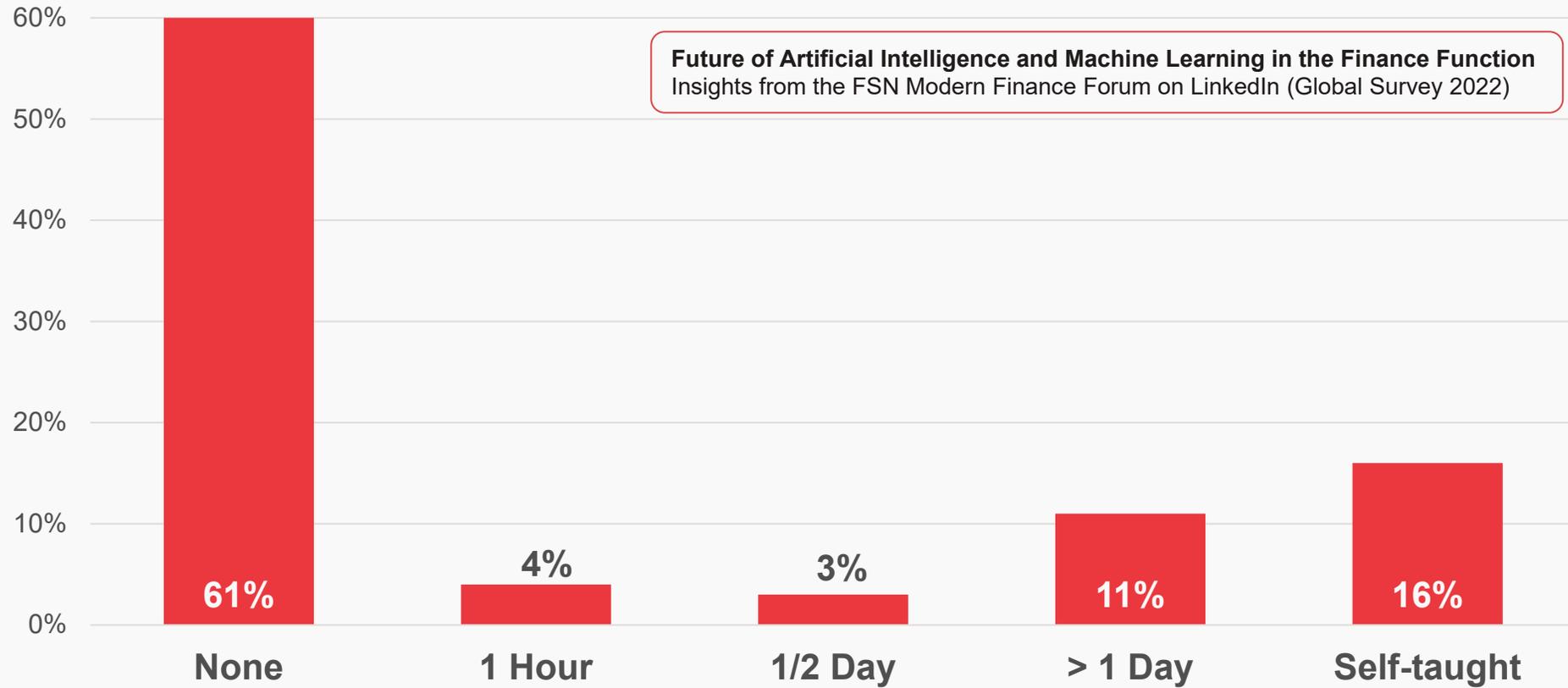


Polling question





Your knowledge of AI



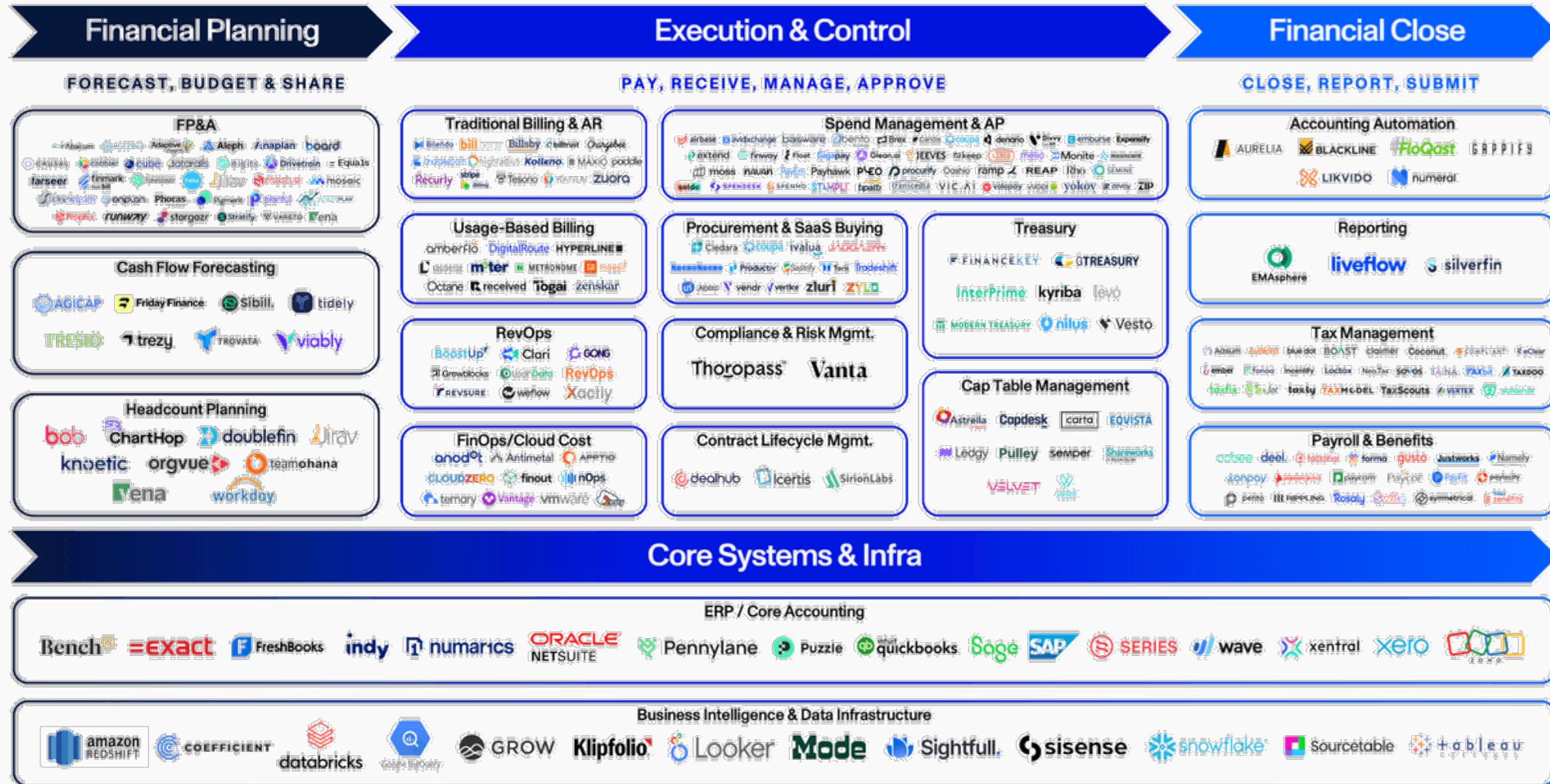


How is AI solving finance and accounting challenges?





The CFO's tech stack

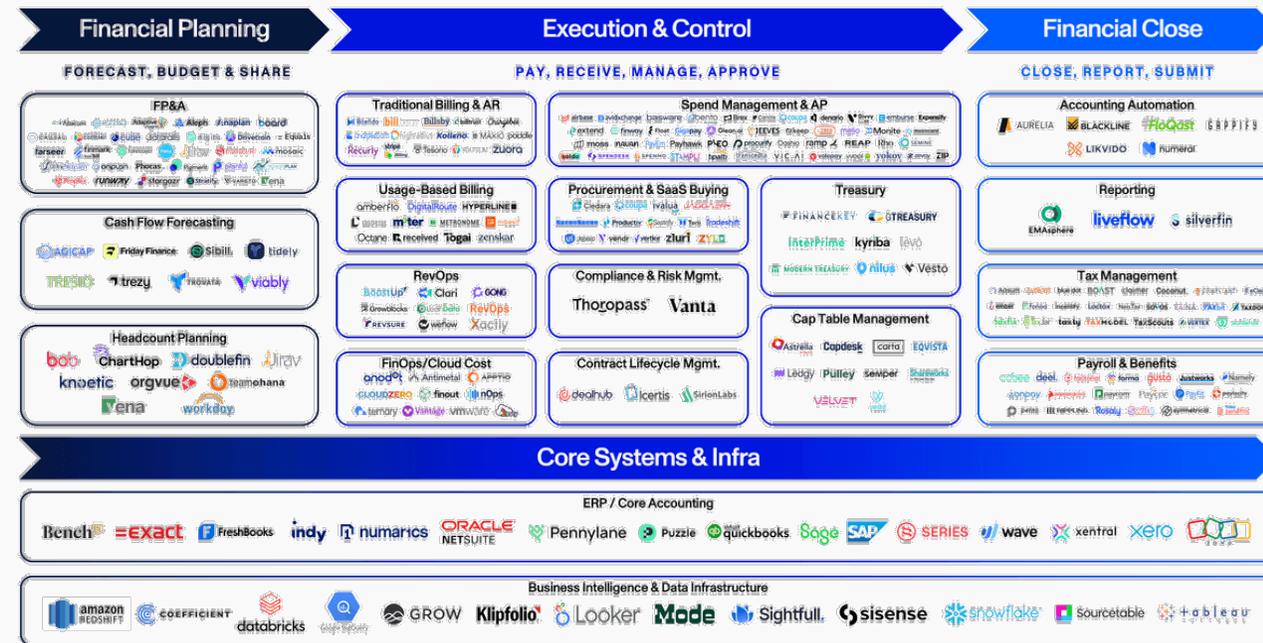




An integrated platform

Supports your growth and ability to quickly solve challenges

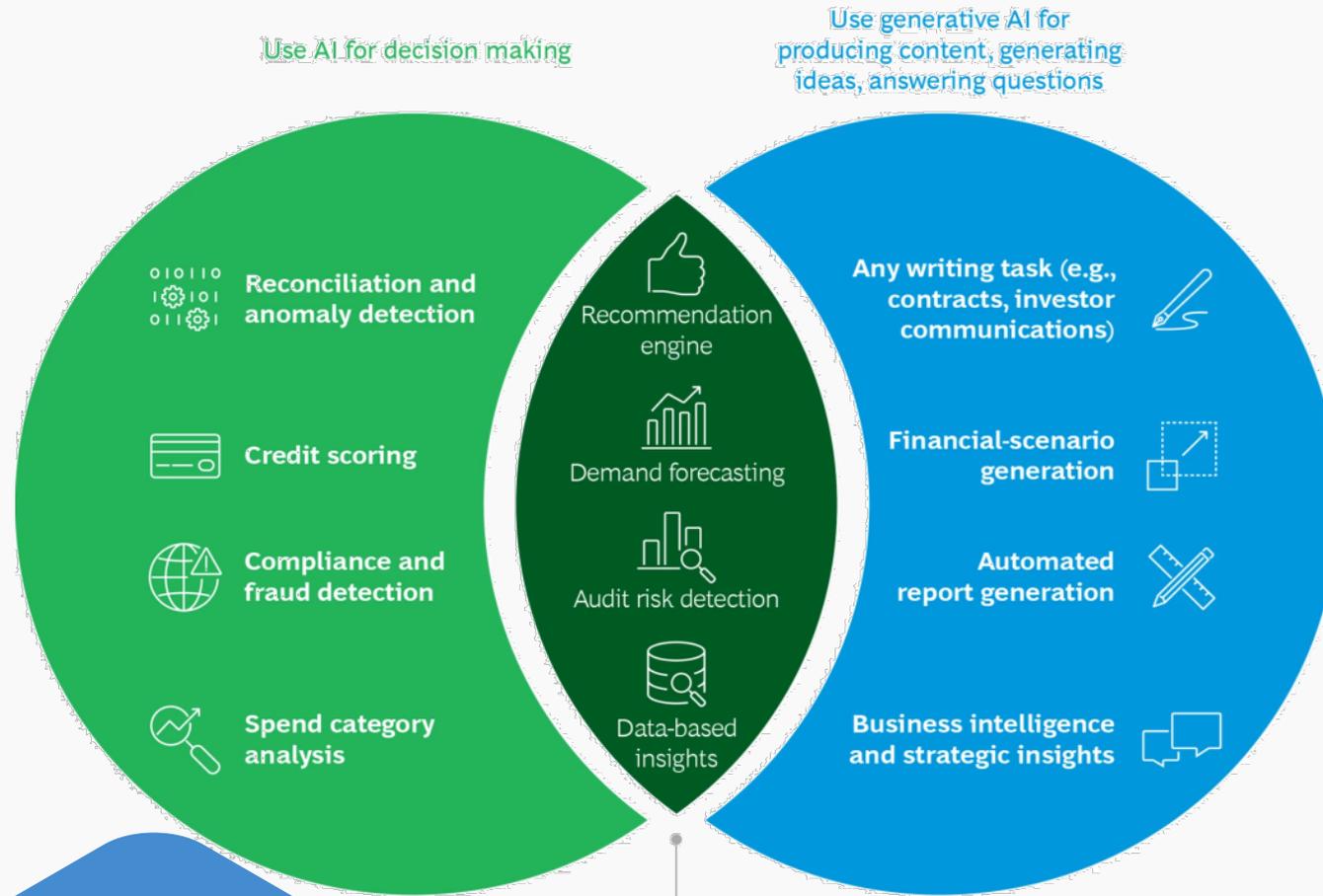
- The Avg F&A team have 20 software vendors to manage contracts, integration and training on – [Activant Research](#)
- “There is an increasing desire among CFOs for platform solutions with best-in-class functionality that serve as the single source of truth across business units and the entire OCFO tech stack” – [LEK Consulting](#)
- 70-80% of CFOs expressed interested in switching to a single vendor that provided an integrated offering – [Bain Capital 2023 Survey](#)
- 76% of CFOs agree that without “one version of the truth” across business units, they will struggle to meet their objectives. Broader **platform solutions** are created by adding **integrated solution functionality** into a platform suite via internal development or external M&A. - [Accenture 2023 Survey](#)



Source: Activant Research, The CFO's tech stack, 2023



Traditional vs Generative AI Applications in Finance



Applications can leverage the best of both technologies

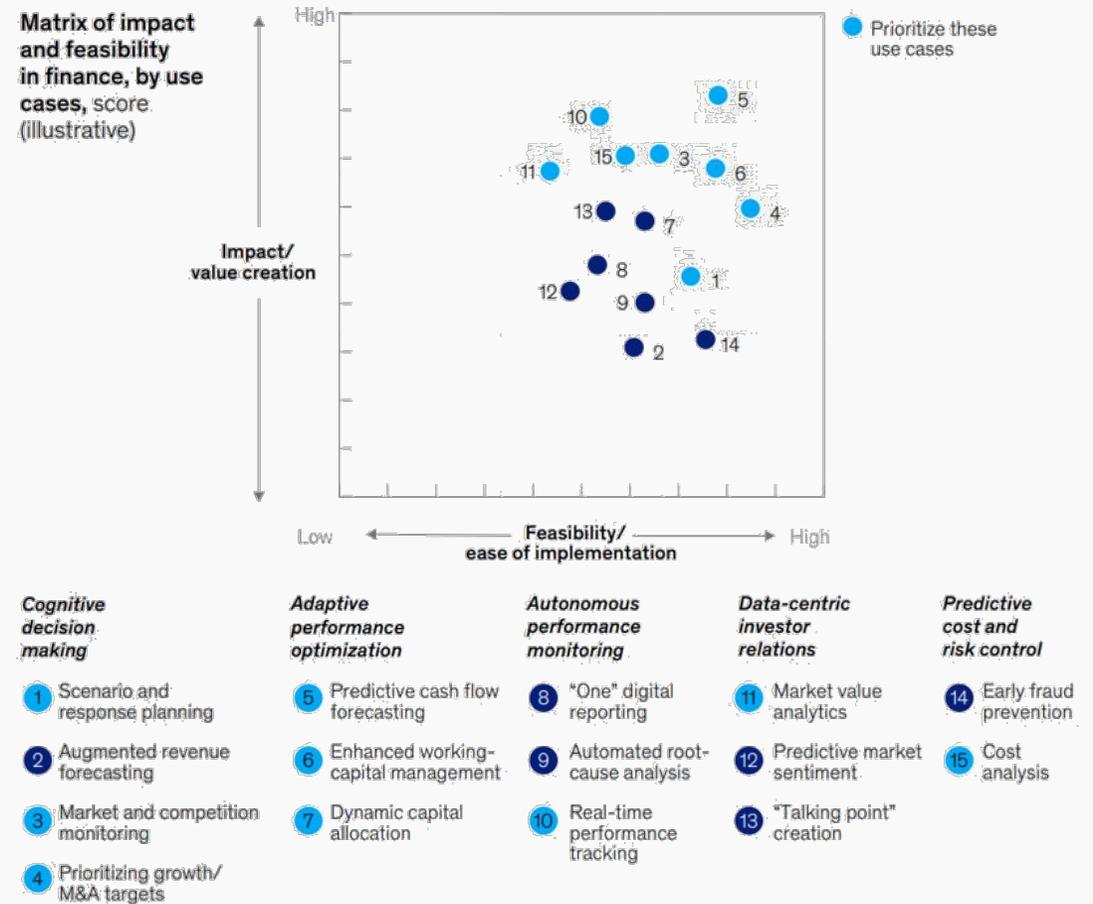


Identifying use cases

Generative AI

- Impact on finance functions via
 - Automation
 - Augmentation
 - Acceleration
- Prioritize use cases by balancing value and ease of implementation

A high-performing finance function understands the use cases that could most significantly and feasibly improve it.





Exploring use cases

Account Reconciliations

- Applications include bank statement reconciliation, invoice matching, and transaction matching
- Benefits include improved efficiency, accuracy, and compliance
- Challenges include data quality, model training, and adaptation to complex scenarios

Contoso Software
Reconciliation Report

Customer account transactions
1/1/2023 - 11/13/2023
Source: F&O

> Unmatched transaction (1)

▼ Potentially matched transactions (5)

Document date	Net due date	Reference	Amount in doc. currency
*	11/4/2023	2121681058	1134.23
*	11/4/2023	2121702978	16866.2
*	11/4/2023	2121764113	956.56
*	11/2/2023	2121786541D	21670.22
*	10/15/2024	2121799904D	3765.34
Totals			44392,55

Reconciliation report summary ⓘ

- Only one transaction remains unmatched. A transaction in Remittance payments cannot be identified as a potential match in Customer account transactions. Therefore, it requires immediate attention and resolution to reconcile the outstanding balance.
- There are 5 transactions that potentially match based the same pattern. Multiple Customer account transactions potentially match with one corresponding transaction in Remittance payments. Potential match found based on Customer account transaction reference and Remittance payments invoice number. Values match fully for all five transactions when totalled. It is recommended to consider those as fulfilling matching criteria.

Done! I reconciled your data successfully and added to a new spreadsheet.

Reconciliation report summary ⓘ

- Only one transaction remains unmatched. A transaction in Remittance payments cannot be identified as a potential match in Customer account transactions. Therefore, it requires immediate attention and resolution to reconcile the outstanding balance.
- There are five transactions that potentially match. Each Customer account transaction potentially matches with one transaction in Remittance payments. A potential match is found based on the Customer account transaction reference and the Remittance payments invoice number.
- The values match in more than 97% for all five transactions and in 100% if a prefix or suffix is subtracted from or added to the value. It is recommended to consider these as meeting the matching criteria. There are 131 perfectly matching transactions, and n...

> See more

Regenerate Save as PDF

AI-generated content may be incorrect

Source: Microsoft Copilot



Exploring use cases

Account Reconciliations

1000 Cash | Global Beverage Group | January 2024 IN PROGRESS

General **Transactions** Reconciled Transactions

General Ledger 4 \$ 11,813.59 Show selected row only

Search

<input type="checkbox"/>	Date	GL Account	Profit Center	JE Description	Amount
<input type="checkbox"/>	May 14, 2024	1001	201	VISA Payments - 5/14	\$ 7,500.00
<input type="checkbox"/>	May 18, 2024	1001	201	MC Payments - 5/18	\$ 770.25
<input checked="" type="checkbox"/>	May 20, 2024	1001	201	Wire Transfer - 5/19	\$ 89.00

Bank Statement 6 \$ 11,931.69 Show selected row only

Search

<input type="checkbox"/>	Date	Trx	Transaction Description	Amount
<input type="checkbox"/>	May 18, 2024	Cr	Credit Card - Visa Deposit	\$ 7,500.00
<input type="checkbox"/>	May 19, 2024	Cr	Credit Card - MC Deposit	\$ 707.25
<input checked="" type="checkbox"/>	May 22, 2024	Cr	Wire Transfer - 5/19	\$ 66.77
<input checked="" type="checkbox"/>	May 22, 2024	Cr	Wire fee	\$ 22.23
<input type="checkbox"/>	May 30, 2024	Cr	Check - 102	\$ 3,454.34
<input type="checkbox"/>	May 31, 2024	Cr	Bank Fees	\$ 92.05
<input type="checkbox"/>	May 31, 2024	Cr	Interest	\$ 89.05



Polling question





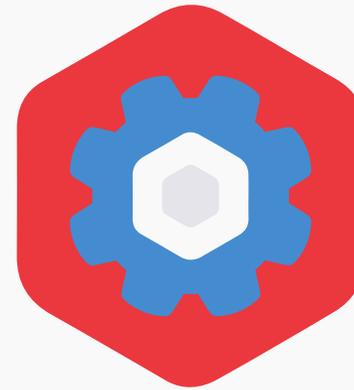
Applications of AI in FP&A software



Anomaly Detection
(Machine Learning)



Insights
(Natural Language)



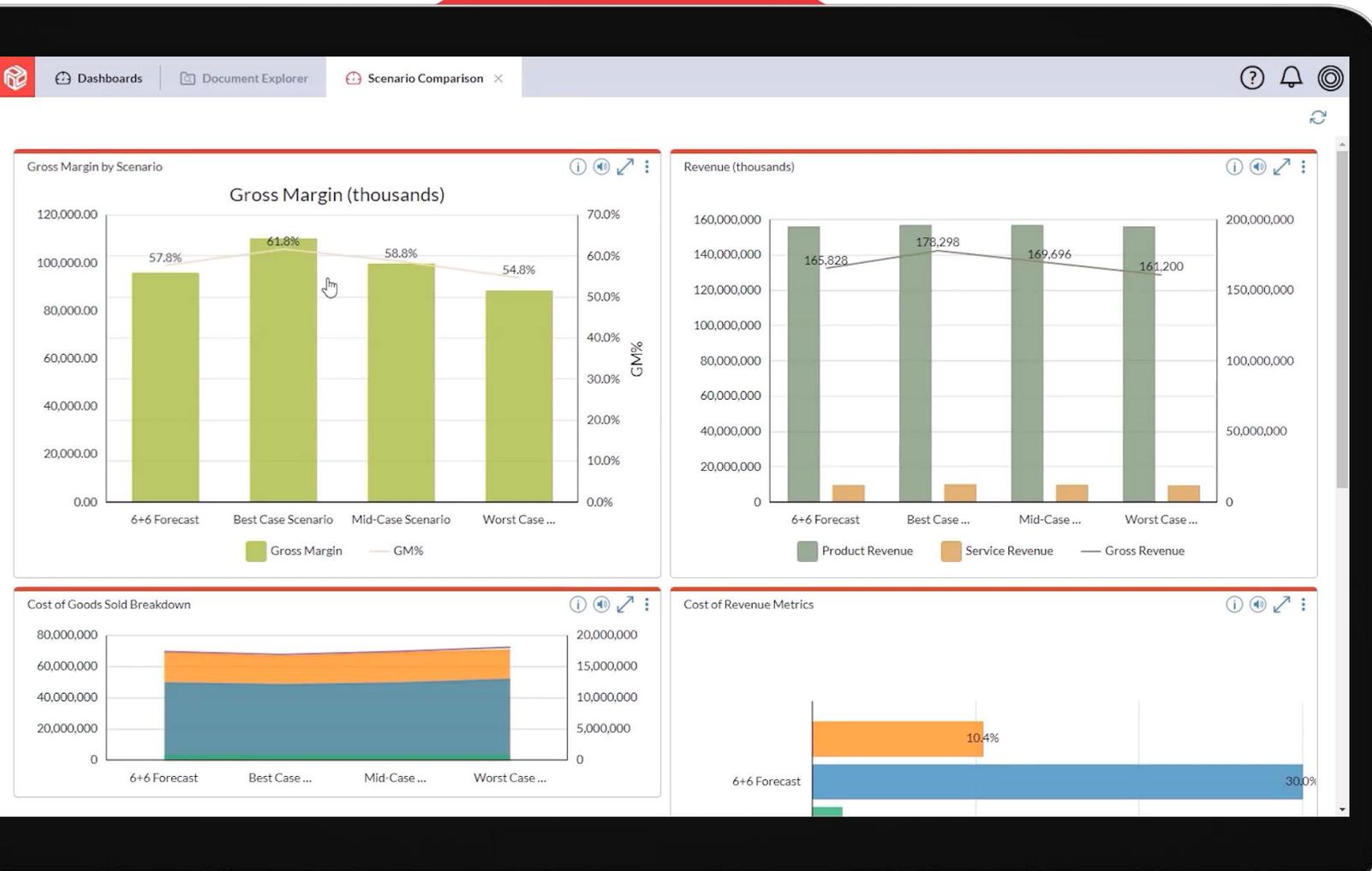
Task Assistant
(Natural Language)



Exploring use cases

Chart Insights

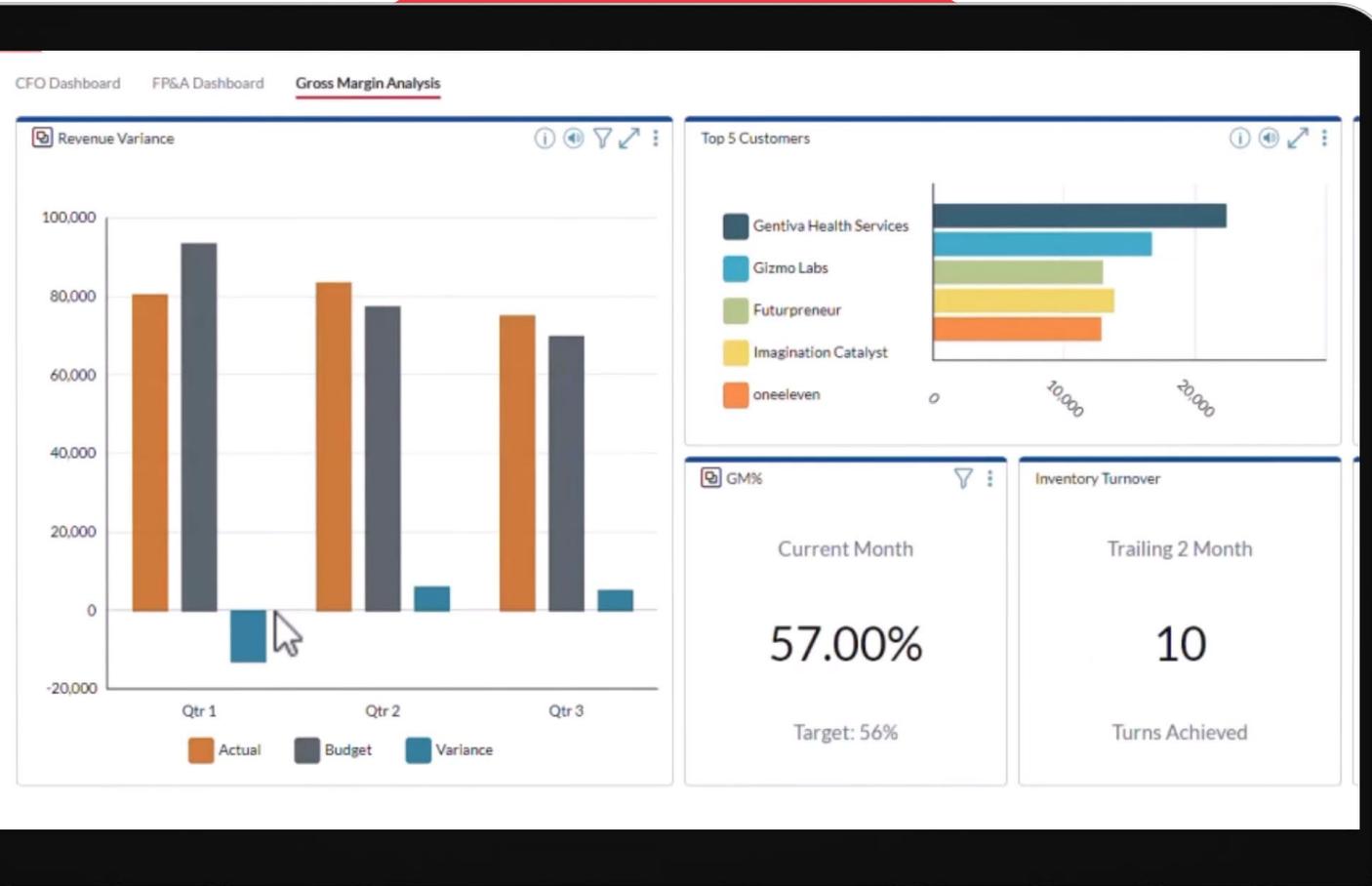
- Uncover meaningful insights and trends
- Delivers a consistent narrative via voice or text
- Ensures all stakeholders are on the same page



Exploring use cases

Contribution Insights

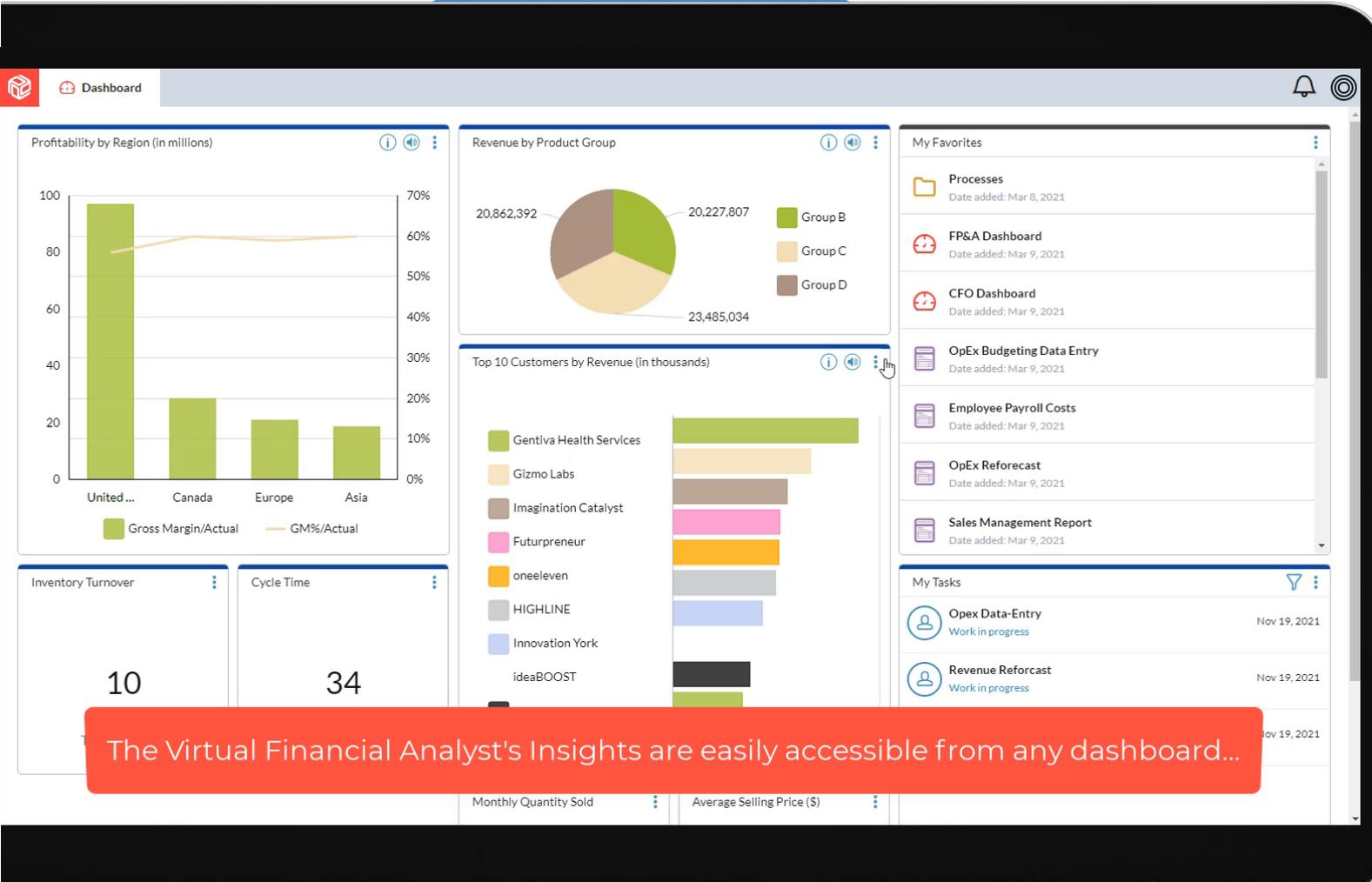
- Quick variance analysis
 - Performs a quick comparative analysis
 - Helps understand the change and context
 - Delivers important exception and variance insights
- Breakdown analysis
 - Auto-generate comprehensive insights from your data
 - Reveal trends and breakdown analysis



Exploring use cases

Report Insights

- Explain data trends and variances faster
- Minimizes back and forth between finance and stakeholders
- Speed up the time to action insights
- Instant access to information

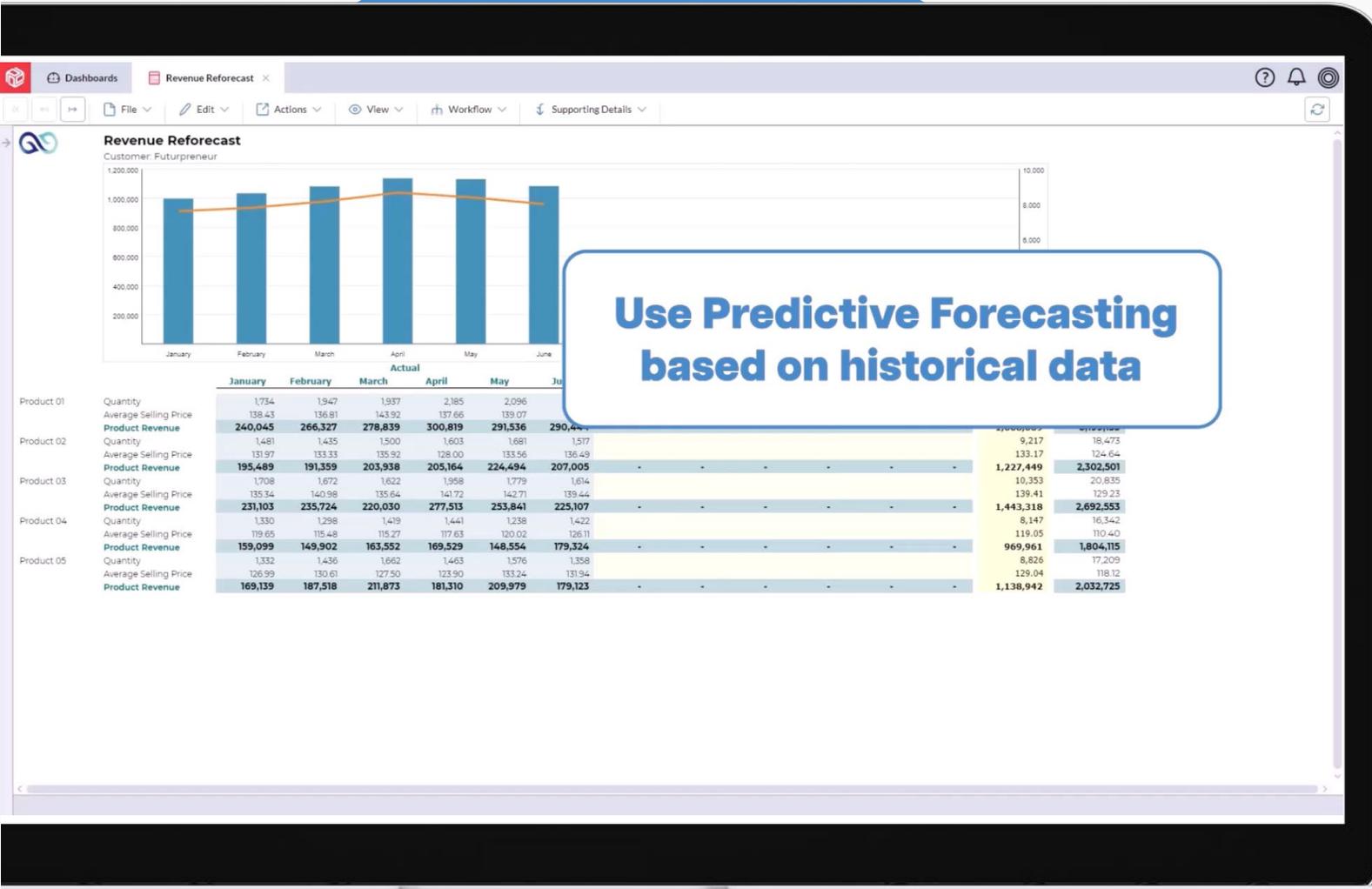


The Virtual Financial Analyst's Insights are easily accessible from any dashboard...

Exploring use cases

Predictive Forecasting

- Kickstarts planning cycles
- AI-powered predictive models can analyze large datasets quickly and accurately
- Applies time series-based algorithms
- Benefits include improved accuracy and strategic planning.
- Challenges include data quality, model interpretability, and potential biases

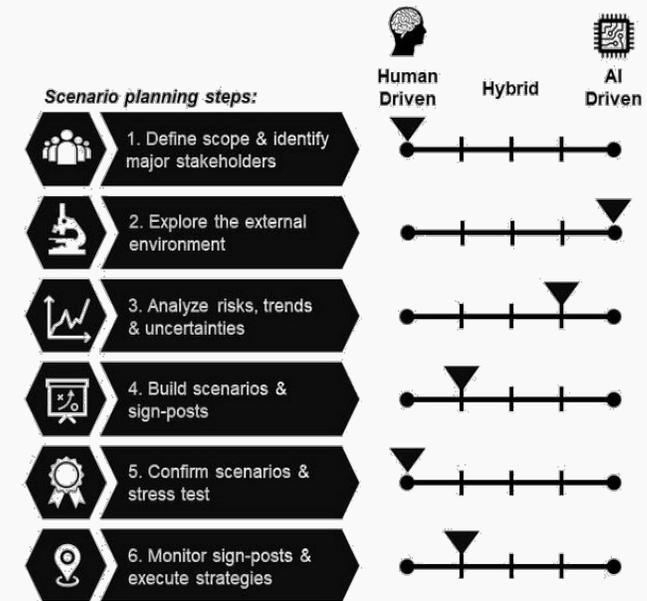




Exploring use cases

Scenario Planning

- Today, AI can be prompted to scan the external environment and make sense of growing data
- Robo CFO has the potential to support decision-making
- Sample prompt: “Generate 10 scenarios that could negatively impact our ability to complete the goals in this plan.”
- Follow-up prompt: "If both Scenario A and Scenario C occur in the next 12 months, what are three possible solutions we should be prepared to implement?"



Source: Dr. Lance Mortlock, CEO World



Rosie the RoboCFO

Hello! I'm Rosie the RoboCFO, an AI-driven financial expert specialized in accounting and finance, technology, and strategic growth. My advanced AI training enables me to analyze financial data with exceptional speed and accuracy, offering deep insights and predictive analytics for informed decision-making. Skilled in integrating Environmental, Social, and Governance (ESG) criteria into financial planning, I ensure your strategies are profitable, sustainable, and ethically sound. With a focus on automating financial processes, I help businesses optimize efficiency and maintain a real-time view of their financial health, driving resilience and long-term success. Let's work together to unlock your business's full financial potential!



Exploring use cases

Scenario Analysis at the Half

Scenario Assumptions	Best Case Scenario			Mid-Case Scenario			Worst Case Scenario		
	Justification			Justification			Justification		
Product Revenue	15.00% Successful influencer campaign			4.00% Status quo			-6.00% Loss of one of our top ten customers		
Service Revenue	10.00% Service Rev usually 2/3 of Prod Rev			2.00% Status quo			-4.00% Loss of one of our top ten customers		
Other Revenue									
Direct Labor	-7.00% Foreman training			No changes			5.00% Consultant does not address QA issues		
Direct Material	-5.00% New Supplier			No changes			10.00% Instability abroad - cost of materials increase		
Manufacturing Overhead	-7.00% Training from new foreman			No changes			5.00% Consultant does not address QA issues		

	6+6 Forecast	Best Case Scenario	Variance	6+6 Forecast	Mid-Case Scenario	Variance	6+6 Forecast	Worst Case Scenario	Variance
West									
Product Revenue	50,753,953	54,045,464	3,291,511	50,753,953	51,361,147	607,194	50,753,953	48,185,429	(2,568,524)
Service Revenue	3,325,585	3,483,915	158,331	3,325,585	3,357,251	31,666	3,325,585	3,262,252	(63,332)
Other Revenue									
Gross Revenue	54,079,537	57,529,379	3,449,842	54,079,537	54,718,397	638,860	54,079,537	51,447,681	(2,631,856)
Direct Labor	5,525,179	5,337,273	187,906	5,525,179	5,525,179	-	5,525,179	5,659,397	(134,219)
Direct Material	15,590,216	15,217,587	372,629	15,590,216	15,590,216	-	15,590,216	16,335,075	(745,059)
Manufacturing Overhead	932,581	900,061	32,521	932,581	932,581	-	932,581	955,910	(23,229)
Cost of Revenue	22,047,976	21,454,721	593,256	22,047,976	22,047,976	-	22,047,976	22,951,083	(903,106)
Gross Margin	32,031,561	36,074,658	4,043,098	32,031,561	32,670,421	638,860	32,031,561	28,496,598	(3,534,962)
GM%	59.23%	62.71%	3.48%	59.23%	59.71%	0.48%	59.23%	53.39%	-3.84%
Midwest									
Product Revenue	36,127,577	38,691,980	2,564,402	36,127,577	36,811,418	683,841	36,127,577	35,101,816	(1,025,761)
Service Revenue	2,177,176	2,281,134	103,958	2,177,176	2,197,967	20,792	2,177,176	2,135,593	(41,583)
Other Revenue									
Gross Revenue	38,304,753	40,973,113	2,668,360	38,304,753	39,009,385	704,632	38,304,753	37,237,409	(1,067,344)
Direct Labor	4,026,219	3,889,455	136,764	4,026,219	4,026,219	-	4,026,219	4,123,907	(97,688)
Direct Material	11,547,334	11,275,978	271,356	11,547,334	11,547,334	-	11,547,334	12,090,047	(542,713)
Manufacturing Overhead	684,237	660,568	23,670	684,237	684,237	-	684,237	701,144	(16,907)
Cost of Revenue	16,257,791	15,826,001	431,790	16,257,791	16,257,791	-	16,257,791	16,915,099	(657,308)

Scenario Planning

- Generate several versions of your forecast
- Broaden perspective and understand range of potential futures
- Stress test plans (e.g. market crash, increasing raw material costs) and measure vulnerability
- Develop strategies and readjust plans



Polling question





Anomaly Detection

Risk Reduction

- Quickly identify risky transactions
- Provides deep insights across GL, AP and AR subledgers
- Intuitive risk ratings expedite resolution
- 10-30x more effective at identifying risk vs manual, rules-based processes

High Risk

\$234.33K

2 transactions (0.1%) of
the ledger

Medium Risk

\$10.4M

47 transactions
(1.6%) of the ledger

Low Risk

\$34.05M

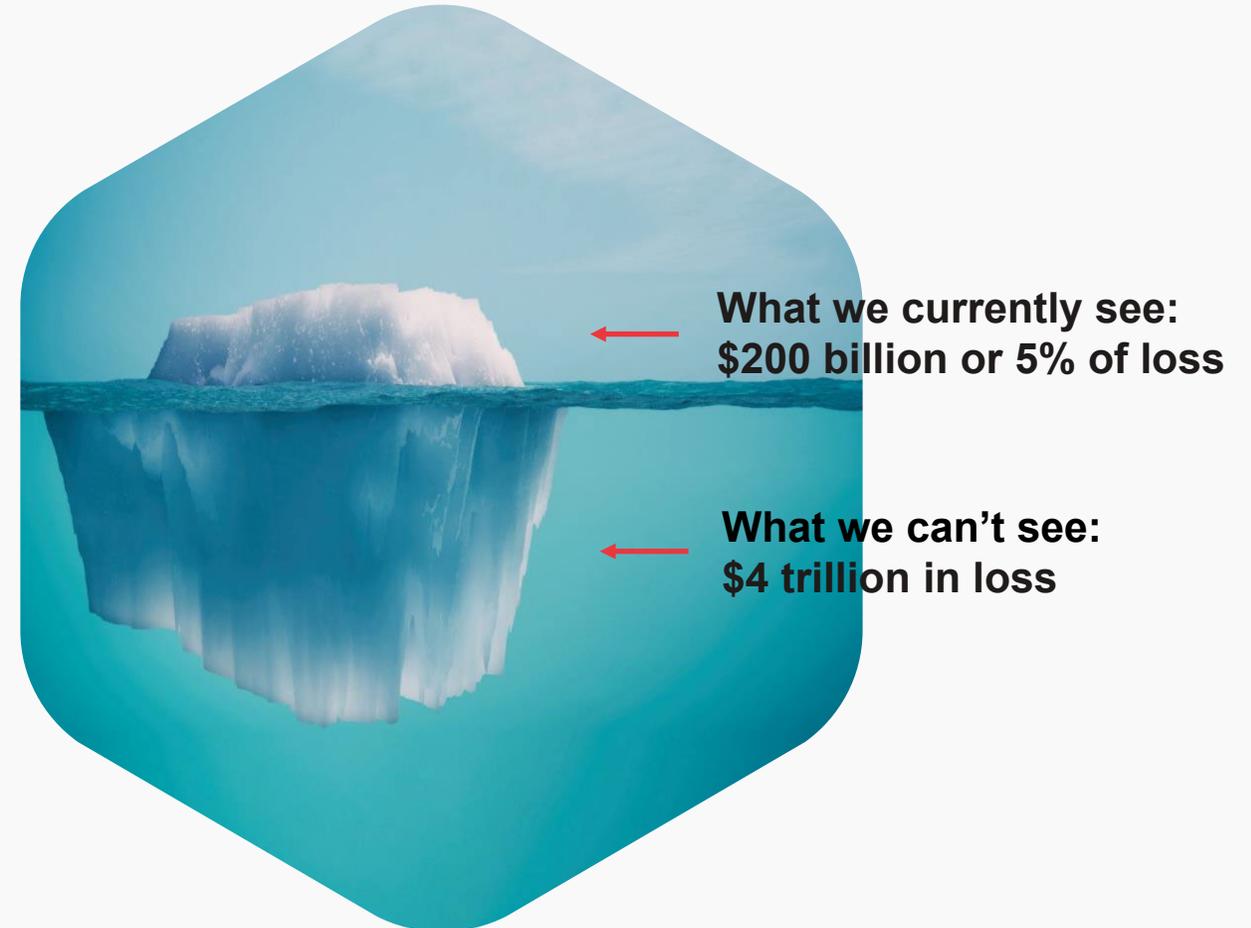
2,911 transactions
(98.3%) of the ledger



Anomaly Detection

Financial Risk and Fraud

- Traditional processes only catch 5% of total world loss
- Compounding data means no scale of humans can uncover and economically address all risk
- AI dramatically changes the game by immediately identifying all the risky transactions for a complete analysis

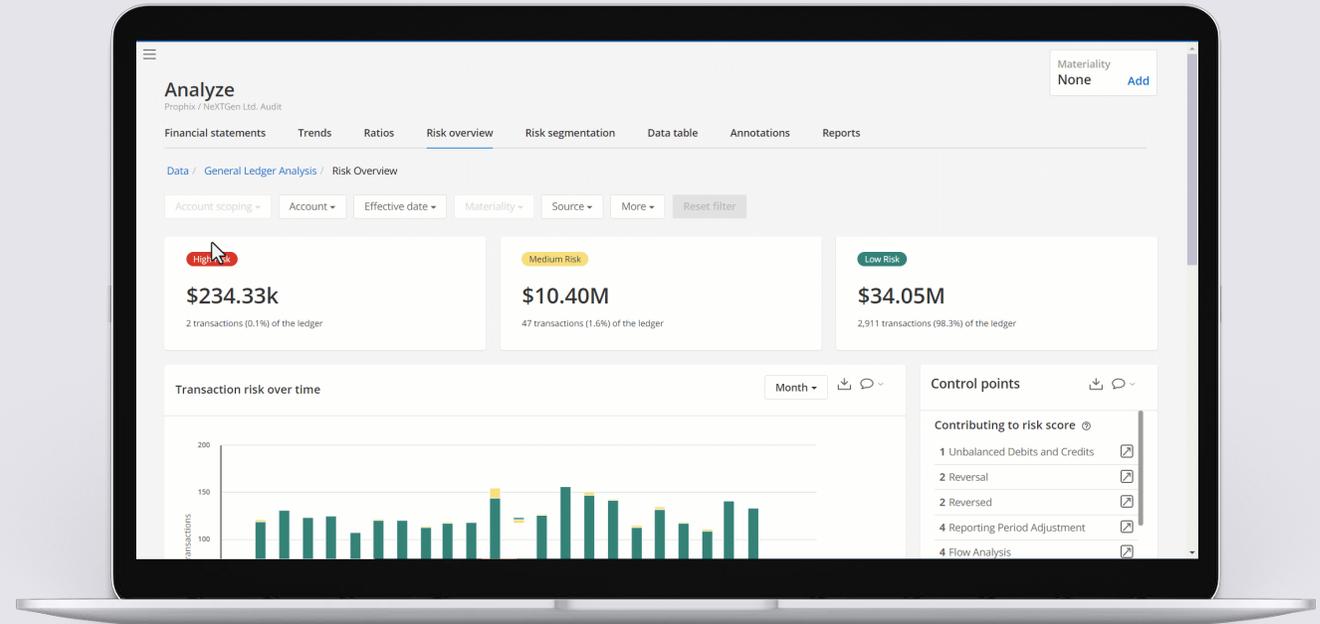




Anomaly Detection



- AI dramatically changes the game by enabling companies to analyze 100% of their transactions and immediately identify all the risky ones for a complete analysis
- Intuitive dashboards surface and resolve questionable transactions faster than ever before. Enhance accuracy, reduce risk, and expedite financial close processes.





Anomaly Detection

How does it do all this?

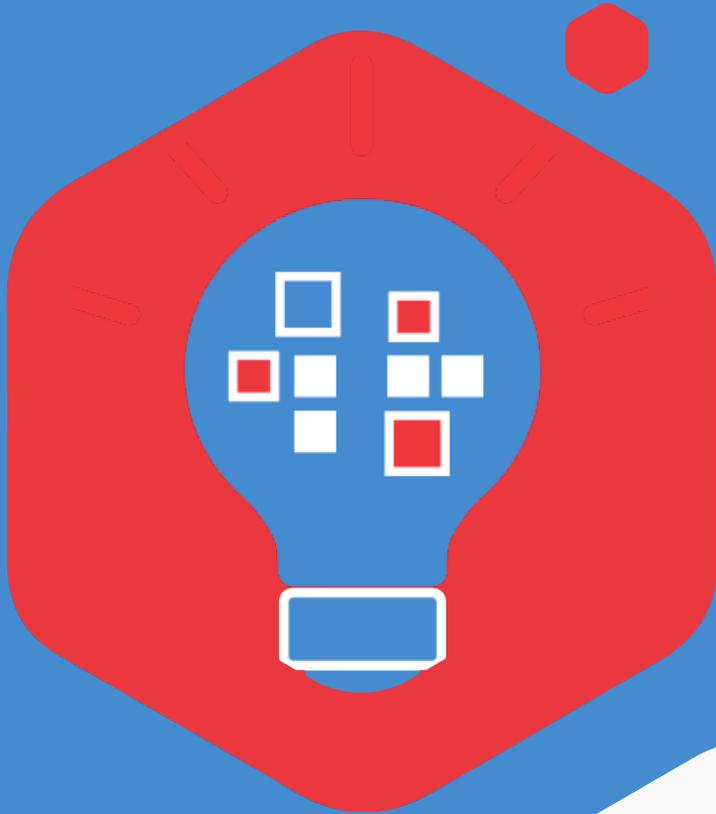
- By investigating all your financial transactions to:
 - Find trends and patterns
 - Calculate risk using AI, statistical methods, industry best practices and business rules
 - Enable rapid investigation and resolution
 - Deliver extensive journal entry testing to improve accuracy and confidence
- Speed up processes: internal audits, consolidations, close...

The screenshot displays a software interface for analyzing financial transactions. At the top, there are navigation tabs: 'Risk Overview', 'Trending', 'Data Table', 'Balance Checks', 'Reports', and 'Annotations'. The 'Data Table' tab is active, showing a table with columns: Transaction #, Risk, Posted Date, Monetary Value, # of Entries, and Status. A transaction with ID J2965 is highlighted, showing a risk of 48.9% and a monetary value of \$145,120.88. Below this, a detailed table shows account entries for 'Material: Hardware' with a debit of \$0.00 and a credit of \$145,120.88. A 'Control points' section below the table lists several flags:

- High 2 Digit Benford**: At least 2 entries in the transaction were well outside the expected pattern.
- End of Period**: This transaction has 2 entries posted within 10 days before a fiscal period end.
- End of Year**: This transaction has 2 entries posted within 10 days before a fiscal year end.
- High Monetary Value**: This transaction contains 2 entries above the top 2% of monetary values within the ledger.
- Manual Entry**: This transaction was entered manually into the accounting software.
- Material Value**: This transaction triggered Material Value. The material value control point flags transactions which contain monetary values above a client's material.
- Suspicious Keyword**: This transaction contains 2 entries that have suspicious keywords in the memo field: 'adjust', 'Anthony Caputo'.
- High Rare Flows**: This transaction contains monetary flows which are unusual for this ledger.



Adopting an AI strategy



"With the right governance, policies, and controls, organizations can strike the right balance between being bold, fast, and responsible to accelerate the value of AI with confidence."

Steve Chase

AI and Digital Innovation Vice Chair, KPMG in the U.S.



Adopting an AI strategy

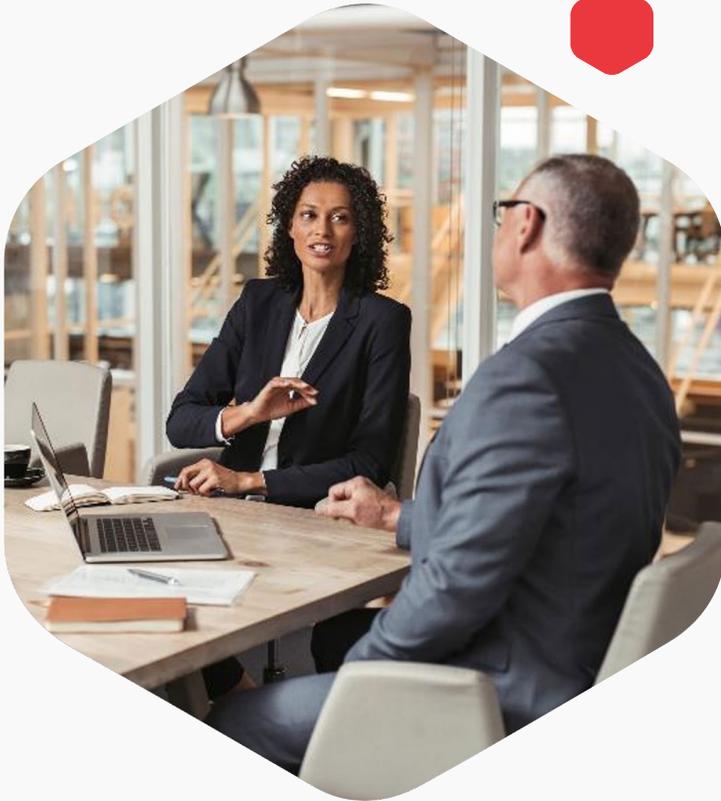
Considerations

- Explore the technology
- Assess & discover
- Define clear objectives
- Decision points
- Identify potential partners and vendors





Adopting an AI strategy



Implement

- Build a road map
- Champion the strategy
- Begin training & encourage learning
- Establish guidelines
- Assess & adapt



AI as a critical finance tool

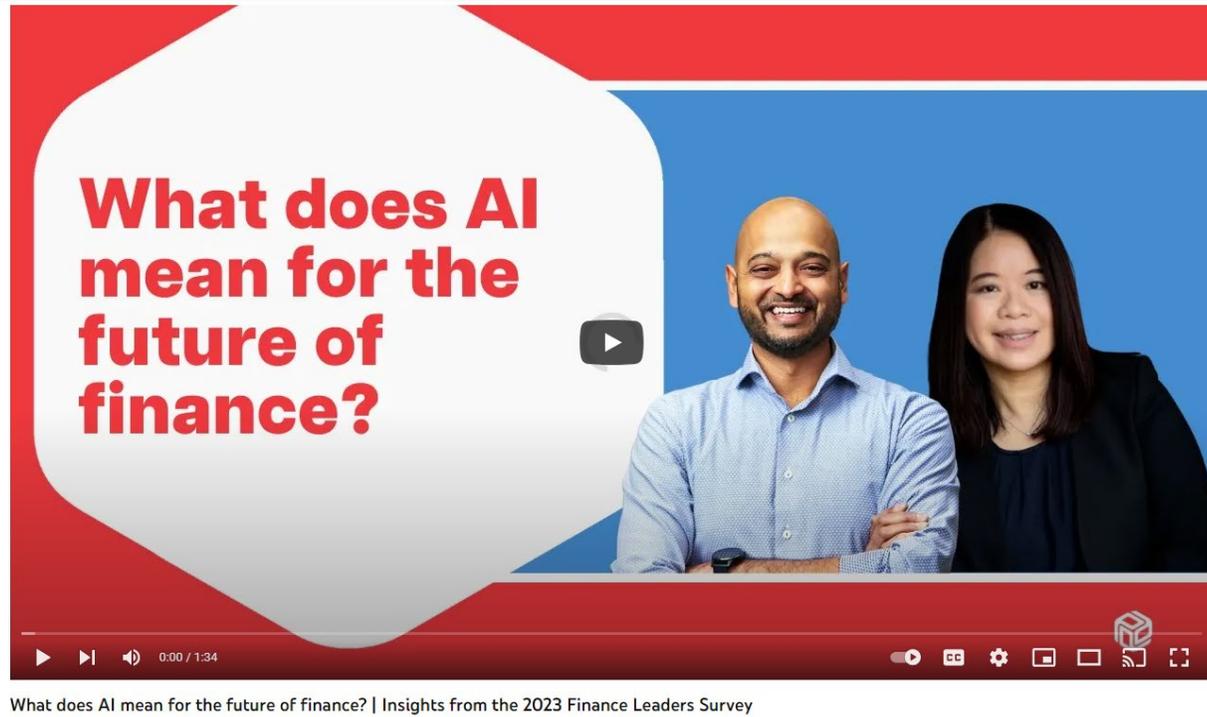
Trends in 2024

- Development of specialized use cases
- Harnessing data
- Effective management of AI challenges





Interested in more discussion on AI?



Listen to Theodora Lau discuss the impact of AI on finance with Prophix CEO Alok Ajmera





Q&A



Thank you



Hassan Qasim
hqasim@prophix.com

www.prophix.com