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Adoption of artificial intelligence in accounting practices: Opportunities, challenges, and ethical issues

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Abstract
The use of AI helps to transform the accounting through the help of automation, fraud detection and decision-making. In this review, from the viewpoint of a forensic psychology, the overall opportunities, challenges and ethical issues related to AI adoption in accounting is examined. From the study findings it has been found that AI improves efficiency and forensic investigations. However, algorithm aversion, automation bias, explainability concerns, and ethical challenges related to accountability and transparency impacts on its adoption. As per the conclusive findings, responsible AI implementation needs explainable systems, human oversight, and ethical governance. This helps to ensure transparent, reliable and legally defensible accounting practices.

Keywords: Artificial intelligence, accounting, forensic psychology, fraud detection, algorithm aversion, ethical AI

1. Introduction

In modern times, accounting is not just about numbers. Nowadays, AI tools are used to flag unusual transactions, read invoices, and even predict fraud before it occurs. Most accounting firms are rapidly adopting AI. An industry survey of accounting firms in 2025 found that the share of firms planning to invest and upgrade in AI increased from 48% in 2023 to 57% in 2025 to 64% in 2025 (Intuit, 2025) [1]. Due to this rapid growth, there are real benefits along with new risks which are not just technical but also psychological.

Forensic psychology is referred to the branch of psychology which studies criminal behavior and decision-making under pressure, trust and rule-breaking in legal and organisational context. Since accounting fraud is a human behavior before it a technical incident, a forensic psychology perspective is necessary to understand how AI changes pressure, opportunity and rationalisation which lead to fraud (Hossain, 2025) [2]. This paper has reviewed recent literature on AI adoption in accounting and analyses it with forensic psychology concepts like Fraud Triangle, Algorithm aversion and offender cognition.

2. Literature review

2.1 Opportunities of AI in accounting and forensic investigation

In the domain of forensic accounting, AI has major benefits. Machine learning models have the ability to scan millions of transactions and flag anomalies faster than human auditor (Dhillon, 2025) [3]. In addition to this, the Natural Language Processing tools can read emails and contracts to find hidden and deceptive language which can support fraud investigators looking for red flags (Patha *et al.*, 2025) [4]. The bibliometric study of 261 Scopus-indexed papers founding that research connecting AI with forensic accounting and fraud detection has grown highly since 2017. It has been found from the research related to structural equation modelling study, that AI tools can mediate the connection between forensic accounting practice and fraud detection outcomes. It means that AI improves the ability of investigator to catch fraud (Patha *et al.*, 2025) [4]

2.2 Challenges: Trust the black box and algorithm aversion

Even when AI outperforms humans, people often resist turning it. It is referred to as algorithm aversion which is a well-documented psychological pattern. In there, people lose trust in an algorithm faster than they lose trust in another human. The research with auditors found that professionals hesitate to depend on AI-generated advice since they cannot explain how the AI reached its conclusion. The problem is referred to as "black box effect that conflicts with the professional duty of accountants to document and justify decisions (Huxley *et al.*, 2024) [5]. The 2023 experimental study found that disclosing AI use changes investors' emotional response and affects their financial decision. It shows that trust in AI is not just a technical issue but an emotional one (Downen *et al.*, 2023) [6].

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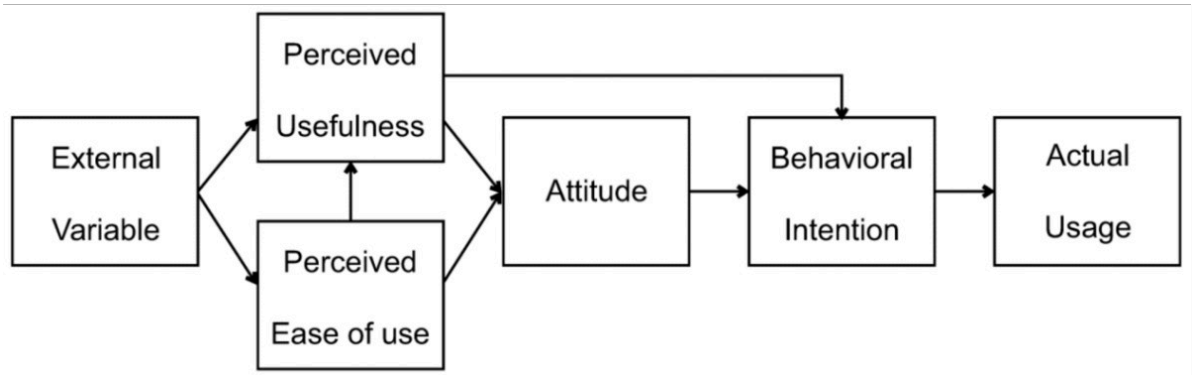
2.3 Ethical issues of AI in accounting

As AI becomes more common in accounting, there is a growing need to address ethical considerations. It not only relates to its reliability, accuracy, and effectiveness, but also regarding human judgment, accountability, and behavioral decision-making. In forensic psychology, AI can help to minimise common human mistakes but cannot remove human biases or unethical motives from decision makers (Varsha, 2023) [7]. Rather, automated recommendations may foster automation bias, when accountants take AI recommendations on their own without the level of professional skepticism required to detect tampered financial information (Bhardwaj, 2024) [8]. On the other hand, algorithmic bias, caused by inadequate or historically biased training data, can lead to improper risk evaluations, putting innocent individuals or institutions under unnecessary forensic investigation (Belenguer, 2022) [9]. AI's role in this case of accounting fraud, made it increasingly challenging to trace the origins of frauds. AI tools were used to manipulate financial figures alongside human involvement, making it difficult to determine the extent to which these tools were responsible (Shpachuk *et al.*, 2026) [10]. This is the failure of AI to be used for good and not bad, when governance is weak. AI can enhance opportunities by proactive detection and analysis, but it can also help to thwart the fraud in the triangle by performing continuous monitoring. It can also, however, bring fresh opportunities for rationalisation where experts tend to trust in algorithms but the algorithms are black-box. Therefore, ethical use of AI should emphasise the importance of following practices that make use of explainable AI (XAI), mechanisms of clear audit trails and the careful supervision of human operators in the use of AI throughout (with proper accountability, judgement and integrity of the forensic investigation).

2.4 Psychological factors influencing AI adoption in accounting professionals

Technological capabilities, along with psychological responses from accounting practitioners to AI, are key to its effect in the accounting environment. The adoption and integration of AI-generated evidence in audit engagements and fraud detection are significantly influenced by factors such as the level of trust, perceived control, and cognitive judgement, as revealed by a forensic psychology context analysis (Ikilidih *et al.*, 2026) [11]. Though AI can provide more accurate analyses, relying too heavily on what it generates may result in automation bias: the tendency to disregard information that contradicts AI-generated analysis, or to have less followers in them. However, Yue (2026) [12] contended that while these errors might occur, experienced accountants may avoid the AI recommendations in the future if they notice any minor mistakes, which might hinder their fraud detection efforts.

Perceived usefulness and ease of use are believed to facilitate the acceptance of AI by users (Musa *et al.*, 2024) [13]. But the explainability and accountability of forensic investigations is not limited to these factors. In investigations with significant consequences, transparent AI tools are increasingly less acceptable due to accountants' legal and ethical obligations for financial judgment. Furthermore, AI outputs are more likely to be accepted by users if there is a strong organisational culture and ethics (Daly *et al.*, 2025) [14]. Therefore, there needs to be a balance of trust and skepticism when considering the use and application of AI wins must be tempered with the capacity to use algorithmic suggestions as the benchmark and to use one's own judgment in their use. The human element of an AI tool, combined with psychological understanding, can improve forensic decision-making, mitigate behavioral bias and improve the accuracy of the accounting practices that AI assists (Figure 1).



(Source: Park *et al.*, 2020) [15]

Figure 1. Technology Acceptance Model

3. Discussion

The review of the literature indicates that AI is vital in revolutionizing accounting practices, and the current applications include machine learning and natural language processing in fraud detection, transaction monitoring, and forensic investigations. These are technological benefits, but there are also some psychological and ethical problems which are beyond the capacity of technology. Although the research from Dhillon (2025) [3] and Patha *et al.* (2025) [4] underscores AI's potential to improve the effectiveness of investigations, Huxley *et al.* (2024) [5] and Downen *et al.* (2023) [6] highlight the issue of lack of explainability and algorithm aversion, which diminishes professionals' trust in AI-driven evidence. The gap suggests that, besides the AI ability to perform well, the user's beliefs and knowledge in the usefulness of an AI recommendation is necessary for effectiveness. From the forensic psychology standpoint, the results reveal that AI is not a solution to fraud, but rather, it is an integral part of fraud that affects it. In addition to enabling effective financial monitoring behaviour, automation of such tasks can also generate rationalisation and reduction of professional scepticism due to reliance on, and blindness towards, processes that are only superficially transparent (Bhardwaj, 2024) [8]. Further, there are questions of moral responsibility and algorithmic bias which highlight the potential illegality of algorithmically driven decisions in forensic research. So, AI should be seen as a support rather than a replacement for human judgement. Combining principles of behavioural awareness and ethical governance best practices with the use of explainable AI tools will greatly improve the integrity of the accounting process.

4. Recommendation and Conclusion

From the literature reviewed, the following 4 factors are identified as inhibitors for adoption of AI in Accounting: Limited explainability, algorithmic bias, automation bias, lesser consideration of Forensic psychology in AI. Accurate empirical evidence on the behavioural reactions of the accountant to AI found to date has been limited, with some studies concentrating on the technological aspects of AI. Future research should thus examine the role of trust, a cognitive bias, and moral judgment on the decision process of AI-supporting decisions as well as the use of primary and cross-cultural data sources. It is evident that in practice, organisations need to use explainable AI (XAI) which

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spells greater transparency and adds greater legal safety to forensic investigations. The algorithm should be regularly reviewed for bias and to guarantee that it remains aligned with profession standards. Additionally, AI needs continued training, especially on topics related to AI ethics, forensic psychology and and professional scepticism, and the Accounting profession should provide this training to minimise 'automation bias' for their clients. Though Forensics and accounting decision making will still be in the hands of the humans, artificially intelligent assistance with a 'human in the loop' must still be in qualified hands. Lastly, AI has brought a new era of accounting for improving fraud detection and forensic investigations, not just by automation, but more importantly, by the responsible application of human judgement. The ethical questions, trust and cognitive biases are significant in the context of the adoption of AI from a forensic psychology point of view. In this research, ethical questions, trust and cognitive errors are examined. This highlights the fact that some of these factors and a forensic psychology perspective are influencing the uptake of AI. In this regard, the explanatory role of AI, policies of accountability and transparency, and a human oversight are all essential to maintain ethical and responsible accounts.

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