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AI 101 for CPAs:
Core Concepts and Practical Applications



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Presented By
John H. Higgins, CPA.CITP
Rochester, Michigan

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Learning Objectives



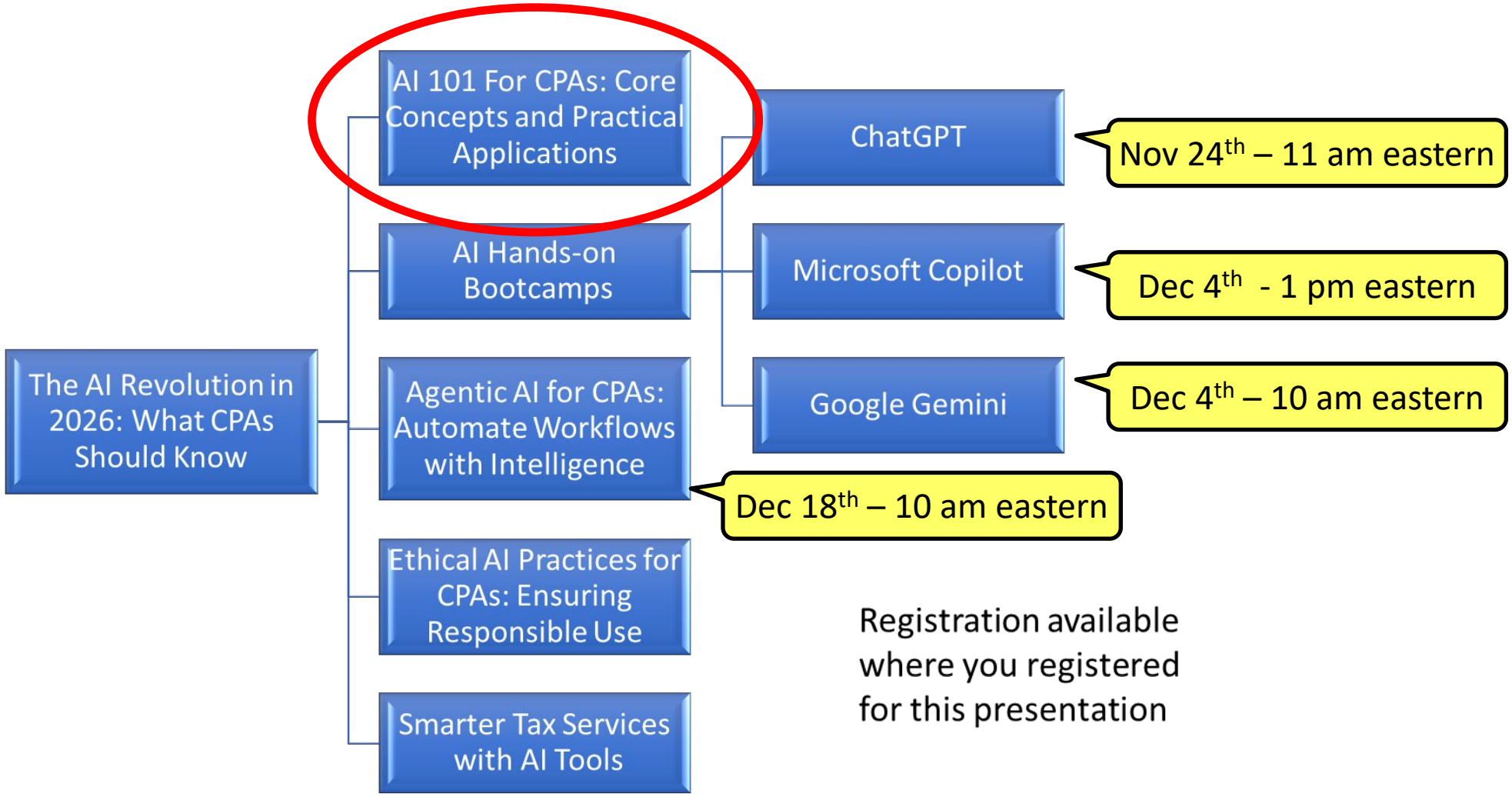
- Identify core AI concepts relevant to accounting and finance.
- Differentiate common CPA/CFO use cases
- Evaluate key risks and select mitigating controls.

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John H. Higgins, CPA.CITP

Strategic Technology Advisor



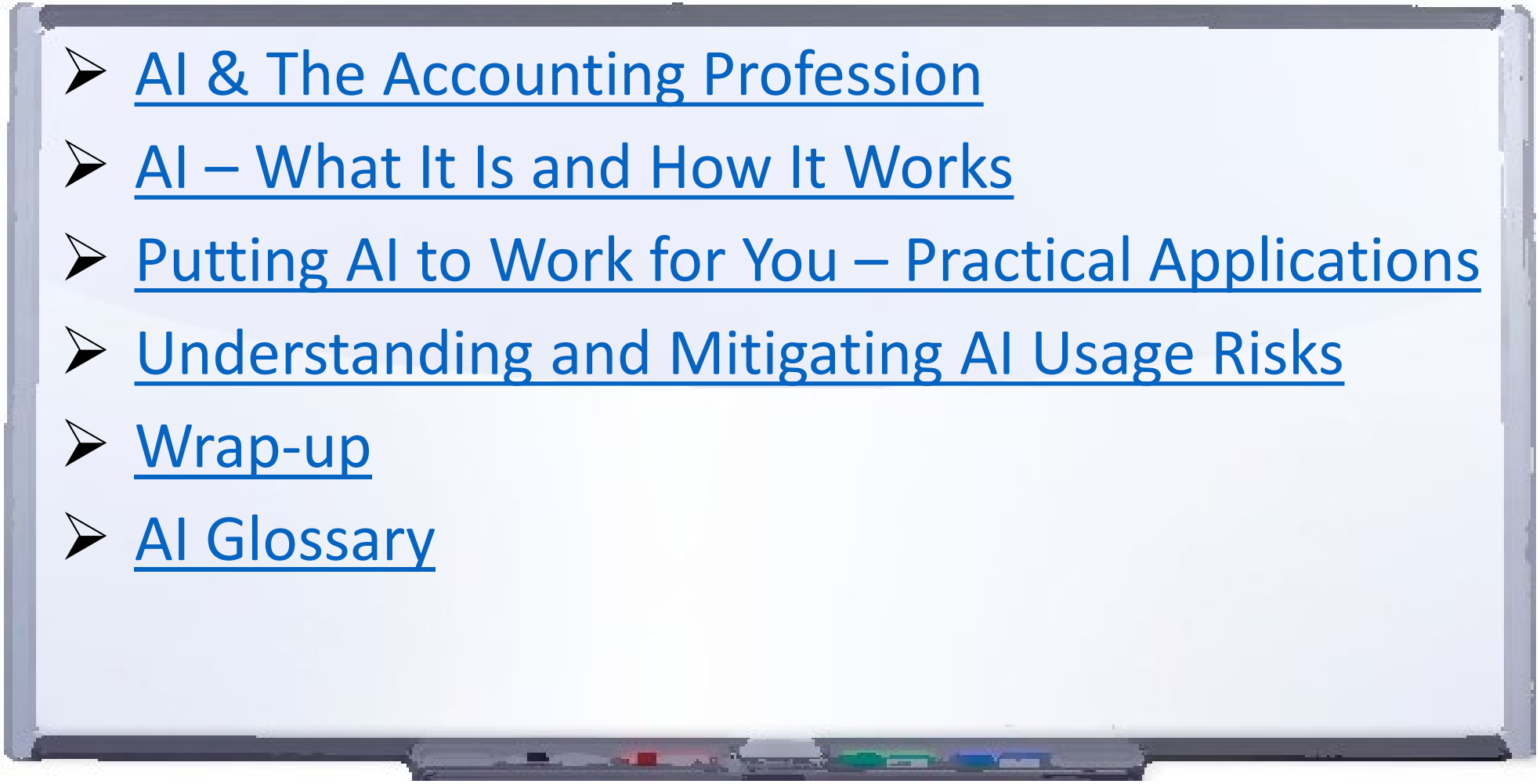
john@higginsadvisoryllc.com

- Nationally recognized thought leader, advisor, author and speaker on CPA technology
- Strategic technology advisor to the profession w/ 35+ years of experience
- Founded and sold two CPA technology advisory startups
- Former National Mid-market Technology Partner - BDO
- CPA Practice advisor Top 25 Thought Leader for the CPA profession
- AICPA Business & Industry Hall of Fame Inductee
- Past Chair of the Michigan Association of CPAs
- Passionate advocate for the CPA profession!

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Presentation Outline



- AI & The Accounting Profession
- AI – What It Is and How It Works
- Putting AI to Work for You – Practical Applications
- Understanding and Mitigating AI Usage Risks
- Wrap-up
- AI Glossary

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AI & THE ACCOUNTING PROFESSION



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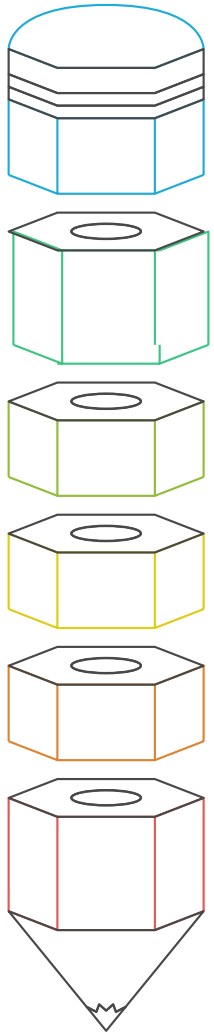
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Market Forces Driving AI Adoption by CPAs

- Staffing requirements
- Compliance complexity
- Profitability pressures
- Competition
- Opportunity / Innovation

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AI Applications in Accounting, Finance & Tax



Research / Learning

Enhances understanding of complex topics

Communications / Content Creation

Streamlines message delivery and engagement

Document Analysis

Higher risk

Accelerates review and extraction of key information

Data Analysis

Higher risk

Provides deeper insights and predictive capabilities

Workflow Automation

Agentic AI

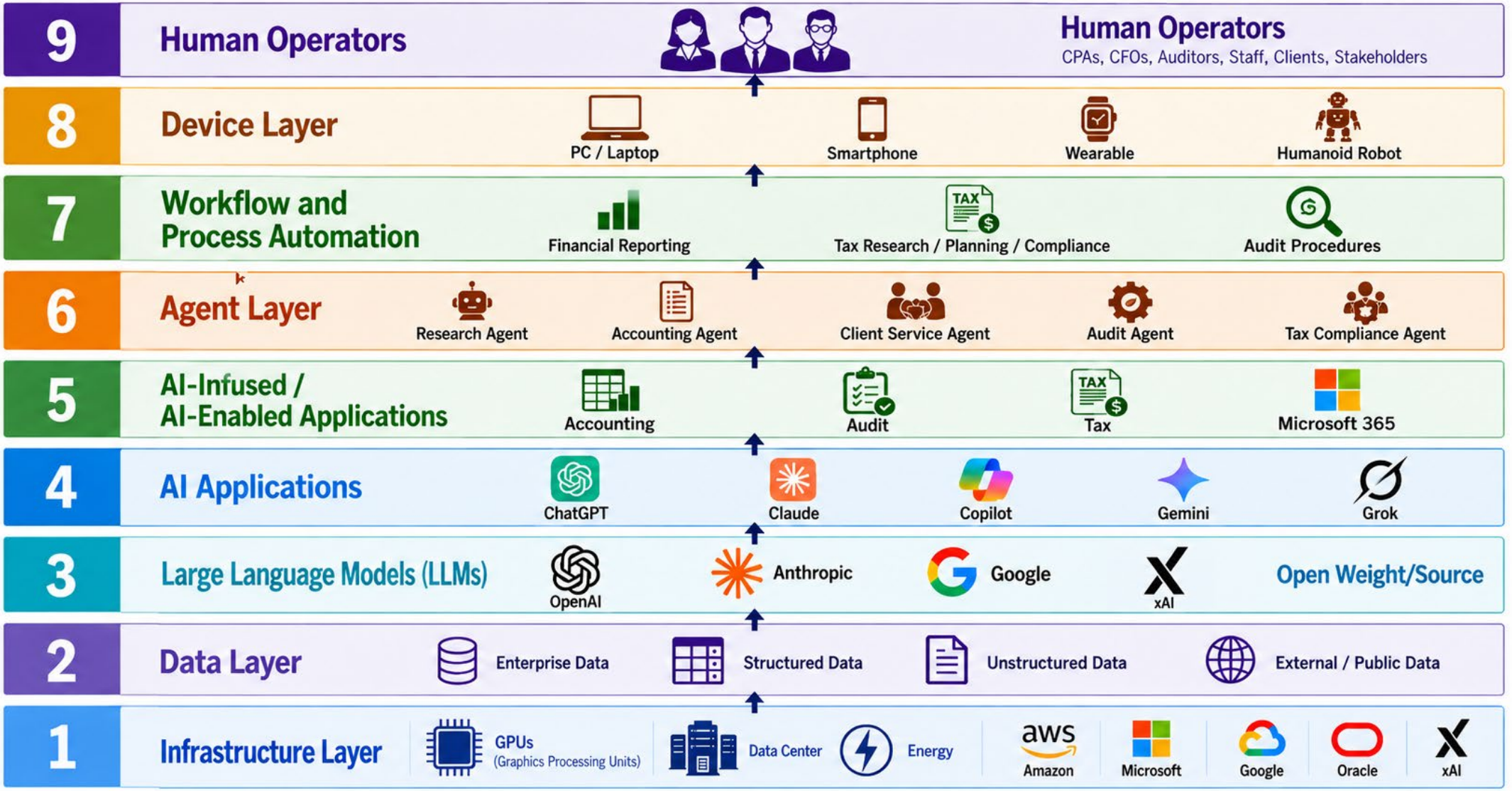
Reduces manual tasks and improves efficiency

Innovation / Brainstorming

Sparks new ideas and strategies

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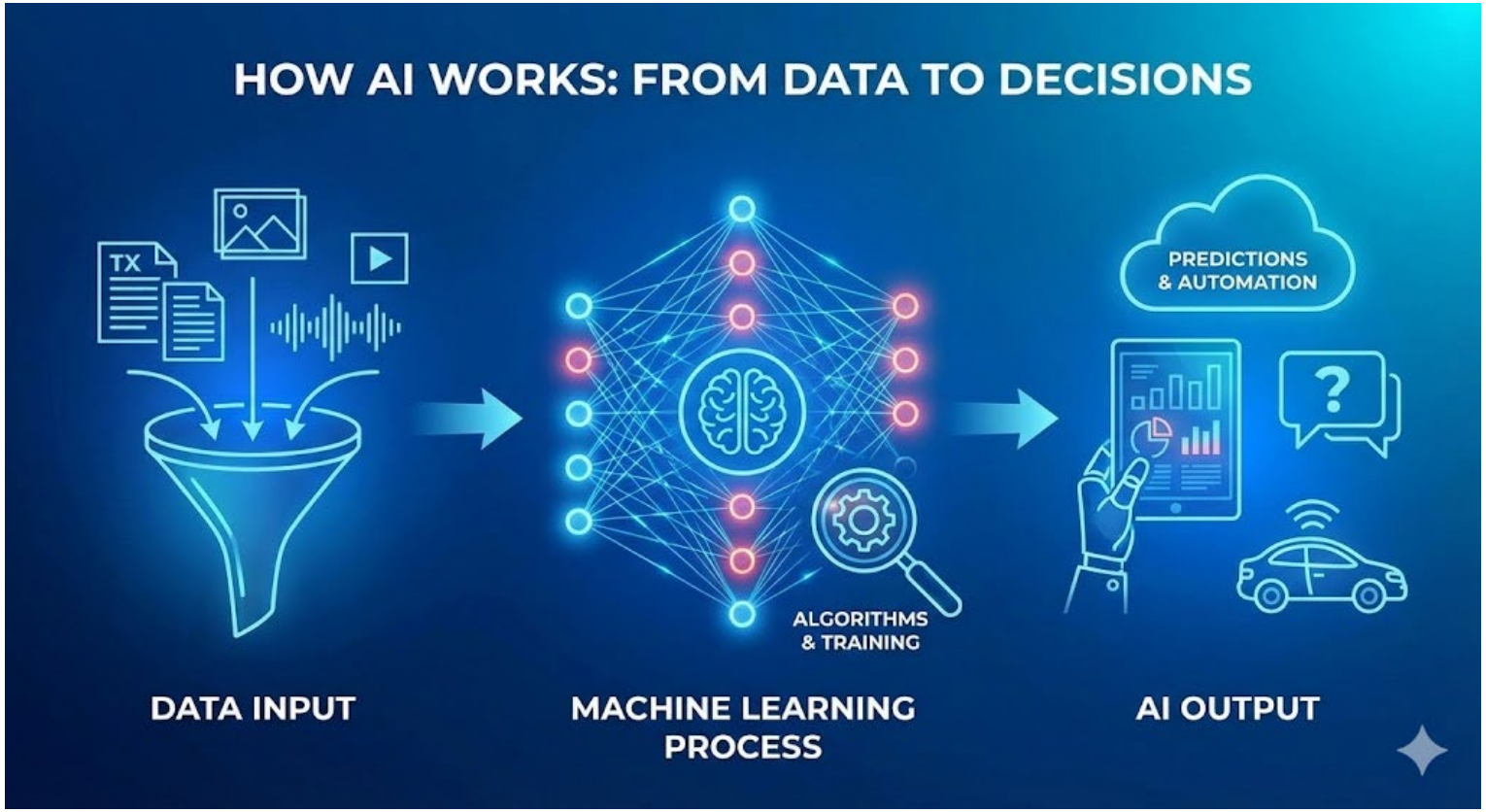
Artificial Intelligence (AI) Technology Ecosystem



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AI – WHAT IT IS AND HOW IT WORKS



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A Simple Generative AI demo

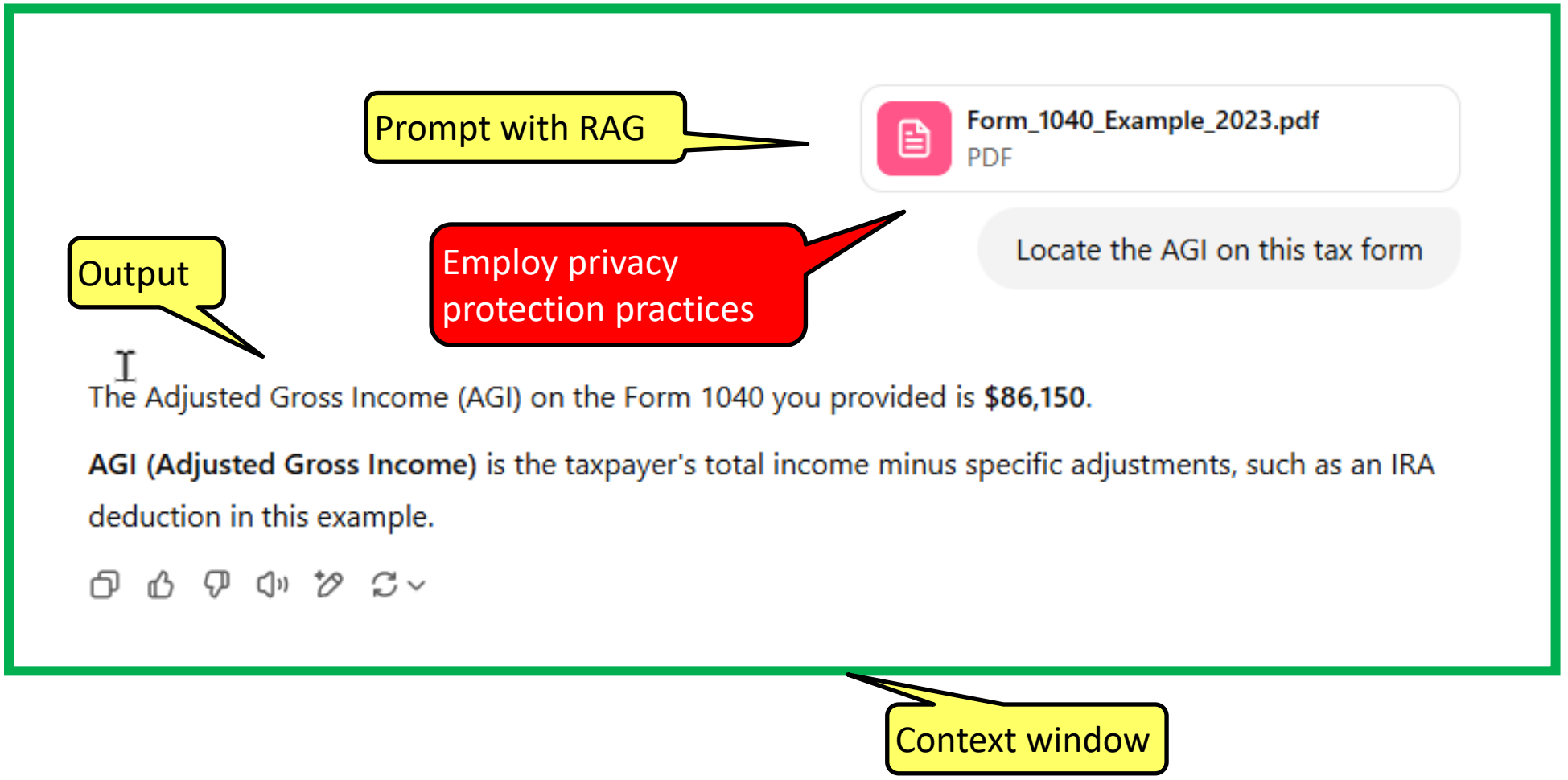
- ***Prompt***: What is AGI?
- ***Response***: AGI stands for Artificial General Intelligence.
- ***Prompt***: In the context of income taxes.
- ***Response***: In the context of *income taxes*, AGI refers to *Adjusted Gross Income*.



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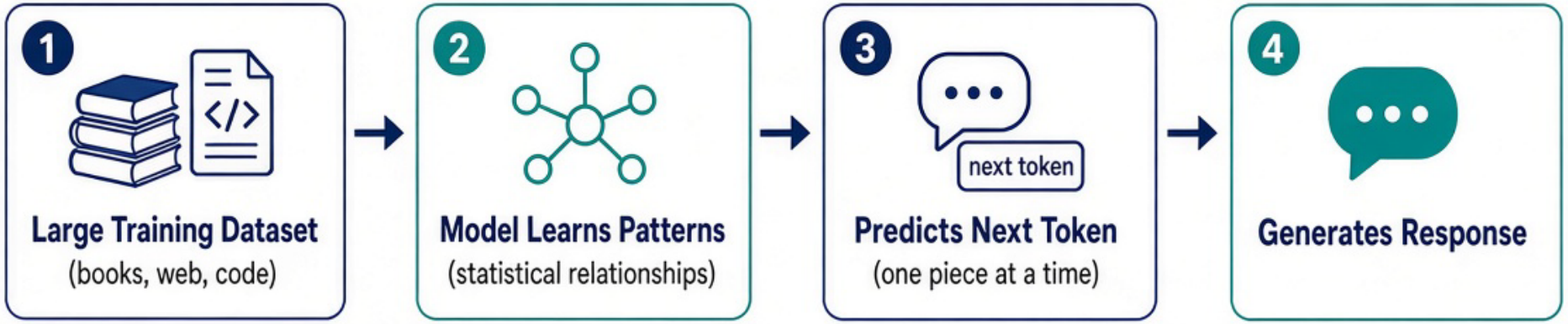
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A Simple Generative AI demo with RAG (Retrieval Augmented Generation)



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How Generative AI (LLMs) Actually Work — Simple View



What the model does:
predicts likely next words from patterns — it does not search or truly know facts

Context matters:
same words can mean different things
(AGI = Artificial General Intelligence OR Adjusted Gross Income)

The RAG Difference

Without RAG
(pure generation from patterns)

Relies only on patterns learned during training. Responses are plausible, but can be incomplete, outdated, or hallucinated.

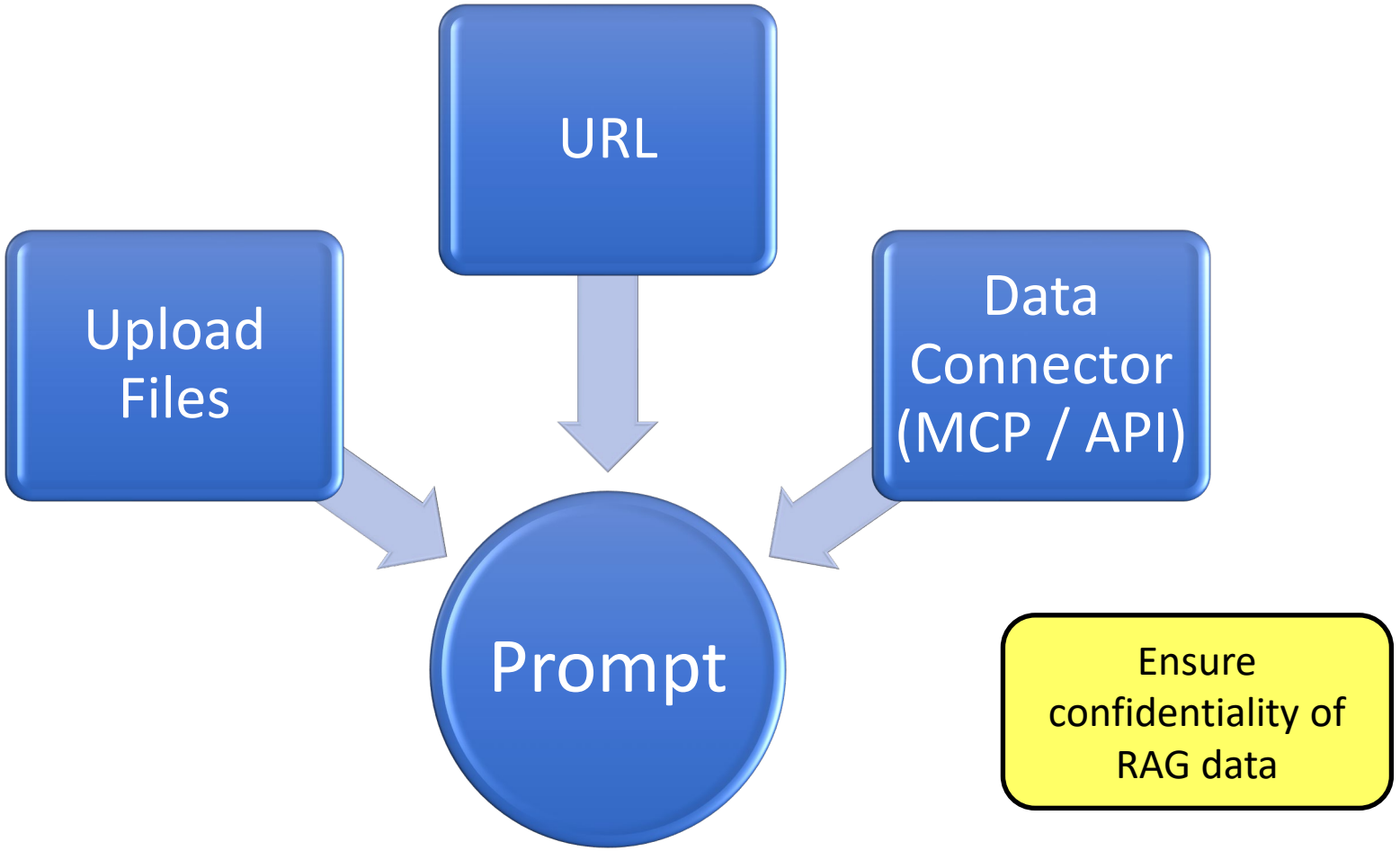
With RAG
(retrieves trusted sources like documents or tax code, then generates grounded response)

Retrieves relevant, trusted information first — then generates a response grounded in real, up-to-date sources.

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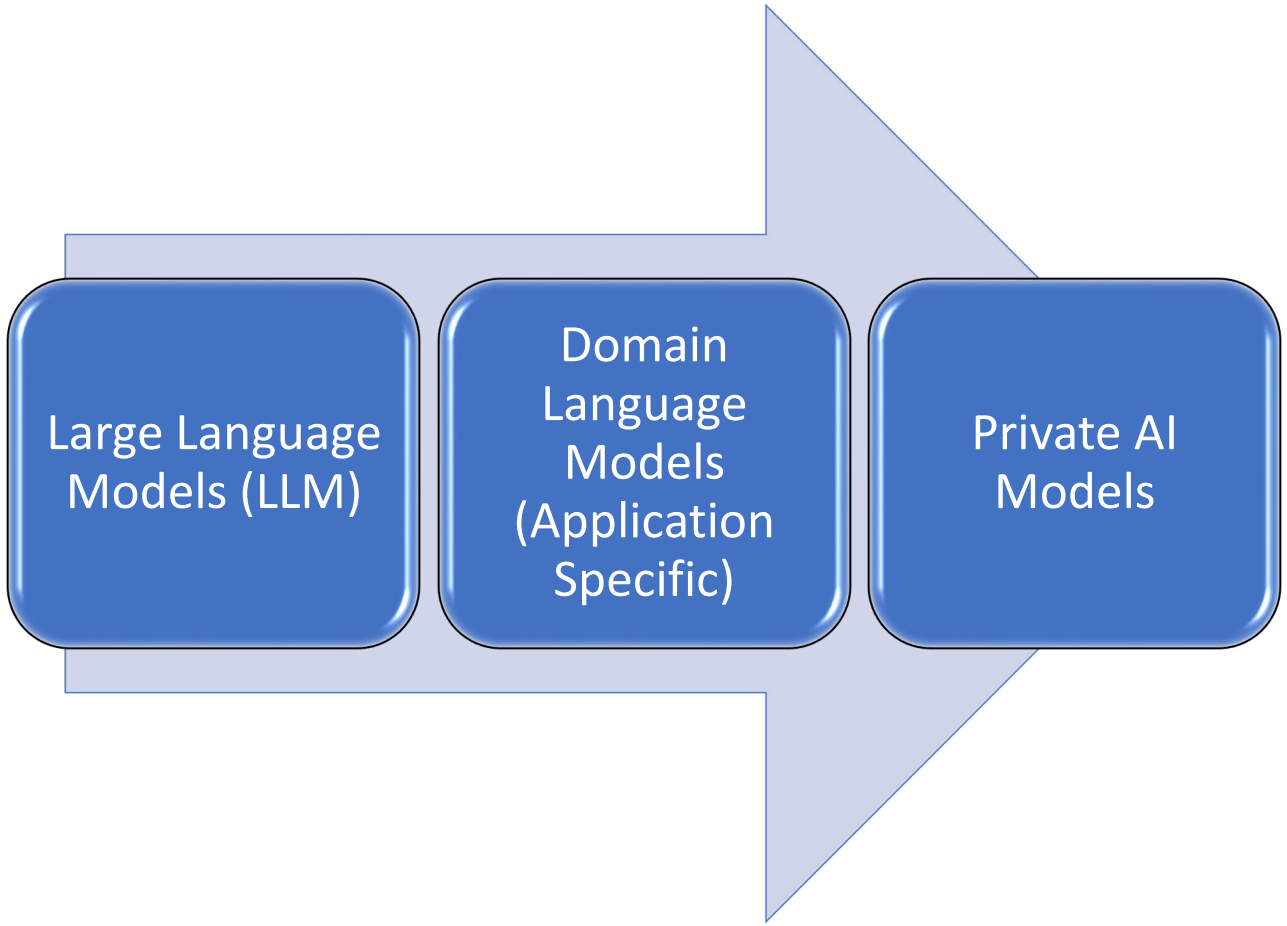
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Understanding RAG (Retrieval Augmented Generation)



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The Evolution of AI Language Models



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Popular Generative AI Apps aka Foundation Models

- ChatGPT (OpenAI)
- Claude (Anthropic)
- Copilot (Microsoft)*
- Gemini (Google)
- Grok (xAI)

* Copilot is an AI app, not an LLM (Large Language Model.) It incorporates ChatGPT and Claude models

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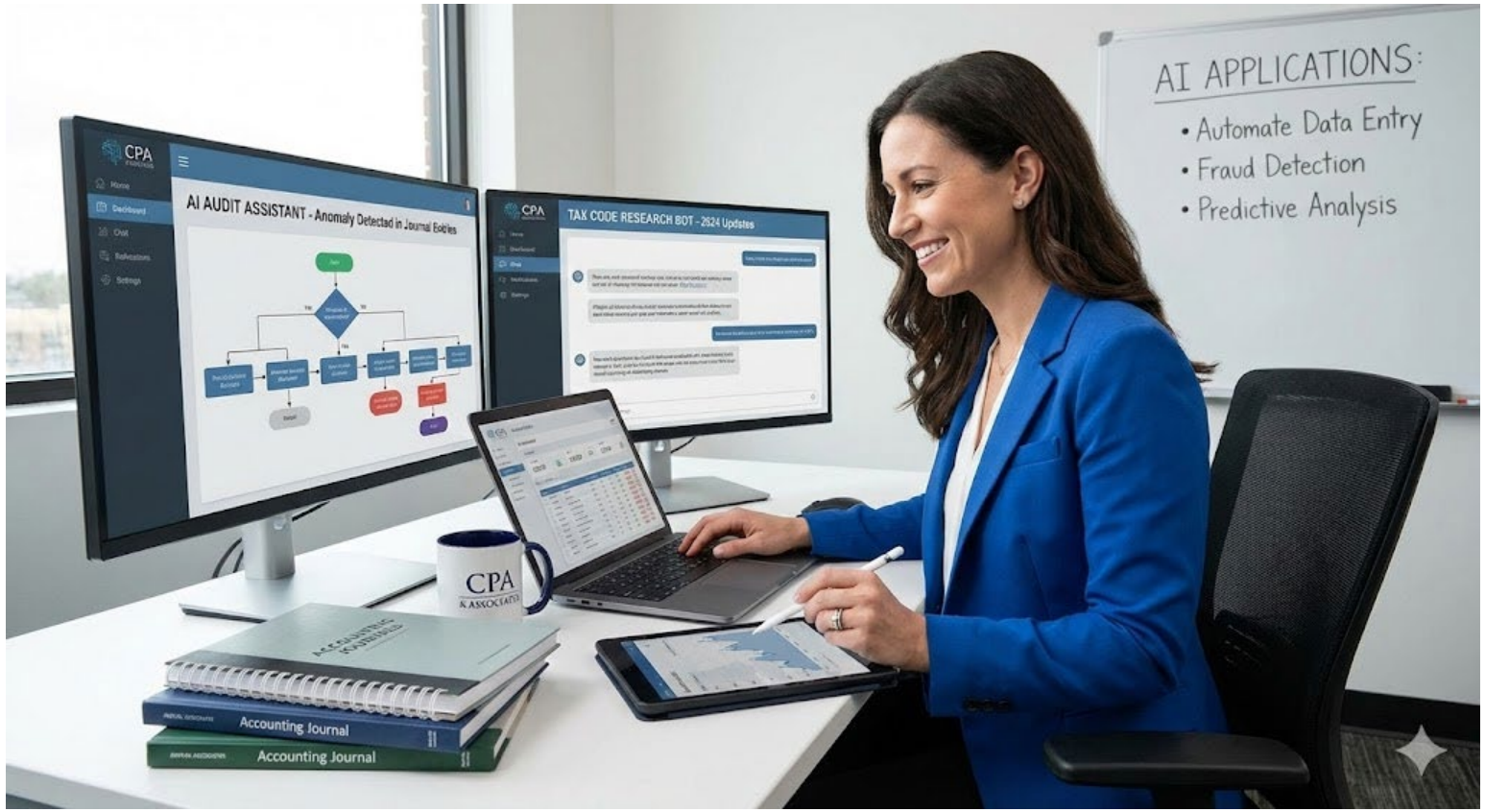
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CPA Related Domain Specific Models

- Blue J
- Caseware AiDA
- MindBridge
- TaxGPT
- Thomson Reuters CoCounsel
- Wolters Kluwer

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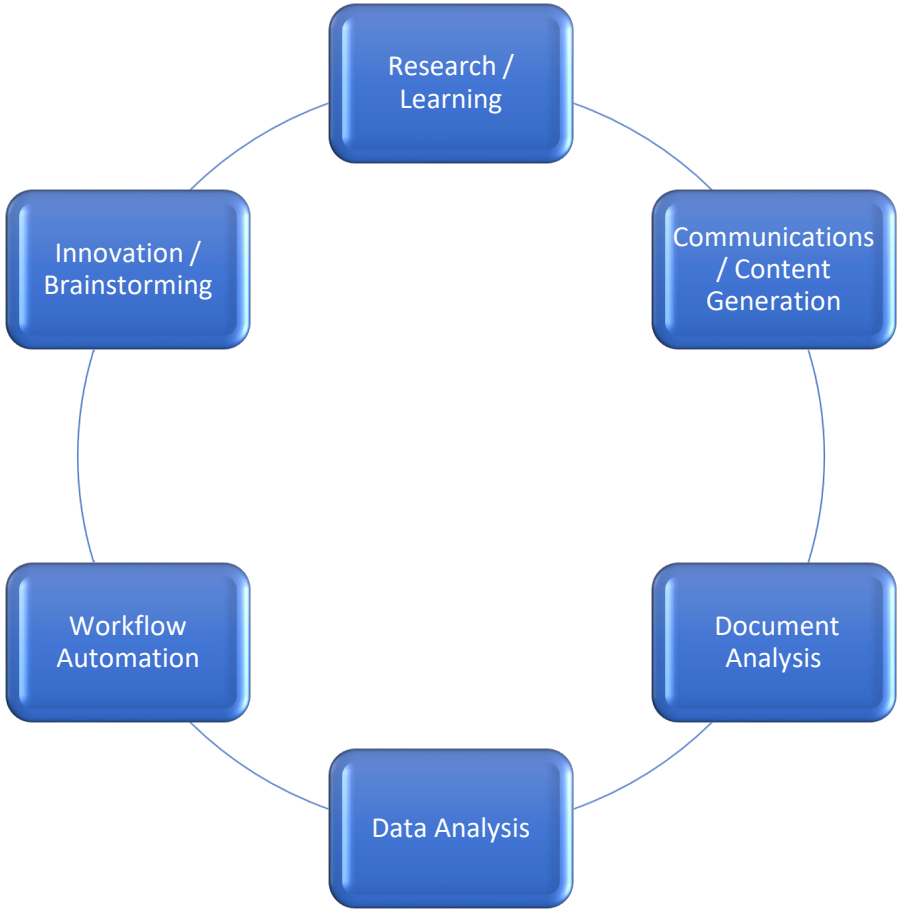
PUTTING AI TO WORK FOR YOU – PRACTICAL APPLICATIONS



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GENERATIVE AI APPLICATIONS FOR CPAS



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Case Study 1: Tax Research

- Scenario: You are asked by a client to explain the tax treatment of cryptocurrency staking rewards.

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Case Study 1: Tax Research



Prompt example

Prompt:

- Act as a professional tax advisor.
- The audience is a non-financial taxpayer.
- Prepare a summary explanation of the tax treatment of cryptocurrency staking.
- Keep the tone professional, less than 500 words, in a bulleted list, in memo format, provide citations, write at the 10th grade level.

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Case Study 2: Communications / Content Generation

- Scenario: You need to present the highlights of the University of Notre Dame's FY2025 financial statements to the Board of Trustees.

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Case Study 2: Communications / Content Generation



Prompt example

Prompt:

- Act as a professional communications coach to accounting and finance professionals.
- The audience is the Board of Trustees of the University of Notre Dame. They are a combination of clergy and lay people. They may or may not be financial reporting savvy.
- Prepare a timed outline for a 45-minute presentation on the FY 2025 audited financial statements.
- Keep the tone professional. Format in a bulleted list. Suggest potential charts and graphs to enhance the presentation. Compose at the undergraduate college reading level.
- The FY 2025 Audited financial statements are added as RAG.

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Case Study 3: Document Analysis

- Scenario: Analyze the terms of an office lease agreement for your client or company and provide an opinion on the quality, or lack thereof, of the lease agreement.

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Case Study 3: Document Analysis



Prompt example

Prompt:

- Act as a legal expert specializing in commercial real estate agreements.
- The audience is a potential lessee of a commercial office. Assume the lessee is not versed in the legalities of a lease agreement.
- Prepare a summarized analysis of the lease agreement to identify any lease terms that are detrimental to the lessee, as well as any missing terms that should be added to the agreement. Include an executive summary with your opinion of the quality of the lease from the perspective of the lessee.
- Keep the tone professional. Format in a bulleted list. Compose at the 10th grade reading level.
- An actual lease agreement will be added as RAG.

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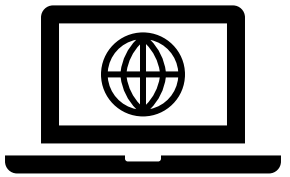
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Case Study 4: Data Analysis

- Scenario: Analyze the annual reports of four major AI technology companies to understand the financial strengths and weaknesses of them comparatively.

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Case Study 4: Data Analysis



Prompt example

Prompt:

- Act as an expert financial analyst.
- The audience is a professional financial advisor who advises clients on financial planning and wealth management issues.
- Analyze the annual reports of these four AI technology leaders and provide a comparative analysis of financial strengths and weaknesses of each of them relative to the others. Include an executive summary of each company's financial performance and position.
- Keep the tone professional. Format as comparative tables. Create charts and graphs as appropriate. Compose at the 10th grade reading level. Provide definitions of any complex financial terms or metrics.
- Actual annual report files will be added as RAG.

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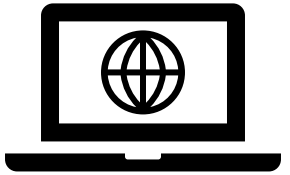
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Case Study 5: Workflow Automation

- Scenario: Create an agent to prepare you for an upcoming meeting to review the Nvidia annual financial statements with their department managers.
- Link to agent

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Case Study 5: Workflow Automation



Prompt example

Prompt:

You are a CPA meeting-prep assistant.

Goal: Create a short client meeting briefing.

Steps you should follow:

1. Ask me for the company name, industry, and any financial statements I can upload.
2. Search for recent news and key industry trends.
3. Review the financials I provide and note major trends or red flags.
4. Produce a one-page briefing with:
   - Company & industry snapshot
   - Key financial observations
   - 4–5 thoughtful questions for the meeting
   - Any risks or opportunities worth raising
5. Clearly note anything you could not verify.

Keep the tone professional and concise. Use bullet points. Flag any information that is uncertain.

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Case Study 6: Innovation / Brainstorming

- Scenario: Develop the framework for a strategic planning retreat for a 50-person CPA firm to develop an effective and responsible AI adoption plan for the firm.

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Case Study 6: Innovation / Brainstorming



Prompt example

Prompt:

- Act as a strategic planning facilitator for accounting and advisory firms.
- The audience is the leadership team of a 50 person CPA firm responsible for designing an effective AI adoption planning retreat for the firm.
- Develop a comprehensive plan for a one-day retreat with the goal of having a comprehensive framework for the firm to adopt an AI implementation plan that is effective, efficient and safe. Create a timed agenda, define the methodology for capturing thoughts and ideas and organizing them into a manageable format that facilitates synthesizing them into actionable initiatives. Define specific deliverable outcomes for the event.
- Keep the tone professional. Format as a timed agenda for the event. Identify the specific roles and responsibilities. Develop a series of thought-provoking questions to encourage input and feedback from all participants. Recommend documentation procedures.

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PROMPT BEST PRACTICES



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Creating Effective Prompts

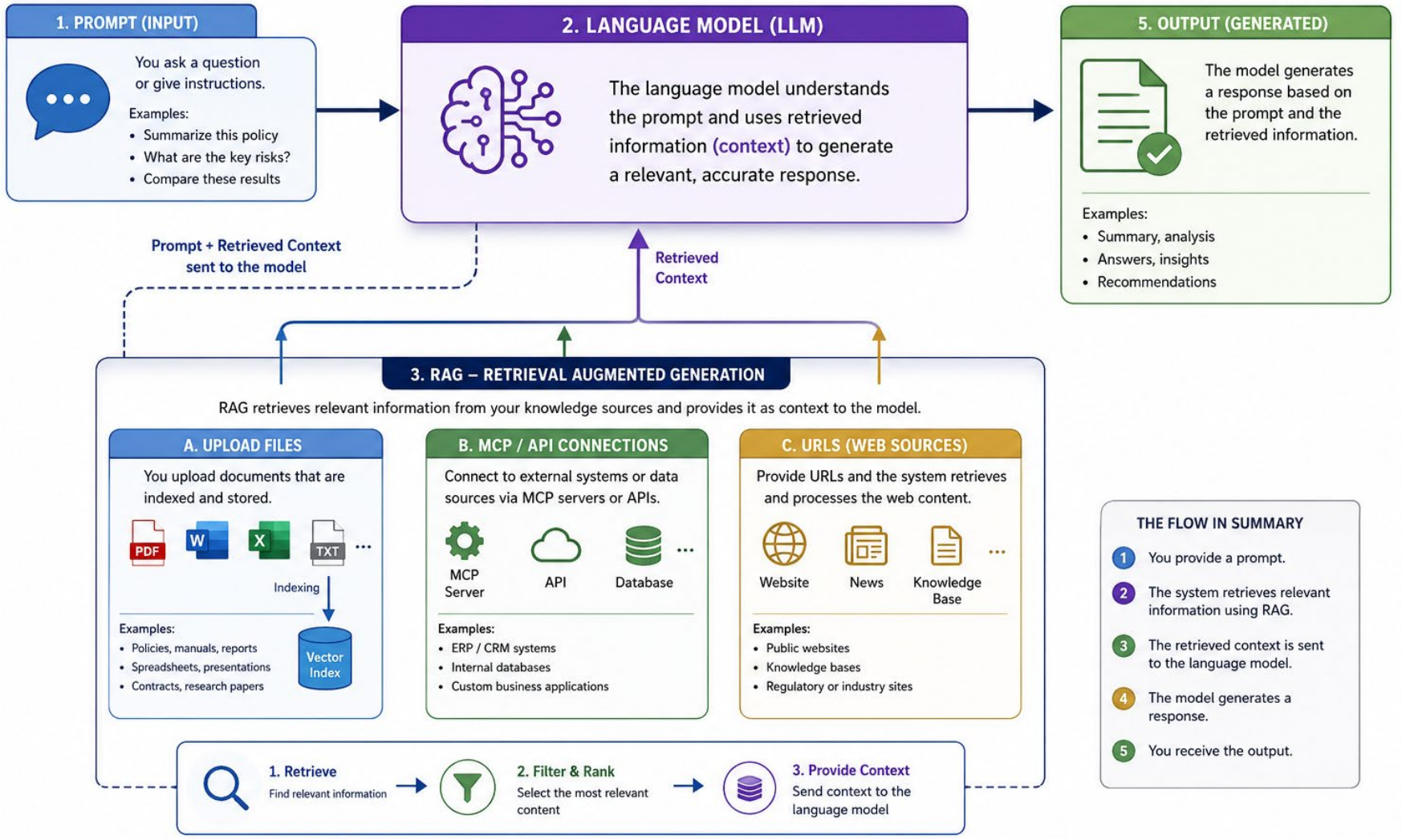
- Define AI's role (functional role + domain expertise)
- Describe the audience for the output
- Objective – specific outcome desired
- Context – background information
- Provide example(s)
- Optimize supporting data – RAG
- Define any constraints
- Require links to citations
- Output structure / deliverables

Ask the AI to create / improve the prompt

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How a Language Model, Prompt and RAG Work Together



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Requesting Source Citations

- Specify acceptable authoritative sources
- Format for citation with direct links
- Traceability to the exact location

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Grounding Prompts With Authoritative Sources

1. Explicitly identify the authoritative sources
2. Cite every material statement with a link to the source
3. Distinguish facts from interpretations
4. If information is absent from the source, explicitly state that
5. Do not use general model knowledge or other web sources
6. Note any conflicts among sources

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Case Study 7 – Prompt Citations Request

1. Provide a summary of current cryptocurrency tax treatment in the U.S. Support all key points with citations exclusively from these authoritative sources IRS, SEC, and FASB. Explicitly identify the authoritative sources
2. Cite every material statement with a link to the source
3. Distinguish facts from interpretations
4. If information is absent from the source, explicitly state that
5. Do not use general model knowledge or other web sources
6. Note any conflicts among sources



Prompt example

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UNDERSTANDING AND MITIGATING AI USAGE RISKS



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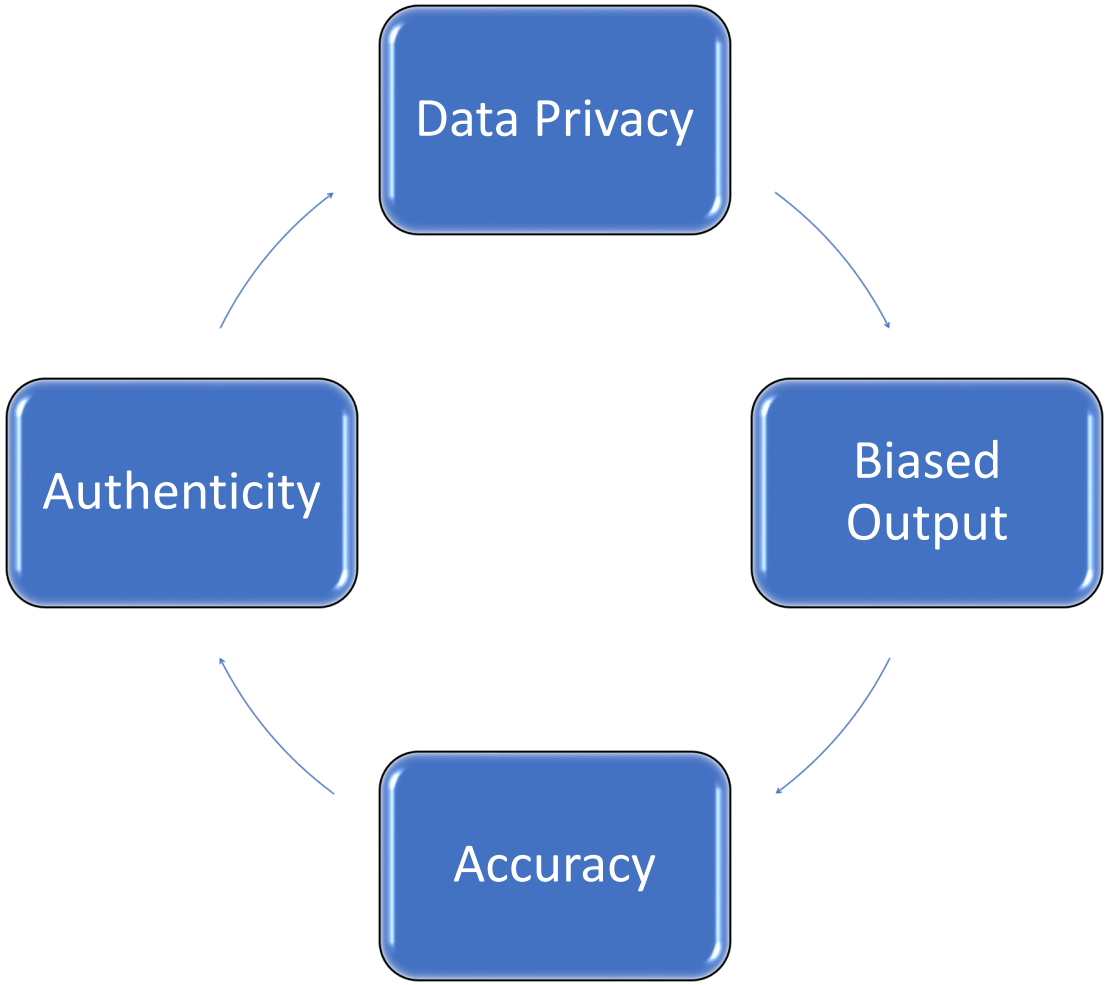
Live Content Slide

When playing as a slideshow, this slide will display live content

Poll: Do you have an AI usage policy in your organization?

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Primary AI Usage Risks



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Risk Mitigation - Apply Due Diligence in Selecting AI Tools

Select	Select reputable tools
Investigate	Investigate their data privacy and acceptable use policies.
Limit	Limit staff to using only approved tools

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Risk Mitigation - Develop Documentation Standards



Maintain an audit trail of AI prompts and outputs for client engagements as part of your engagement documentation standards



Establish a policy for when and how AI usage on client engagements should be disclosed



Consult with your professional liability carrier for guidance

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Risk Mitigation - Authenticity and Accuracy Validation Policy



Establish guidelines for standard procedures for validating the accuracy and authenticity of AI generated output



Include links to sources in prompt output

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Risk Mitigation - AI Acceptable Usage Policies and Procedures



Establish an AI prompt champion to lead communication, oversight and knowledge sharing regarding prompt best practices



Maintain a library of firm approved prompts for technical applications on client engagements



Monitor standards setters and regulatory agencies for compliance requirements

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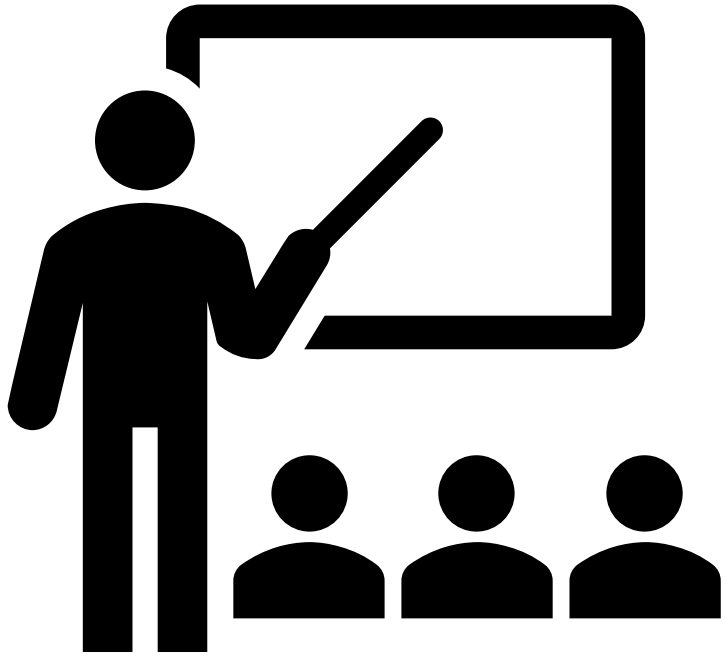
Risk Mitigation - Develop an AI Acceptable Usage Policy

- Incorporate all these policies & procedures in a comprehensive and documented AI usage policy
- Provide mandatory education on the policy for all staff
- Monitor and update quarterly
- Monitor standards setters and regulatory agencies for compliance requirements

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WRAP-UP



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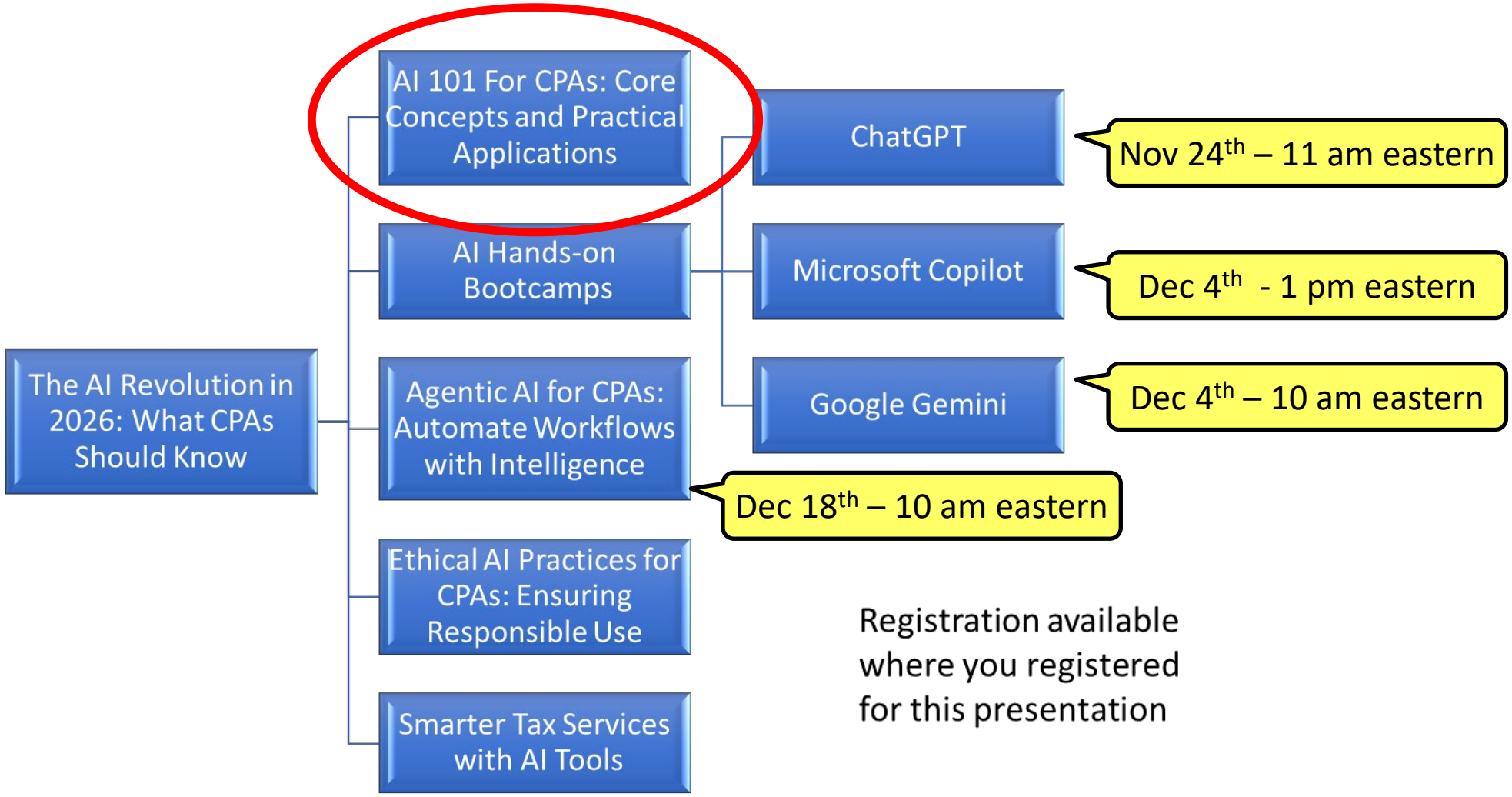
In Summary

- Take time to review the case study example prompts
- Experiment with your own prompts throughout your day
- Be sure to follow best practices for risk mitigation
- Leveraging AI can be a jet pack for your career

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AI GLOSSARY



Glossary created by ChatGPT

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AGI (Artificial General Intelligence)

Human-level intelligence across most cognitive tasks.

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Agentic AI

AI that plans, acts, and adapts to achieve goals.

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AI Ethics

Principles guiding responsible, fair, and trustworthy AI use.

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AI Governance

Policies and controls managing AI risk and accountability.

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AI-Enabled

Traditional processes enhanced using AI tools.

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AI-Native

Processes designed around AI from inception.

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ASI (Artificial Superintelligence)

Intelligence far exceeding human cognitive abilities.

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Autonomous

Operates independently without continuous human oversight.

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BCI (Brain–Computer Interface)

Direct communication between brain and external devices.

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Benchmarking

Comparing AI performance against standardized tasks or metrics.

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Closed Source aka Proprietary

Privately owned Artificial Intelligence models, restricted access, limited modification, controlled distribution.

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Context Window

Amount of information a model can consider simultaneously.

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Data Leakage

Unintended exposure of sensitive data through AI systems.

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Explainability

Ability to understand and justify AI outputs.

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Fine Tuning

Additional training on task-specific or proprietary data.

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Foundation Model

Broad pre-trained model adaptable to many tasks.

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Generative AI

Creates new content from learned data patterns.

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Guardrails

Constraints preventing unsafe or noncompliant AI behavior.

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Hallucination

Confidently generated but incorrect or fabricated output.

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Human-in-the-Loop

Human review integrated into
AI decision workflows.

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Inference

Generating outputs using a trained AI model.

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Latency

Time delay between input and response.

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LLM (Large Language Model)

Model trained on massive text datasets.

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Model

Trained system producing probabilistic outputs from inputs.

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Multi-modal

Processes multiple data types simultaneously.

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Open Source

Publicly available Artificial Intelligence models, freely used, modified, shared.

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Orchestration

Coordinating multiple AI tools, agents, or workflows.

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Physical AI

AI embedded in machines interacting with the physical world.

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Pre-Trained

Initially trained on large, general-purpose datasets.

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RAG (Retrieval Augmented Generation)

Combines retrieved data with model-generated responses.

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Reasoning

Ability to infer, plan, and draw conclusions logically.

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Return on AI (ROAI)

Measured business value generated from AI investments.

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Semantic

Focused on meaning, context, and relationships.

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Singularity

Hypothetical point of rapid, uncontrollable AI intelligence growth.

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Synthetic Data

Artificially generated data resembling real datasets.

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Token

Smallest text unit processed by a model.

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Transformer

Neural architecture using attention for sequence modeling.

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Vibe Computing

Software coding using natural language prompts and AI

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Workflow Automation

AI-driven execution of multi-step business processes.