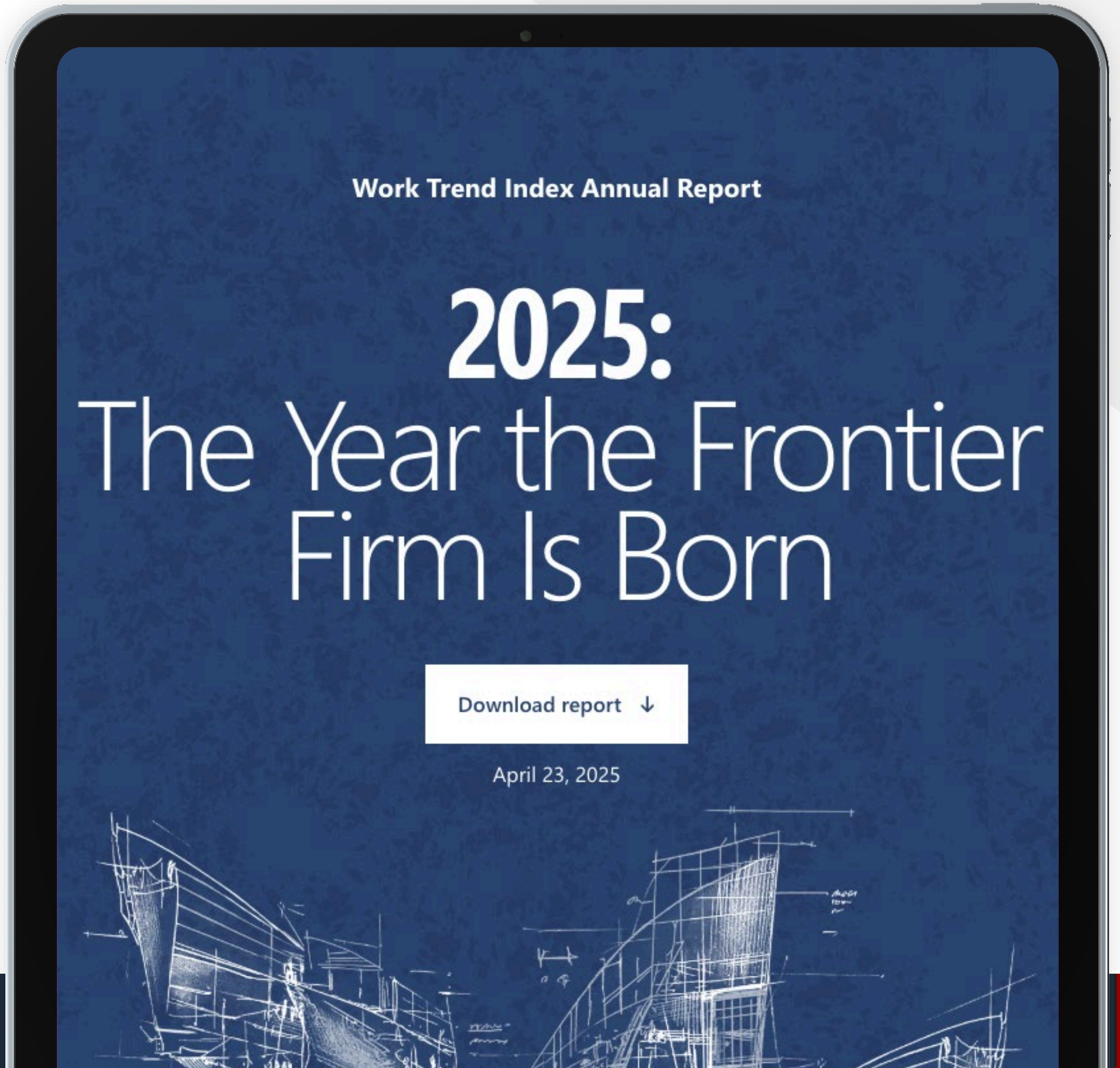
Evolution of AI

“The Year the Frontier Firm Is Born”

MICROSOFT 2025 WORK TREND INDEX

- Reveals the emergence of “Frontier Firms” — organizations that successfully integrate AI agents into daily workflows.
- Based on a global study of **31,000 professionals** across **31 countries**
- Frontier Firms are outperforming peers: **71%** report thriving, compared to **37%** of other companies
- Highlights a **three-stage AI adoption journey**: from assistants → to digital colleagues → to AI-managed workflows
- Emphasizes the new role of “agentic” leaders who manage AI agents to drive results
- **82%** of business leaders say 2025 is a make-or-break year to adopt AI strategically
- Offers insights for companies looking to scale, stay agile, and redefine productivity in the AI era

Source: [2025: The Year the Frontier Firm Is Born]



Strategic Imperatives and Organizational Shift

These reflect executive-level recognition that AI and agents are reshaping how businesses must operate.

82% Of leaders say this is a pivotal year to rethink key aspects of strategy and operations

81% Say they expect agents to be moderately or extensively integrated into their company's AI strategy in the next 12-18 months

82% Of leaders say they're confident they'll use digital labor to expand workforce capacity in the next 12-18 months

78% Of leaders say their company is considering AI-focused roles

Source: 2025: The Year the Frontier Firm Is Born

Perception Gaps and Workforce Sentiment

These highlight internal awareness and cultural readiness around AI within organizations.

67%

Of leaders are familiar or extremely familiar with agents, compared to just 40% of employees. 79% of leaders believe AI will accelerate their careers versus 67% of employees

53%

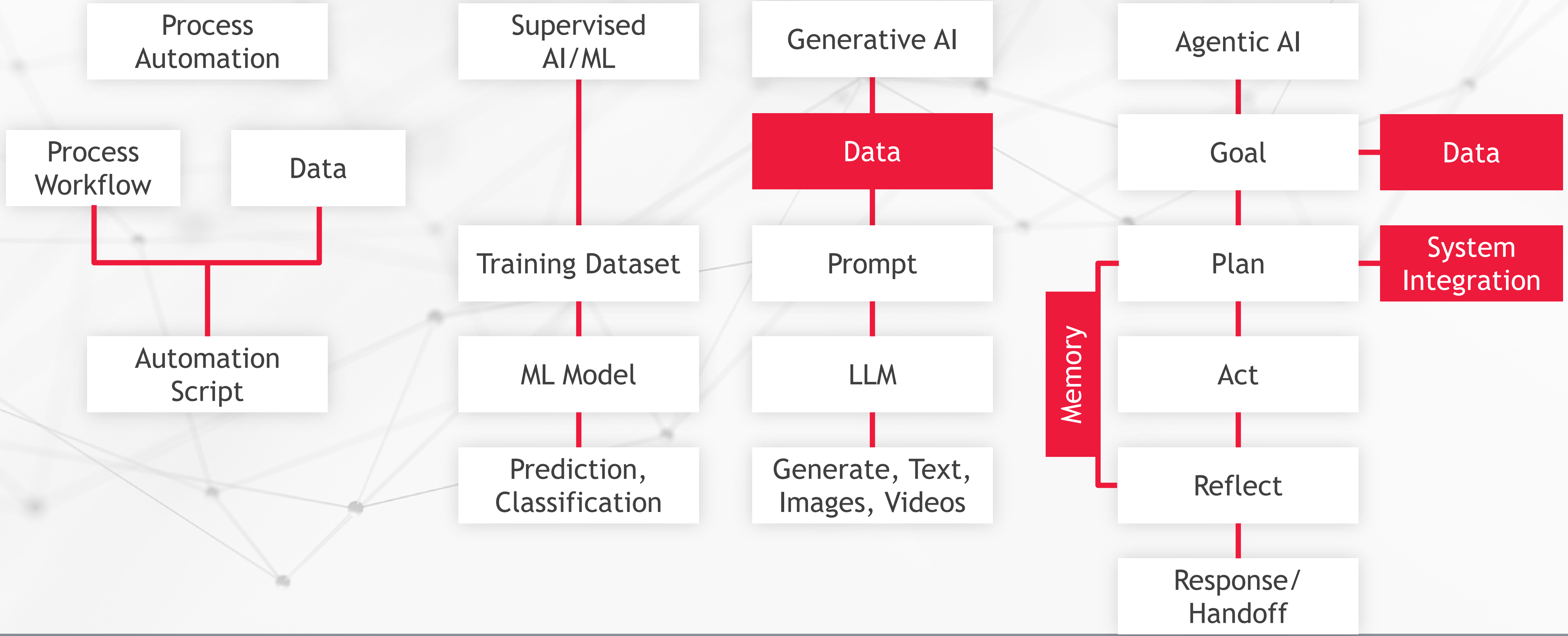
Of leaders say productivity must increase, but 80% of the global workforce – both employees and leaders – say they're lacking enough time or energy to do their work

#1

Reason employees turned to AI over a colleague is because it was available 24/7 (42%) – followed by speed and quality of work (30%) and unlimited creative ideas (28%)

Source: 2025: The Year the Frontier Firm Is Born

Agentic AI Evolution



Frontier Capabilities

Vibe Coding (Replit, Cursor)

AI Agents, Agent orchestration, Agent Swarms, Agent managers – all without agency

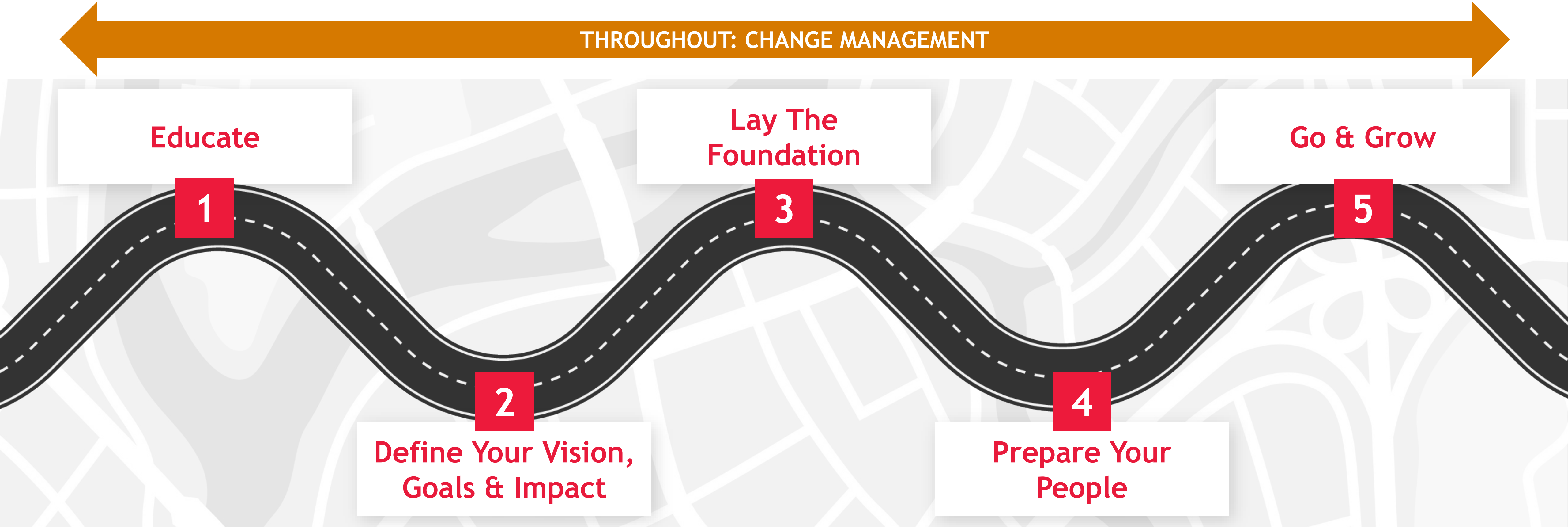
MCP (Model Context Protocol) ease Agent interaction with data

A2A (Agent to Agent Protocol)

Small Language Models with specific domain knowledge (herd of Llamas by Meta)

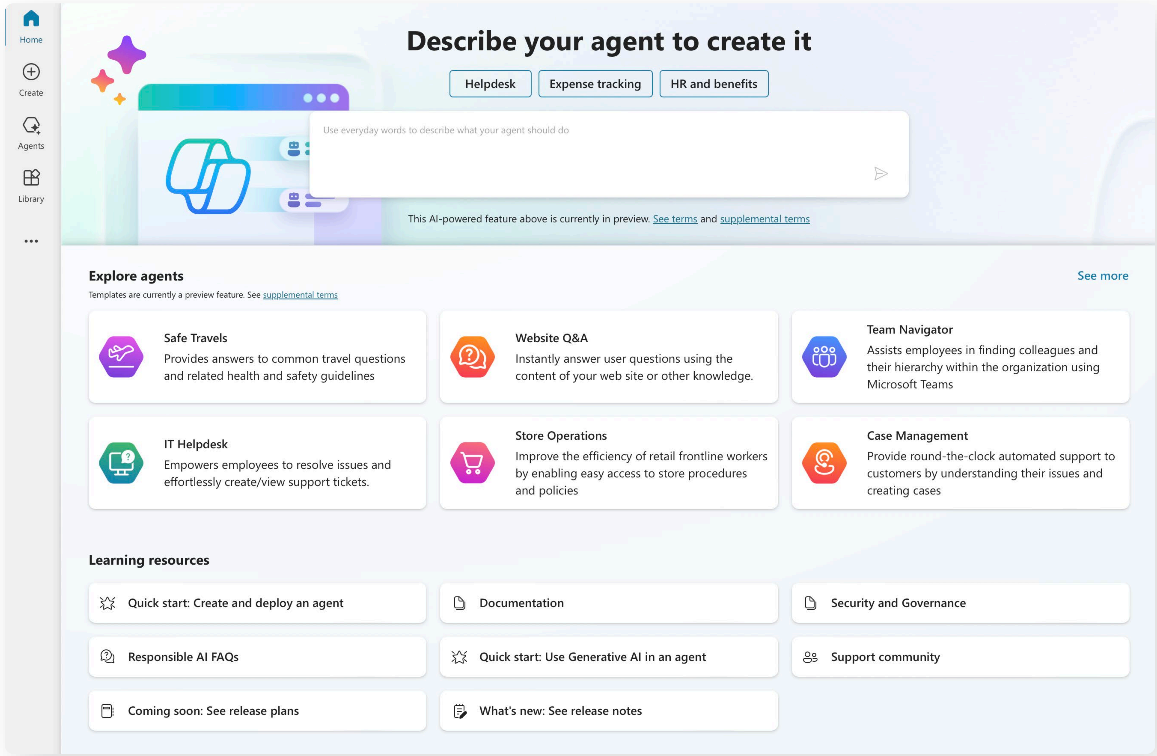
Deep Thinking models (industry specific models that are powerful Healthcare, Manufacturing, HR, Fin)

The Road to AI



Agents

Agents in the Workplace



According to Gartner®, "by 2028, **33% of enterprise software applications will include agentic AI**, up from less than 1% in 2024."

Gartner, Intelligent Agents in AI Really Can Work Alone. Here's How., Tom Coshow, October 1, 2024

Agentic AI at BDO

78%

of leaders say their company is considering AI focused roles

Evolving State of AI’s Impact on Organizations

AI will undoubtedly change the division of work between humans and machines. Overtime, a greater portion of work will be completed by AI, requiring lesser and lesser, human intervention, freeing up capacity.

INCREASING VALUE AND IMPACT

101 - INDIVIDUAL EMPOWERMENT

Enables individuals to use data & AI to accelerate activities as required

90% human & 10% AI

YESTERDAY

201 - TEAM ENABLEMENT

PRODUCTIVITY AI TOOLS

Triggers Data & AI to process time-consuming / error prone tasks

75% human & 25% AI

TODAY

301 - TEAM AUGMENTATION

AI 2
AI 3
Human
AI 1
AI N
Human

Deploys AI capabilities to alongside human team members to deliver outcomes

50% human & 50% AI

~12-24 MONTHS

401 – AI OPERATING MODEL

Enables team structures that will simultaneously expand the depth, breadth and speed of capabilities

TBD

3-5 YEARS? TBD

Finance Process and Technology Continuum

Start by assessing where your finance functions are today by measuring against the below continuum.

WHERE IS YOUR ORGANIZATION RIGHT NOW? | BY YEAR-END? | FIVE YEARS FROM NOW?

LEVEL 1 — BASELINE

- Manual Data Entry
- No Data Management Strategy
- Limited Transparency and Information Sharing
- Manual Consolidation Processes
- Siloed Function

LEVEL 2 — ENHANCED

- Data Standardization
- Automation of Data Entry & Routine Processes
- Enhanced Reporting Capabilities
- Tax Sensitive GL Accounts Identified

LEVEL 3 — INTEGRATED

- Automated Document and Workflow Management
- Standardized Entity and Chart of Account Coding
- Centralized Data
- Improved Information Storage & Sharing

LEVEL 4 — COLLABORATIVE

- Cross Functional capabilities “In Sync”
- Dashboards and Analytics
- Data Portals
- Higher-level Automation Tasks
- Cross-functional Collaboration

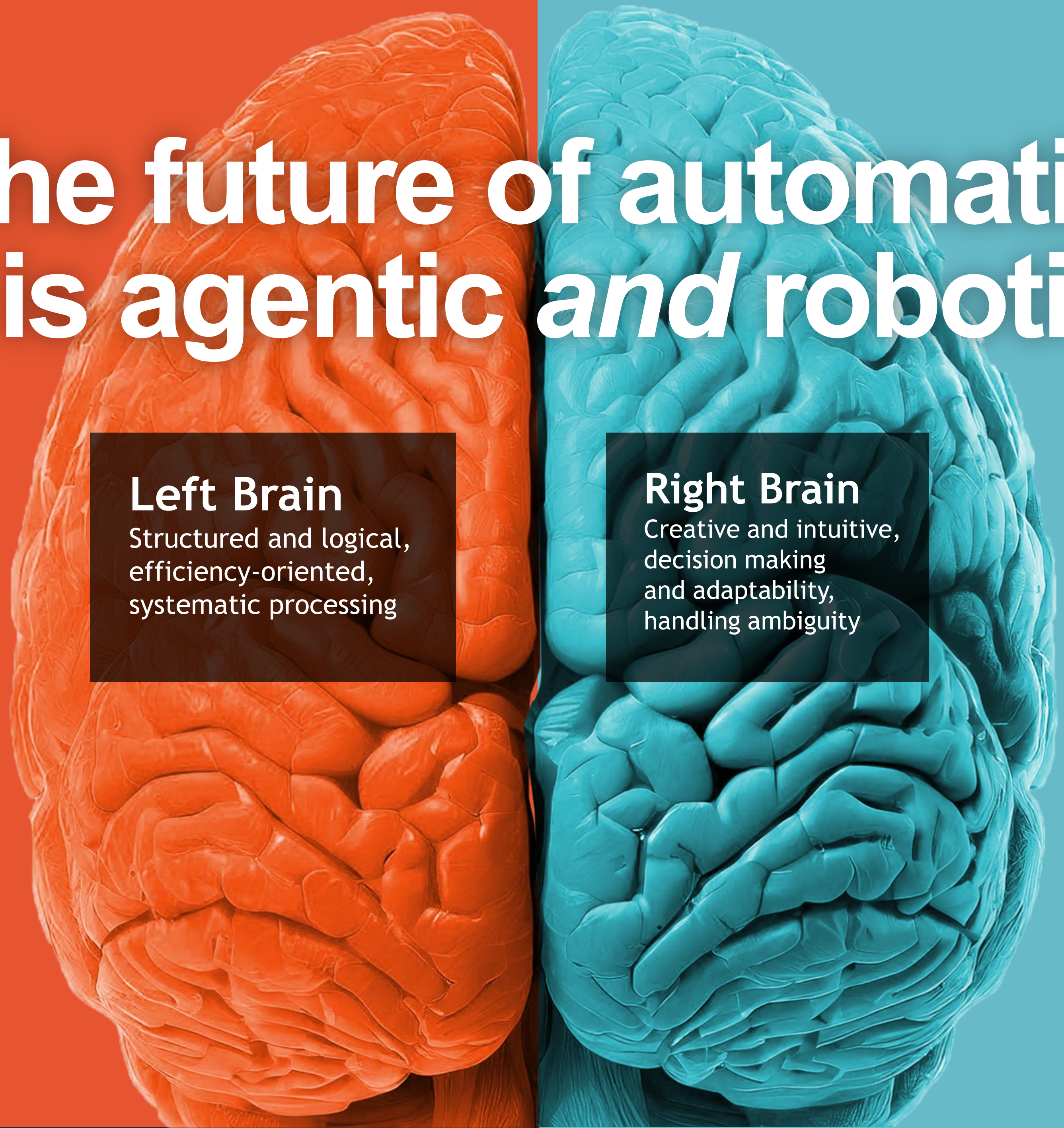
LEVEL 5 — SMART

- Finance Department Fully Integrated with Business
- Enhanced KPI Dashboards
- Business Intelligence
- Key Figures at the Fingertips of the Stakeholders “Self Service”

LEVEL 6 — COGNITIVE

- Predictive Modeling Capabilities
- Real-time Monitoring and Automated Alerts
- Artificial Intelligence

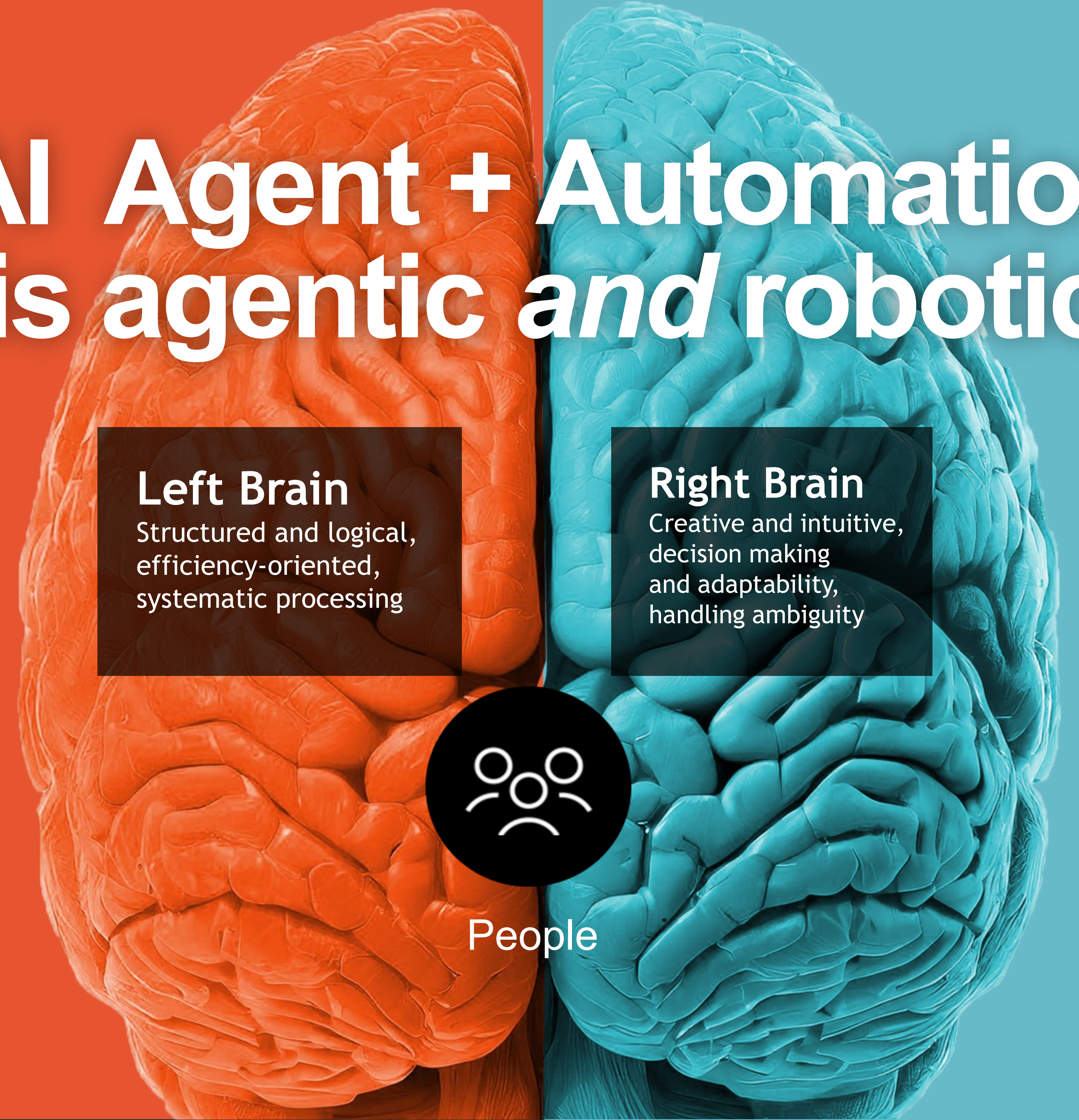
The future of automation is agentic *and* robotic



Left Brain
Structured and logical, efficiency-oriented, systematic processing

Right Brain
Creative and intuitive, decision making and adaptability, handling ambiguity

AI Agent + Automation is agentic *and* robotic



Robot

Left Brain

Structured and logical, efficiency-oriented, systematic processing

Right Brain

Creative and intuitive, decision making and adaptability, handling ambiguity

AI Agent

People

Implementing AI Intelligently

Establishing Responsible AI Governance

Responsible AI starts with clear governance principles that define how AI should be designed, deployed, and managed.

These principles help ensure your AI efforts are ethical, secure, and aligned with business and societal expectations.

Aligned with frameworks like **NIST** and **ISO 42001**, these principles guide responsible use at every stage of AI adoption.

Know the Risks Before You Scale AI

AI introduces new and complex risks that can span legal, financial, operational, and ethical dimensions. Understanding these risks is essential to implementing AI responsibly.

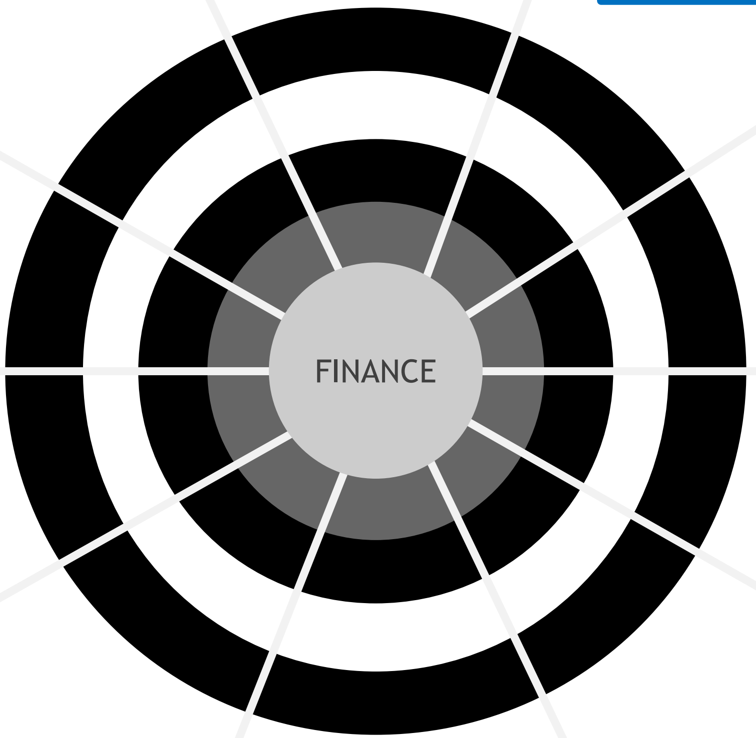
Key Risk Areas:

- **Bias** – Skewed outcomes from flawed data or models
- **Cybersecurity** – New attack vectors via AI systems
- **Environmental** – High energy usage and sustainability trade-offs
- **Financial** – Cost overruns from poorly scoped AI projects
- **Hallucinations** – AI may generate false or misleading information
- **Job Displacement** – Automation impacts workforce needs
- **Legal & Regulatory** – Increasing global compliance complexity
- **Misinformation** – Rapid spread of false or manipulated content
- **Privacy & Access** – Sensitive data misuse or inadequate controls

Mitigating these risks requires intentional governance, continuous monitoring, and cross-functional involvement

Automating and Integrating Processes within Finance Operations

AI and Automation "Hot Spots" for Finance



1 Accounts Receivable
- Generate and send invoices to customers based on predefined schedules
- Match payments to outstanding invoices using advanced algorithms (even when there are partial payments, missing references, or currency mismatches)
- Forecast cash inflows based on historical trends

2 Accounts Payable
- Streamline operations with payment automation, invoice processing, and OCR
- Enhancing security with fraud detection, prevention, and compliance
- Leveraging analytics for strategic planning and spend analysis
- Improving vendor relations and audit readiness with RPA and dynamic discounting

3 Operational Finance and Accounting
- Automating pricing reviews based on customer contracts and pre-approved price lists
- Calculation and processing of rebates
- Downloading of detailed monthly sales data and calculation of commissions
- Creating files and emails to gain approvals
- Posting to detailed sub systems and General Ledger

4 Standard Journal Entries
- Creation of standard monthly journal entries using templates provided by different business users and pulling/calculating data
- Performing validation analytics
- Posting to ERP

5 Account and Bank Reconciliations
- Automating the download of subaccount balances and bank statements
- Uploading detailed transaction data from various sub systems
- Reconciling balances and transactions to core finance sub systems
- Creating balancing journal entries to handle discrepancies

6 Intercompany Reconciliations
- Match intercompany transactions by analyzing amounts, dates, descriptions even when discrepancies exist
- Suggest likely causes of mismatches and proposes resolutions
- Automating data entry and reconciliation (minimizing manual errors)

7 Expense Reimbursement
- OCR to extract data from receipts, invoices and credit cards eliminating manual entry
- Mobile apps allowing employees to take pics of receipts
- Fraud detection and adherence to company policies

8 Accounting Change
- Categorizing, summarizing and analyzing data based on history and pre-established parameters
- Producing reports for internal analysis
- Automating the collection of data for leases or revenue transactions

9 Regulatory & Management Reporting
- Automating the preparation of management review slide decks by collecting data from multiple finance systems and reports
- Prep-populating complex annual reporting
- Live dashboards with real time metrics with drill down capabilities

10 Financial Planning & Analysis (FP&A)
- Analyze historical data and identify patterns to increase forecast accuracy
- Advanced scenario analysis with simulated scenarios
- Automated AI models can detect variances in budgets and actuals

Finance & Accounting Heatmaps

FINANCE & ACCOUNTING PROCESS

Heatmap Summary

PROCURE TO PAY	ORDER TO CASH	RECORD TO REPORT	TREASURY	FP&A	TAX	FIXED ASSET ACCOUNTING
Manage Procurement Activities	Customer Setup and Contract	General Accounting	Manage Treasury Process & Procedures	Reports & Analysis	Develop Tax Strategy	Perform Capital Planning & Approval
Purchase Goods and Services	Assess and Manage Credit	Close	Manage Cash	Budgeting & Forecasting	Process Tax	Perform Capital Project Accounting
Receive Goods and Services	Quote to Order Process	Consolidate	Manage In-house Bank Accounts			
Process Invoices	Order Fulfillment	Report	Manage Debt and Investments			
Process Payment	Invoice Customer		Manage Risk and Hedging Strategy			
Generate Reports	Accounts Receivables					
	Manage Cash					

BDO DIGITAL

High AI Potential

Medium AI Potential

Low AI Potential

- AI Agents

FINANCE & ACCOUNTING PROCESS

Procure to Pay Heatmap

MANAGE PROCUREMENT ACTIVITIES	PURCHASE GOODS AND SERVICES	RECEIVE GOODS AND SERVICES	PROCESS INVOICES	PROCESS PAYMENT	GENERATE REPORTS
Develop Procurement Strategy, Process, and Policies	Create and Submit Requisitions	Receive Goods and Services	Manage Invoice Collection and Entry	Complete Initial Payment Review	Develop Reporting Process and Policies
Manage Supplier and Vendor Relationships	Manage Requisition Approvals	Process Receipts	Manage Electronic Invoicing	Manage Payment Exceptions	Generate Standard Reports
Manage Vendor Master	Create Purchase Orders	Manage Discrepancies and Returns	Validate and Handle Invoice Data	Run Payment Process	Generate Ad-Hoc Reports
Measure Performance	Manage Purchase Orders Approvals	Manage Inventory	Manage Matching Discrepancies	Handle Payment Reconciliations	Distribute and Manage Reports
	Submit Purchase Orders to Vendors		Submit Transactions for Processing		

AP Automation Savings & Benefits

DIRECT COST SAVINGS

- **Increased Productivity:** AP Automation significantly reduces the time staff needs to spend on manual tasks such as data entry, invoice matching, and processing payments. This can lead to a reduction in overtime costs or the opportunity to reallocate staff to higher-value activities.
- **Lower Processing Costs:** The cost to process an invoice manually can be significantly higher than an automated process. Savings are realized through reduced needs for physical storage, postage, and supplies related to paper-based processes.
- **Early Payment Discounts:** Many vendors offer discounts for early payment, which are more easily captured with an automated system that can provide timely processing.
- **Avoidance of Late Payment Penalties:** Automation helps ensure that payments are made within the terms agreed upon with suppliers, avoiding late payment fees.

INDIRECT COST SAVINGS

- **Improved Cash Flow Management:** Enhanced visibility into payables allows for better cash management, enabling more strategic decisions regarding payment timings and investment of idle cash.
- **Increased Productivity:** Employees are freed from repetitive tasks and can contribute to more strategic functions like spend analysis and vendor negotiations.
- **Reduced Error Rates:** Automation minimizes human errors, which can be costly to identify and rectify. Fewer errors mean less time and money spent on correction and reconciliation.
- **Enhanced Data Security:** Automated systems often come with robust security features that protect against fraud and data breaches, potentially saving substantial costs associated with such events.
- **Digital Transformation Catalyst:** Implementing UiPath can be a key step in an organization's digital transformation journey, paving the way for further technological advancements and innovation.

QUALITATIVE BENEFITS

- **Vendor Satisfaction:** Timely and accurate payments can lead to better vendor relationships, which can translate into more favorable pricing, better service, and improved terms.
- **Scalability:** As the business grows, an automated AP system can handle increased volumes without a corresponding increase in staff, maintaining or even improving efficiency.
- **Regulatory Compliance:** Automated systems help maintain a consistent and auditable process, reducing the risk of non-compliance with regulations such as tax laws and accounting standards.
- **Strategic Decision Making:** The analytics provided by AP Automation systems offer insights into spending patterns and vendor performance, supporting more informed strategic decisions.
- **Fast Implementation and ROI:** UiPath's low-code platform allows for quick deployment of automation solutions, leading to faster realization of benefits and return on investment.

AP Automation Strategic ROI Snapshot Example

Metric	Result
Implementation Investment	$105 K
Annual Operating Cost	~$21 K
Net Annual Value (efficiency + risk control)	**~$61 K / year**
Payback Period	**≈ 1.7 years**
5-Year ROI	**~190 %**
Control Maturity	Level 2 → **Level 4 (Auditable & Monitored)**

AP Automation Why ROI Matters to the CFO and CEO

- **Protects cash and reputation** from fraud and control failures.
- **Elevates audit confidence -** turns findings into signatures of strength.
- **Frees leadership time** from chasing approvals to managing insights.
- **Positions finance for scale -** same system can support new entities or acquisitions without added cost.

Automation is not a cost play — it's a confidence play.
It creates a resilient, transparent, and audit-ready financial operation that supports growth, governance, and investor trust for years to come.

FINANCE & ACCOUNTING PROCESS

Order to Cash Heatmap

High AI Potential

Medium AI Potential

Low AI Potential

- AI Agents

CUSTOMER ONBOARDING	ASSESS AND MANAGE CREDIT	MANAGE QUOTE TO ORDER PROCESS	PROCESS AND FULFILL ORDER	INVOICE CUSTOMER	HANDLE A/R & COLLECTIONS	MANAGE CASH
Review and Accept Customer Applications	Establish Credit and Risk Strategy, Process, and Policies	Identify, Manage, and Qualify Leads	Create Order Mgmt. Strategy, Process, and Policies	Create Invoicing Process and Policies	Develop A/R and Collections Strategy, Process, and Policies	Develop Cash Mgmt. Strategy, Process, and Policies
Negotiate Pricing and Terms & Conditions	Conduct New Customer Credit Assessment	Prioritize Opportunities	Process Order	Generate Invoices	Manage Cash Applications	Prepare and Review Daily Cash
Create and Update Product Master	Perform Credit Checks	Create and Manage Customer Orders	Manage Orders	Manage Billing	Issue Statements	Perform Balance Reporting
Mange Customer Contracts	Develop and Manage Reports	Create Initial Sales Quote	Manage Shipping and Inventory	Post Receivables to General Ledger	Conduct Aging and Bad Debt Analysis	Collect Bank Reconciliations
Manage Terms & Conditions		Approve Pricing, Discounts, and Promotions	Process Returns and Exchanges	Develop and Manage Reports	Manage Customer Collections	Monitor Banking Performance
Set Up Customer in System		Negotiate and Finalize Sale	Manage Rebates and Chargebacks		Create and Manage Reports	Create and Manage Reports
Manage Customer Data		Create and Manage Reports	Create and Manage Reports			
Create and Manage Reports						

AR Automation Savings & Benefits

DIRECT COST SAVINGS

- **Increased Productivity :** Automating AR processes (e.g., bank reconciliation, cash application) saves 50–80% of manual effort, translating to annual savings of approximately $21,000 for reconciliation and $27,000 for reporting tasks per process (based on labor cost of $35/hour and 600–800 hours saved per year)
- **Reduced Labor Costs:** Fewer manual tasks like invoice creation, payment posting, and reconciliation. Lower need for overtime during peak billing cycles.
- **Lower Transaction Costs:** Automated workflows reduce banking fees and transaction handling costs by streamlining positive pay and ACH processes.
- **Fewer Errors & Write-offs:** Automation minimizes human errors that lead to costly corrections or bad debt.
- **Lower Printing & Mailing Costs:** Digital invoicing eliminates paper, postage, and storage expenses.

INDIRECT COST SAVINGS

- **Improved Cash Flow:** Faster invoicing and payment collection reduces Days Sales Outstanding (DSO). Better liquidity reduces borrowing costs.
- **Lower Collection Costs:** Automated reminders reduce manual follow-ups and collection agency involvement.
- **Reduced Audit & Compliance Costs:** Automated record-keeping reduces audit preparation time and potential penalties.
- **Lower Training & Onboarding Costs:** Standardized automated processes reduce dependency on specialized manual skills, lowering onboarding complexity.
- **Improved Cash Forecasting:** Faster reconciliations and real-time visibility into AR improve working capital management and reduce borrowing costs.

QUALITATIVE BENEFITS

- **Enhanced Accuracy & Data Integrity:** Automation ensures consistent data handling, reducing reconciliation errors and improving financial reporting quality
- **Scalability & Future-Proofing:** Automated systems adapt to increased transaction volumes without proportional cost increases, supporting growth.
- **Employee Experience & Productivity:** Eliminating repetitive tasks frees staff for higher-value activities like analytics and customer engagement.
- **Improved Customer Relationships:** Faster and more accurate invoicing enhances client trust and satisfaction.
- **Better Visibility & Reporting:** Real-time dashboards for AR aging and cash flow.

High AI Potential
Medium AI Potential
Low AI Potential

- AI Agents

FINANCE & ACCOUNTING

Record to Report Heatmap

GENERAL ACCOUNTING	CLOSE	CONSOLIDATE	REPORT
R2R Strategy Accounting Policies, Processes	Maintain & Plan Close Calendar	Collect Data From Subs	Multi-Dimensional Management Reporting
Manage Legal Entities & Reporting Structures	Generate and Review TB	Eliminate Inter-Company Transactions	Regulatory Reports to External Authorities
Manage COA, Cost & Profit Centers	Period End Adjustments	Perform Equity Accounting	Advanced Analytics, Visualization
Process Journals	Ensure Close Readiness	Topside Entries in Consolidated Books	Investor Relations
Time Reporting and Payroll Accounting	Close Sub Ledgers, GL	Perform Consolidation	
Travel & Expense Processing	Prepare and Review Financial Statements	Prepare and Review Consolidated Financials	
Reconciliations- Bank, GL Accts, Inter-Co	Prepare and Review Management Reports		

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High AI Potential
Medium AI Potential
Low AI Potential

- AI Agents

FINANCE & ACCOUNTING PROCESS

Treasury Heatmap

MANAGE TREASURY PROCESS & PROCEDURE	MANAGE CASH	MANAGE IN-HOUSE BANK ACCOUNTS	MANAGE DEBT & INVESTMENTS	MANAGE RISK & HEDGING STRATEGY
Establish Scope and Governance of Treasury Operations	Manage and Reconcile Cash Positions	Manage In-House Bank Accounts for Subsidiaries	Establish Investment Policy	Develop Risk Management/Hedging Strategy
Establish and Publish Treasury Policies	Manage Cash Equivalents	Manage and Facilitate Inter-company Borrowing Transactions	Manage Financial Intermediary Relationships	Manage Interest Rate Risk
Develop Treasury Procedures	Process and Oversee Electronic Fund Transfers	Manage Centralized Outgoing Payments on Behalf of Subsidiaries	Manage Liquidity	Manage Foreign Exchange Risk
Monitor Treasury Procedures	Develop Cash Flow Forecasts	Manage Central Incoming Payments on Behalf of Subsidiaries	Manage Issuer Exposure	Manage Exposure Risk
Audit Treasury Procedures	Manage Cash Flows	Manage Internal Payments and Netting Transactions	Process and Oversee Debt and Investment Transactions	Execute Hedging Transactions
Revise Treasury Procedures	Produce Cash Management Accounting Transactions & Reports	Calculate Interest and Fees for In-House Bank Accounts	Process and Oversee Foreign Currency Transactions	Produce Hedge Accounting Transactions and Reports
Develop and Confirm Internal Controls for Treasury	Manage and Oversee Banking Relationships	Provide account statements for In-House Bank Accounts	Produce Debt and Investment Accounting Transaction Reports	
Define System Security Requirements	Analyze, Negotiate, Resolve, and Confirm Bank Fees		Process and Oversee Interest Rate Transactions	

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High AI Potential

Medium AI Potential

Low AI Potential

- AI Agents

FINANCE & ACCOUNTING

FP&A Heatmap

REPORT & ANALYSIS	BUDGETING & FORECASTING
Post Close Reporting	Revenue Budget Preparation
Post Close Financial Analysis	Revenue Budget Review
Balance Sheet Notes	P&L Budget Preparation
Internal Control Checklists	P&L Budget Review
Financial Analysis	P&L Budget Submission
Consolidation Package Corrections	Revenue Re-Forecast
	P&L Re-Forecast

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FINANCE & ACCOUNTING

Tax Heatmap

High AI Potential	● - AI Agents
Medium AI Potential	
Low AI Potential	

DEVELOP TAX STRATEGY AND PLAN	PROCESS TAX
Develop Foreign, National, State, and Local tax strategy (Low)	Perform Tax Planning/Strategy (Low)
Consolidate and Optimize Total Tax Plan (Low)	Prepare Tax Returns (High) ●
Maintain Tax Master Data (Medium)	Prepare Foreign Taxes (High) ●
	Calculate Deferred Taxes (Medium)
	Account for Taxes (High)
	Monitor Tax Compliance (Medium) ●
	Address Tax Inquiries (Medium) ●

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High AI Potential		- AI Agents
Medium AI Potential		
Low AI Potential		

FINANCE & ACCOUNTING

Fixed Asset Heatmap

PERFORM CAPITAL PLANNING AND APPROVAL	PERFORM CAPITAL PROJECT ACCOUNTING
Develop Capital Investment Policies and Procedures	Create Project Account Codes
Develop and Approve Capex Plans and Budgets	Record Project-Related Transactions
Review and Approve Capital Projects and FA Acquisitions	Monitor and Track Capital Projects and Budget Spend
Conduct Financial Justification for Project Approval	Close/Capitalize Projects
	Measure Financial Returns on Completed Capital Projects

NEXT STEP

Rapid Process Automation Assessment

Get started with Agentic Automation

BDO has developed a way for organizations to identify which processes can be automated and where to leverage AI Agents, to show immediate business results.

Align on Current State

Review business goals and current processes – understand where you want to go and how you're trying to get there

Week 1

Identify Use Cases

Identify processes and business areas where AI/Automation could have immediate business impact

Weeks 2-3

Deliver Recommendations

Deliver finding and recommendations plan, including licensing and implementation strategy

Week 4

AI/Automation Roadmap

Execute identified AI Agents & Automation opportunities based on roadmap recommendations

Next Step

*Scope of PoC to be agreed upon by both BDO and Client. Estimate may be adjusted based on scope.

RESULTS

- Reduce average time to complete routine and transactional activities, freeing your team to focus on higher-value activities
- Enhance operational activities and allow your team to more easily obtain information for faster review
- Increase quality and redundancy within team – creating cleaner information for review and quicker turn around

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About BDO USA

At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes—for our people, our clients, and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax, and advisory services for a diverse range of clients.

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