Microsoft Business Central: Put AI Where Financial Transactions Happen

THE SCALING EDGE • ISSUE 5 • Microsoft Business Central — corporate strategy spotlight

Educational example | Financial figures are hypothetical unless otherwise noted.

The strategy: what the business owner should understand

A useful automation improves the whole invoice cycle while preserving approvals. Time saved is not automatically money saved; it may be capacity the business can redirect.

A distributor manually enters invoices, often correcting duplicate records and inconsistent account coding.

How to apply the strategy

Map invoice intake, vendor verification, coding, approval, posting and payment. Pilot AI extraction with human review and log errors.

Before acting, write down the baseline, the owner of the process, the cost of the change, and the evidence that would make you continue or stop.

Build the financial model before making the decision

Processing hours = invoice count × minutes/invoice ÷ 60. Realized EBITDA improvement = eliminated paid expense − recurring software/oversight expense. Capacity value is reported separately.

300 invoices × 8 minutes = 40 hours/month. At 4 minutes, 20 hours are recovered. At $28/hour, capacity value is $560. New software costs $180 and oversight $100. If payroll does not change, EBITDA actually declines $280; the 20 hours can still be used for higher-value work. If $380 of paid overtime is genuinely eliminated, EBITDA instead improves $100.

Illustrative monthly income statement	Before	After
Sales revenue	$90,000	$90,000
Direct costs / cost of services	($56,000)	($56,000)

Gross profit	$34,000	$34,000
Operating expenses excluding D&A	($21,000)	($21,100)
EBITDA	$13,000	$12,900
Depreciation and amortization	($1,800)	($1,800)
Operating profit (EBIT)	$11,200	$11,100
Interest expense	($700)	($700)
Income taxes (illustrative)	($1,400)	($1,400)
Net income	$9,100	$9,000

EBITDA before = $13,000. EBITDA after = $12,900. Change = ($100). EBITDA is not net income or operating cash flow; it excludes interest, income taxes, depreciation and amortization.

Read the financial ratios together

Ratio	Formula	Before	After
Gross margin	Gross profit ÷ revenue	37.78%	37.78%
EBITDA margin	EBITDA ÷ revenue	14.44%	14.33%
Operating margin	EBIT ÷ revenue	12.44%	12.33%
Net profit margin	Net income ÷ revenue	10.11%	10.00%
Operating expense ratio	Operating expenses excl. D&A ÷ revenue	23.33%	23.44%

A percentage-point change is the difference between two percentages. For example, moving from 10% to 12% is a two-percentage-point improvement. Do not call it a 2% revenue increase.

Where to find the evidence in your statements

Profit and loss (P&L)

Find revenue, cost of sales, operating expenses, depreciation, interest and taxes. Confirm that added costs and savings are coded to the same categories before comparing periods.

Balance sheet

Review cash, accounts receivable (A/R), inventory, accounts payable (A/P) and any new borrowing. Higher revenue can produce higher A/R before it produces cash.

Cash flow and bank activity

Separate actual payments from noncash entries. Depreciation reduces accounting profit but is not a current-period cash payment. Payroll, inventory and software payments may happen before customers pay.

Operational reports

Use the metric closest to the strategy: defects, access exceptions, follow-up rates, invoices processed, handoff errors, product conversions, status calls, pilot orders or completed jobs.

How one decision affects the rest of the business

Incorrect AI coding can distort expenses, inventory and financial reports. Never allow unreviewed payment-bank changes.

Sales and marketing: check whether more demand requires more leads, follow-up time or customer support. Operations: verify capacity, quality and turnaround. Accounting: track revenue recognition, direct costs, overhead and receivables. Cash: forecast the timing of supplier payments, payroll and customer collections.

How the owner should decide

Distinguish a productivity benefit from a P&L benefit. Approve automation based on reduced errors, service levels, avoidable paid work and the quality of controls.

Use a 30-day pilot when feasible. Define the expected change, measurement owner, cost ceiling, quality safeguards and stop condition before starting.

Your 30-day financial review worksheet

Question	Enter your business numbers
Monthly sales	_____
Direct costs	_____
Operating expenses excluding D&A	_____
Depreciation and amortization	_____
Interest expense	_____
Income taxes	_____
Current EBITDA	_____
Current EBITDA margin	_____
Operating metric and baseline	_____
Expected improvement	_____
Incremental direct costs	_____
Additional fixed expenses	_____
Expected EBITDA change	_____
Expected cash impact	_____
Owner and review date	_____

The lesson to take away

A corporate strategy becomes useful to a small business only when the owner can explain the problem, calculate the expected benefit, identify which other functions will be affected, and verify the result in both operational and financial records.

About this article: An Across the Table educational adaptation. Numerical business examples are illustrative unless expressly identified otherwise.

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