

MANATECH

RESEARCH REPORT

AI in Accounting: Q1 2026 Strategic Briefing

Executive Summary

The first quarter of 2026 marks a pivotal transition in the accounting technology landscape, characterized by the shift from "systems of record" to AI-native "systems of action." Led by major platforms like Xero and MYOB, the industry is moving toward autonomous finance, where artificial intelligence (AI) agents—specifically Xero's JAX—perform high-confidence tasks like bank reconciliation and BAS checking with minimal human intervention.

While AI is now capable of automating more than 80% of routine bank statement lines and providing 180-day predictive cash flow forecasting, the consensus among industry experts is that these tools amplify rather than replace human capability. The current era, defined as the "agentic era," requires accounting practices to reorient their workflows around "Accountable Intelligence"—a framework where AI handles routine heavy lifting while professionals provide the strategic context, human empathy, and final accountability.

Analysis of Key Themes

1. From Systems of Record to Systems of Action

The traditional role of accounting software as a passive ledger is being superseded by AI-native operating systems. Xero OS exemplifies this change, integrating financial data with a "context graph" that understands ledgers line-by-line. This allows the software to move beyond data entry to performing end-to-end autonomous workflows, such as analyzing incoming bills, setting up payments, and automatically reconciling transactions.

2. Hyper-Automation of Core Workflows

Automation has matured into "agentic" solutions that learn from historical patterns and anonymized data across platforms.

- **Bank Reconciliation:** JAX (Just Ask Xero) aims to automate 80% of bank reconciliation in real-time. Beta testers report reducing weekly reconciliation time from seven hours to less than 30 minutes.
- **Debt Collection:** New specialized tools like Paidnice are achieving significant ROI by automating 80–90% of the accounts receivable role, drastically reducing debtor days through automated reminders and statements.
- **Payroll & Awards:** Platforms like Tanda are automating complex, award-heavy payroll for multi-entity franchises, providing granular control over hiring levels and compliance rules.

3. Predictive Insights and Anomaly Detection

AI is shifting advisory services from backward-looking compliance to forward-looking guidance.

- **Forecasting:** AI now extrapolates patterns in Accounts Receivable (AR) and Accounts Payable (AP) to project future cash balances up to 180 days out, allowing for sophisticated scenario planning.
- **Anomaly Detection:** Systems now flag irregular amounts or unexpected vendors, acting as a fraud prevention layer. However, these still require human oversight to avoid "false positives" caused by seasonal business fluctuations.
- **AI Commentary:** Tools like Fathom have introduced AI-generated commentary for management reports. While efficient, this remains a point of contention, as experts argue that professional interpretation is where the true value of an accountant lies.

4. Implementation Risks and "The Confirm Habit"

The transition to AI-driven workflows carries specific disadvantages:

- **The "Confirm Habit":** There is a risk that users will stop interrogating auto-suggestions and simply click "confirm," leading to compounded errors.
- **Switching Costs:** Productivity often follows a "hockey-stick" curve; firms may experience an initial dip in efficiency as staff learn new platforms and processes.
- **Data Integrity:** Predictive models are only as good as the historical data provided. Incomplete or miscoded inputs result in unreliable forecasts.

Critical Tools and Platform Updates (Q1 2026)

Category	Platform/Tool	Key Feature / Update
General Ledger	Xero Ultra (Beta)	Designed for the mid-market; supports up to 5,000 transactions per month with enhanced user controls.
General Ledger	MYOB Solo	Targeted at gig workers; app-based only with integrated bank cards for \$1–\$10/month.
Practice Mgmt	Intuit Accountant Suite	A unified platform covering client management, collaboration, service delivery, and planning.
Compliance	MYOB AI BAS	Automated checks to ensure Business Activity Statements (BAS) match GST returns, reducing high-risk errors.
Workflow	Karbon	Introduced recurring billing and "AI agents"—AI teammates designed to move workflows faster.
Debt Collection	Paidnice	High-efficiency automation for AR; integrated with Xero and QuickBooks.
Reporting	Dashboard Insights	Launched "BAS Pro," an advisory feature adding intelligent analysis to post-BAS client communications.

Important Quotes with Context

On Compliance Risks

"For every single transition we do, we probably see one out of 20 balance sheets match the GST return... I love that MYOB is getting into that market and automating that process and really trying to put some guardrails on it. To me, it's such a high-risk, high-error process that I think a lot of firms are potentially doing too quick." — **Tyler Caskey, Partner at TheBeanCounters** Context: Discussing the necessity of AI-powered BAS checks to catch common reconciliation errors that human accountants often miss due to time pressure.

On the Role of AI in Advisory

"This has the opportunity to transform how advisory services are offered, moving from backward-looking compliance to forward-looking guidance at scale." — **Diya Jolly, Chief Product and Technology Officer at Xero** Context: Regarding the launch of Xero OS and JAX, highlighting how automation of routine tasks allows for a more strategic advisory focus.

On AI vs. Human Judgement

"I saw it. I hate it... actual is higher than budget, because budget is lower than actual... I do think commentary needs is where the accountants should add our value." — **Tyler Caskey, Partner at TheBeanCounters** Context: Critiquing Fathom's AI-generated commentary feature, arguing that automated insights can be circular and lack the deep context provided by a human advisor.

On Efficiency Gains

"It saves probably about 4 hours a week which is pretty big... I went away last week and come back yesterday and only have a few transactions to reconcile which was amazing. The accuracy is through the roof." — **Anthony Bishop, Suncity Legal Services** Context: Feedback on the beta testing of Xero's automatic bank reconciliation powered by JAX.

Actionable Insights for Accounting Practices

- 1. Transition from "Doing" to "Reviewing":** As AI match rates for bank reconciliations reach 80–90%, staff should be retrained to interrogate auto-suggestions rather than performing manual data entry. Establish clear review protocols to mitigate the "confirm habit."
- 2. Audit the Tech Stack for API Costs:** Xero has changed its API pricing for app developers, moving to a model based on file volume and data usage. Firms should anticipate potential price increases from third-party apps (especially balance sheet reconciliation tools) as these costs are passed on.
- 3. Prioritize "Soft Skills" and Strategic Advisory:** AI cannot replicate human empathy, critical thinking, or complex problem-solving. Practices should shift their value proposition toward strategic

financial planning, risk management, and interpreting AI-generated data within the client's unique business context.

4. **Implement Gradual AI Adoption:** Rather than a wholesale change, start by enabling specific AI features—such as Xero's Analytics Plus or MYOB's reconciliation rules—in high-volume, repetitive areas to realize immediate ROI while staff adjust.
5. **Leverage Real-Time Data for Client Engagement:** Use AI-driven anomaly detection and predictive cash flow to initiate proactive conversations with clients. Highlighting a potential cash shortfall 180 days in advance provides significantly more value than reporting on it after the fact.

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