

Copilot Ledger: *agentic bookkeeping* sold to the accountant.

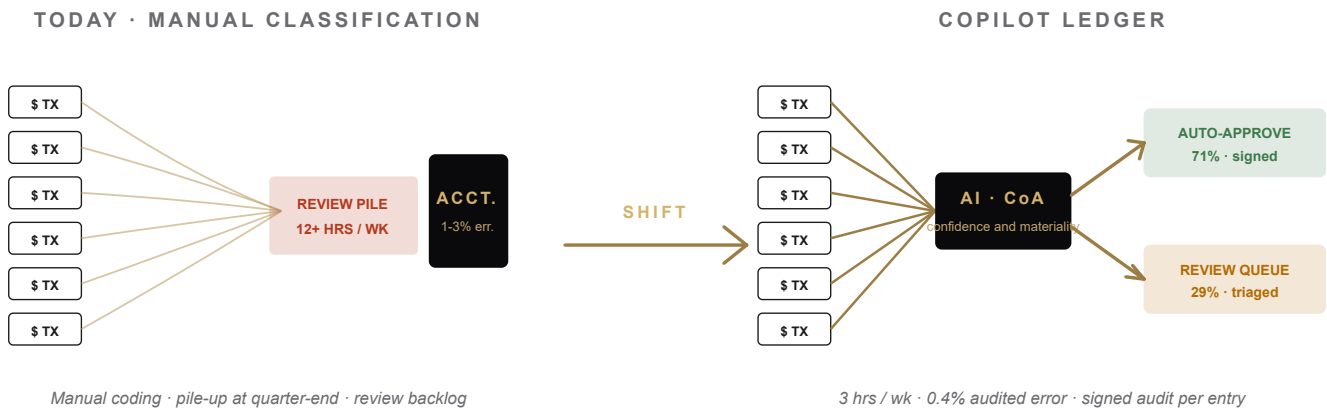
Auto-classify 70%+ of SMB transactions at > 95% confidence, route the rest to a materiality-triaged queue, sign every entry for a regulator-grade audit trail. The accountant stays the buyer, the liable party, and the moat.

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The Problem

The 35M US small businesses (SBA 2024) spend **\$154B / yr** on bookkeeping and adjacent compliance. Roughly **60% of accountant hours** are mechanical: transaction classification, reconciliation, expense coding. LLMs can plausibly automate most of this. Every entrant that has tried, however, has lost on the same hypothesis: sell automation directly to the SMB owner. That route bypasses the accountant, who is the actual buyer, the channel, and the party carrying professional liability if a misclassification surfaces in an audit.

FIGURE 1 · WORKFLOW SHIFT



Today (left): every transaction queues for manual coding; pile-up at quarter-end; 1-3% error baseline. With Copilot Ledger (right): the classifier auto-approves the high-confidence majority and routes the rest to the accountant by materiality. Hours saved is the measured outcome, not the marketing claim.

Why this matters now

Three forces are converging: **LLMs cleared the accuracy bar** on transaction classification (above human-baseline on labeled benchmarks since Q2 2024), **SMB margin pressure is forcing accountant firms to add capacity without headcount**, and **state regulators are tightening evidence requirements** for AI-assisted bookkeeping. The product that ships with a signed audit trail by default wins the channel.

Sizing the opportunity

Bottom-up: **34.8M US small businesses × \$4,400 avg annual bookkeeping spend = \$154B / yr** (SBA 2024). The mechanical layer AI can address runs roughly 60% of accountant hours (firm interviews), about \$92B. At a **4% take rate** on per-client SaaS pricing channeled through accountant firms, ARR ceiling is **\$3.7B**. The single number we optimize for is hours saved per accountant per week, not gross transaction volume.

Sources: SBA Office of Advocacy (2024); IBISWorld Accounting Services (2026); American Institute of Professional Bookkeepers (manual error rates); 8 firm interviews.

SMB BOOKKEEPING SPEND

\$154B / yr

34.8M SMBs × \$4,400 avg (SBA 2024)

ARR CEILING AT 4% TAKE

\$3.7B / yr

On AI-addressable layer

Strategic insight

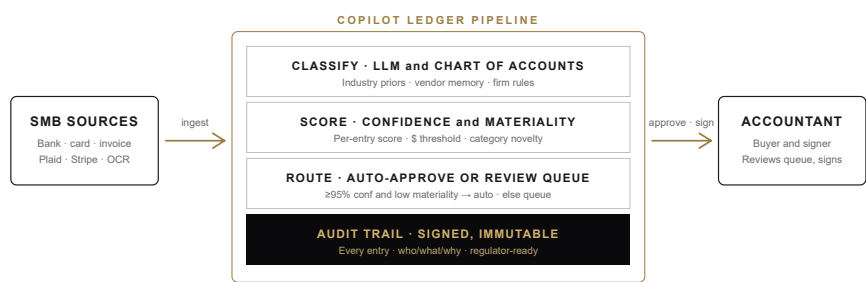
Every prior entrant tried to **route around the accountant**. The accountant is not friction; the accountant is the buyer with budget, the channel with distribution, and the licensed professional whose signature lets the SMB sleep at night. Sell to the accountant and the liability story writes itself: the AI is a tool the human signs off on, not a replacement that absorbs liability the vendor cannot legally carry.

THE UNLOCK

Treat the product as a **labor multiplier for accountants**, not labor replacement for SMBs. Every entry carries a published confidence score; high-confidence entries auto-approve and are signed, low-confidence entries route to a queue triaged by materiality. The audit trail is the deliverable. Pricing is per-client, billed through the firm.

Architecture · Confidence-routed pipeline

FIGURE 2 · SYSTEM ARCHITECTURE



SMB transactions ingest from existing rails; the classifier scores each entry against the firm's chart of accounts; the router auto-approves on confidence and materiality, else queues. The accountant is system-of-record, the AI is throughput.

WORKED EXAMPLE · 60-CLIENT MID-SIZE FIRM

By month 2: 12,400 transactions processed across e-commerce, professional services, and restaurant clients. **71% auto-approve** at >95% confidence; **22% queue** (\$>500 or novel category); **7% need rule-tuning**. Hours saved: **9.4 / wk vs a 13.1 / wk manual baseline**. Held-out audit: **0.3% error** on auto-approved entries.

Sequenced GTM

PHASE	CUSTOMER WEDGE	FORCING-FUNCTION WORKLOAD	PROOF POINT
Wedge M0 to 6	Mid-size firms, 50 to 200 SMB clients, multi-state practices	Quarterly close and monthly reconciliation cycles	> 8 hrs / accountant / wk saved; < 0.5% audited error
Beachhead M6 to 18	Vertical-heavy firms (medical, legal, professional services)	Industry-specific chart-of-accounts and insurance billing	200 firms paying; > 110% net revenue retention
Long-tail M18+	Solo practitioners, fractional CFOs, bookkeeping aggregators	Self-serve onboarding and templated industry rule packs	1,500+ firms; 25% of revenue from solo tier

Tradeoffs we accept

- **Auto-approval capped at 95% confidence; 30% of entries always need a human.** The cap is a regulator/liability artifact, not a model ceiling. Buying it down further breaks the audit story the accountant pays for.
- **Onboarding takes 2 to 3 weeks per firm** (CoA mapping, vendor memory seeding, industry rules). We don't paper over this with synthetic data; smaller solo practices feel the friction. That's the cost of catalog quality.
- **No first-party tax filing or audit defense.** Filing stays with the firm's existing tax software; we feed clean signed data, not opinions. Adjacent products dilute the AI/accountant trust loop.

Metrics that matter

LAYER	METRIC	Y1 TARGET	WHY IT MATTERS
North-star	Hours saved per accountant per week	> 8 hrs / wk by month 6	The single number we optimize for
Quality	Error rate on auto-approved entries (held-out audit)	< 0.4%	The number that earns and keeps the channel
Adoption	% transactions auto-approved	> 70%	Below this, the labor-multiplier story breaks
Liquidity	Active accountant firms	200+ paying by Y1	Channel density, not direct-to-SMB count
Trust	Audit-pack download rate (signed entries)	> 30% of entries / quarter	Proxy for "accountant believes the audit trail"
Engagement	Weekly active accountants in product	> 75% of seats	If accountants don't open it weekly, churn is coming
Business	Net revenue retention	> 110%	Per-client pricing compounds with firm growth

Risks & mitigations

HIGH	Accountant adoption: practitioners read AI as a threat to their billable hours. Mitigation: position as labor multiplier, not labor replacement. Channel-partner program with revenue share on the per-client SaaS line. Onboard 5 to 10 anchor firms whose managing partners will speak publicly about hours-saved data. The pitch is "bill the same; do less mechanical work; take more clients", not "replace your staff".
HIGH	Classifier drift after a firm changes its chart of accounts mid-quarter. Mitigation: 30-day held-out gold set per firm; if drift exceeds 0.6% above baseline, classifier is re-fitted on the firm's recent labeled data within 72 hours. Drift event is surfaced in the firm's admin console, not silently absorbed.
MED	Liability ambiguity: when the AI mis-classifies and the SMB gets audited, who pays? Mitigation: liability sits with the signing accountant by design (the AI is a tool, the signature is human). Contract carries explicit service credits if held-out audit error exceeds 0.4% in any month. The signed audit trail is the primary defense in any IRS/state inquiry.
MED	Pricing model: accountants resist per-seat; SMBs resist per-transaction. Mitigation: per-client SaaS billed through the firm, with a transaction-volume floor and ceiling per tier. Firm controls the markup to the SMB. Aligns with how managing partners already price their own work.

30 / 60 / 90, first quarter sprint plan

30 DAYS Land the accountant console › Classifier v0 on a single chart-of-accounts template › Materiality-routed review queue › 10 design-partner firms signed	60 DAYS Confidence routing and audit pack › Per-entry confidence and materiality scoring › Signed, immutable audit trail (downloadable pack) › 50 firms onboarded; first held-out audit run	90 DAYS Channel and integrations v1 › QuickBooks Online · Xero · NetSuite ingestion live › Industry rule packs (medical, legal, e-commerce) › 200 firms paying; first NRR cohort measurement
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DECISION ASKED

Authorize a 90-day build-and-prove sprint with a six-person team (PM, three engineers, ML lead, channel partner) and a budget of **\$2.8M**. Success criteria: 200 paying firms, > 8 hrs / accountant / wk saved median, < 0.4% audited error, signed audit trail on every entry, > 70% auto-approval rate at the 95% confidence cap.