

Intro to Financial Accounting

You are a senior accountant for an IT consulting firm. The company uses Artificial Intelligence (AI) to assist with its daily operations. You are ultimately responsible for the accuracy of the company's financial operations, and therefore, you review AI work for errors (hallucinations). Following is a chat between you (senior accountant) and AI.

Senior Accountant: The company had the following recent transactions. Use the expanded accounting equation to analyze the effects of these transactions.

Transactions
a. The company completed a software installation project for a customer and immediately collected \$12,000 cash.
b. The company paid \$1,500 cash for utilities for the current month.
c. The company provided consulting services of \$4,000 on credit.
d. The company purchased \$800 of supplies on credit (payment due within 60 days).

AI Chatbot: The following table analyzes the transactions using the expanded accounting equation.

Assets						=	Liabilities	+	Equity		
	Cash	+	Accounts Receivable	+	Supplies	=	Accounts Payable	+	Revenues	-	Expenses
a.	\$12,000					=		+	\$12,000		
b.	- 1,500		_____		_____	=	_____		_____	-	\$1,500
Bal.	10,500					=		+	12,000	-	1,500
c.	4,000	+	\$ 4,000		_____	=	_____		_____	-	_____
Bal.	14,500	+	4,000			=		+	12,000	-	1,500
d.	_____	+	_____	+	\$ 800	=	\$ 800		_____	-	_____
Bal.	\$14,500	+	\$ 4,000	+	\$ 800	=	\$ 800	+	\$12,000	-	\$1,500

Question 1

We discover a hallucination in the AI response. How do we correct it?

- Transaction (a) should be a \$12,000 increase to Cash and a \$12,000 increase to Accounts Receivable.
- Transaction (b) should be a \$1,500 decrease to Cash and a \$1,500 increase to Accounts Payable.
- Transaction (c) should be a \$4,000 increase to Accounts Receivable and a \$4,000 increase to Revenues.
- Transaction (d) should be an \$800 increase to Supplies and an \$800 decrease to Cash.
- There is no error (hallucination) in the AI response.

Question 2

What is the final balance for total revenues after the AI error is corrected?