Data Analytics for Accounting 2025 Release 1st edition Richardson Test Bank

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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Data analytics is the process of evaluating data with the purpose of drawing conclusions to address business questions.
   - ◎ true
   - ◎ false

2) The process of data analytics aims to transform raw information into data to create value.
   - ◎ true
   - ◎ false

3) Data analytics has the potential to transform the manner in which companies run their businesses, however it is not practical in the near future.
   - ◎ true
   - ◎ false

4) Auditors can use social media to hear what customers are saying about a company and compare this to inventory obsolescence and other estimates.
   - ◎ true
   - ◎ false

5) Data analytics allows auditors to glean insights that are beneficial to the client, without breeching independence.
   - ◎ true
   - ◎ false

6) The predictive analytics is an important aspect of data analytics for auditors, but is not applicable for tax accountants.
   - ◎ true
   - ◎ false

7) The I in IMPACT Cycle represents Identify the Question.
   - ◎ true
   - ◎ false

8) The M in IMPACT Cycle represents Master the Data.
   - ◎ true
   - ◎ false

9) The P in IMPACT Cycle represents Predict the Results.
   - ◎ true
   - ◎ false

10) The A in IMPACT Cycle represents Analyze the Data.
    - ◎ true
    - ◎ false

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11) The C in IMPACT Cycle represents Continuously Track.
- ◎ true
- ◎ false

12) The T in IMPACT Cycle represents Track Outcomes.
- ◎ true
- ◎ false

13) The IMPACT cycle is iterative, as insights are gained, outcomes are tracked, and new questions are identified.
- ◎ true
- ◎ false

14) Data analysis through data manipulation is performing basic analysis to understand the quality of the underlying data and its ability to address the business question.
- ◎ true
- ◎ false

15) To be proficient in data analysis, accountants need to become data scientists.
- ◎ true
- ◎ false

16) By developing an analytics mindset, accountants will be able to recognize when and how data analytics can address business questions.
- ◎ true
- ◎ false

17) While it is important for accountants to clearly articulate the business problem, drawing appropriate conclusions, based on the data, should be left to statisticians.
- ◎ true
- ◎ false

18) Analytic-minded accountants should report results of analysis in an accessible way to each varied decision maker and their specific needs.
- ◎ true
- ◎ false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

19) With a goal to give organizations the information they need to make sound and timely business decisions, data analytics often involves all of the following *except:*
- A) technologies.
- B) statistics.
- C) strategies.
- D) databases.

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20) Patterns discovered from _____ enable businesses to identify opportunities and risks and better plan for _____.
A) past archives; the future
B) current data; the future
C) current data; today
D) past archives; today

21) Which of the following best describes the goal of descriptive data analysis:
A) recognize what is meant by data quality, be it completeness, reliability or validity
B) perform basic analysis to understand the quality of the underlying data and its ability to address the business question
C) demonstrate ability to sort, rearrange, merge, and reconfigure data in a manner that allows enhanced analysis
D) comprehend the process needed to clean and prepare the data before analysis

22) Which of the following Microsoft software tool specializes in data joining?
A) Excel
B) Power Query
C) Power BI
D) Power Automate

23) Which of the following Microsoft software tools specializes in creating dashboards?
A) Excel
B) Power Query
C) Power BI
D) Power Automate

24) Which of the following Tableau software tools specializes in data transformation?
A) Tableau Desktop
B) Tableau Prep Builder
C) Tableau Public
D) Tableau Visualize

25) Which of the following Tableau software tools specializes in creating dashboards?
A) Tableau Desktop
B) Tableau Prep Builder
C) Tableau Public
D) Tableau Visualize

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26) Which of the following best describes the goal of data quality:
   A) recognize what is meant by data quality, be it completeness, reliability or validity
   B) perform basic analysis to understand the quality of the underlying data and its ability to address the business question
   C) demonstrate ability to sort, rearrange, merge, and reconfigure data in a manner that allows enhanced analysis
   D) comprehend the process needed to clean and prepare the data before analysis

27) Which of the following best describes the goal of data manipulation:
   A) recognize what is meant by data quality, be it completeness, reliability or validity
   B) perform basic analysis to understand the quality of the underlying data and its ability to address the business question
   C) demonstrate ability to sort, rearrange, merge, and reconfigure data in a manner that allows enhanced analysis
   D) comprehend the process needed to clean and prepare the data before analysis

28) Which of the following best describes the goal of data scrubbing and data preparation:
   A) recognize what is meant by data quality, be it completeness, reliability or validity
   B) perform basic analysis to understand the quality of the underlying data and its ability to address the business question
   C) demonstrate ability to sort, rearrange, merge and reconfigure data in a manner that allows enhanced analysis
   D) comprehend the process needed to clean and prepare the data before analysis

29) Which of the following best describes the goal of developing an analytics mindset:
   A) recognize when and how data analytics can address business questions
   B) perform basic analysis to understand the quality of the underlying data and its ability to address the business question
   C) recognize what is meant by data quality, be it completeness, reliability or validity
   D) comprehend the process needed to clean and prepare the data before analysis

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30) Which of the following best describes the goal of data visualization and data reporting:
    A) recognize when and how data analytics can address business questions
    B) perform basic analysis to understand the quality of the underlying data and its ability to address the business question
    C) recognize what is meant by data quality, be it completeness, reliability or validity
    D) report results of analysis in an accessible way to each varied decision maker and their specific needs

31) Which of the following best describes the goal of defining and addressing problems through statistical data analysis:
    A) recognize what is meant by data quality, be it completeness, reliability or validity
    B) perform basic analysis to understand the quality of the underlying data and its ability to address the business question
    C) demonstrate ability to sort, rearrange, merge and reconfigure data in a manner that allows enhanced analysis
    D) identify and implement an approach that will use statistical data analysis to draw conclusions and make recommendations on a timely basis

32) While accountants don't need to become data scientists, they must know how to do the following *except*:
    A) clearly articulate the business problem the company is facing
    B) communicate with the data scientists about specific data needs and understand the underlying quality of the data
    C) build a data repository
    D) comprehend the process needed to clean and prepare the data before analysis

33) Data analytics professionals estimate that they spend how much of their time cleaning data so it can be analyzed?
    A) Between 80 percent and 90 percent of their time.
    B) Between 10 percent and 20 percent of their time.
    C) Between 20 percent and 50 percent of their time.
    D) Between 50 percent and 70 percent of their time.

34) Which approach to data analytics attempts to estimate or predict, for each unit, the numerical value of some variable using some type of statistical model?
    A) Similarity matching.
    B) Classification.
    C) Data reduction.
    D) Regression.

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35) Which approach to data analytics attempts to characterize the typical behavior of an individual, group or population by generating summary statistics about the data?
   A) Similarity matching.
   B) Profiling.
   C) Data reduction.
   D) Regression.

36) Since some transactions need more attention than others, the data reduction approach would arguably be most important for the:
   A) audit function.
   B) tax function.
   C) management accounting function.
   D) regression function.

37) Which approach to data analytics attempts to reduce the amount of information that needs to be considered to focus on the most critical items?
   A) Similarity matching.
   B) Profiling.
   C) Data reduction.
   D) Regression.

38) Which of the following best describes the classification approach to data analytics?
   A) An attempt to assign each unit (or individual) in a population into a few categories.
   B) An attempt to identify similar individuals based on data known about them.
   C) An attempt to divide individuals into groups in a useful or meaningful way.
   D) An attempt to discover associations between individuals based on transactions involving them.

39) Which of the following best describes the clustering approach to data analytics?
   A) An attempt to assign each unit (or individual) in a population into a few categories.
   B) An attempt to identify similar individuals based on data known about them.
   C) An attempt to divide individuals into groups in a useful or meaningful way.
   D) An attempt to discover associations between individuals based on transactions involving them.

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40) Which of the following best describes the similarity matching approach to data analytics?
   A) An attempt to assign each unit (or individual) in a population into a few categories.
   B) An attempt to identify similar individuals based on data known about them.
   C) An attempt to divide individuals into groups in a useful or meaningful way.
   D) An attempt to discover associations between individuals based on transactions involving them.

41) Which of the following best describes the regression approach to data analytics?
   A) An attempt to estimate or predict, for each unit, the numerical value of some variable using some type of statistical model.
   B) An attempt to predict a relationship between two data items.
   C) An attempt to divide individuals into groups in a useful or meaningful way.
   D) An attempt to discover associations between individuals based on transactions involving them.

42) Which of the following best describes the co-occurrence grouping approach to data analytics?
   A) An attempt to characterize the typical behavior of an individual, group or population by generating summary statistics about the data.
   B) An attempt to predict a relationship between two data items.
   C) An attempt to reduce the amount of information that needs to be considered to focus on the most critical items.
   D) An attempt to discover associations between individuals based on transactions involving them.

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43) Which of the following best describes the link prediction approach to data analytics?
   A) An attempt to characterize the typical behavior of an individual, group or population by generating summary statistics about the data.
   B) An attempt to predict a relationship between two data items.
   C) An attempt to reduce the amount of information that needs to be considered to focus on the most critical items.
   D) An attempt to discover associations between individuals based on transactions involving them.

44) Which of the following best describes the profiling approach to data analytics?
   A) An attempt to characterize the typical behavior of an individual, group or population by generating summary statistics about the data.
   B) An attempt to predict a relationship between two data items.
   C) An attempt to reduce the amount of information that needs to be considered to focus on the most critical items.
   D) An attempt to discover associations between individuals based on transactions involving them.

45) Which of the following best describes the data reduction approach to data analytics?
   A) An attempt to characterize the typical behavior of an individual, group or population by generating summary statistics about the data.
   B) An attempt to predict a relationship between two data items.
   C) An attempt to reduce the amount of information that needs to be considered to focus on the most critical items.
   D) An attempt to discover associations between individuals based on transactions involving them.

46) Which approach to data analytics attempts to discover associations between individuals based on transactions involving them?
   A) Similarity matching.
   B) Clustering.
   C) Co-occurrence grouping.
   D) Link prediction.

47) Which approach to data analytics attempts to identify similar individuals based on data known about them?
   A) Similarity matching.
   B) Clustering.
   C) Co-occurrence grouping.
   D) Link prediction.

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48) Which approach to data analytics attempts to predict a relationship between two data items?
A) Similarity matching.
B) Clustering.
C) Co-occurrence grouping.
D) Link prediction.

49) Which approach to data analytics attempts to divide individuals into groups in a useful or meaningful way?
A) Similarity matching.
B) Clustering.
C) Co-occurrence grouping.
D) Link prediction.

50) The IMPACT cycle includes all the following processes *except*:
A) Identify the questions.
B) Address and refine results.
C) Track outcomes.
D) Predict the results.

51) One of the most important aspects of data analytics that impacts tax is:
A) predictive analytics.
B) co-occurrence grouping.
C) similarity matching.
D) data quality.

52) If we are predicting which companies go bankrupt, bankruptcy would be the:
A) dependent variable.
B) independent variable.
C) explanatory variable.
D) classification variable.

53) If a bank uses credit risk score to determine who will receive a loan, the credit risk score would be considered the:
A) dependent variable.
B) independent variable.
C) response variable.
D) classification variable.

54) If a bank uses credit risk score to determine who will receive a loan, the variable predicting who will receive a loan would be considered the:
A) dependent variable.
B) independent variable.
C) determinant variable.
D) classification variable.

55) The 4V's of Big Data include all but the following:
A) volatility.
B) variety.
C) velocity.
D) veracity.

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56) A recent study from McKinsey Global Institute estimates that Data Analytics could generate:
    A) between $9.5 and $15.4 billion in value.
    B) between $9.5 and $15.4 trillion in value.
    C) between $9.5 and $15.4 million in value.
    D) between $9.5 and $15.4 hundred thousand in value.

57) Based on the PwC's Annual Digital IQ survey of more than 1,250 leaders from digital business, the area of investment that tops CEOs' list of priorities is:
    A) digital transformation.
    B) performance-enhancing technology.
    C) accounting data analytics.
    D) business analytics.

58) According to PwC's 18th Annual Global CEO survey, what percent of chief executive officers put a high value on data analytics?
    A) 95%
    B) 85%
    C) 55%
    D) 35%

59) According to the text, as the debt-to-income ratio increases, there is:
    A) a greater chance of a loan getting rejected by the bank.
    B) a lesser chance of a loan getting rejected by the bank.
    C) no effect on the chance of a loan getting rejected by the bank.

60) According to the text, as the length of employment increases, there is:
    A) a greater chance of a loan getting rejected by the bank.
    B) a lesser chance of a loan getting rejected by the bank.
    C) no effect on the chance of a loan getting rejected by the bank.

61) According to the text, as the credit score increases, there is:
    A) a greater chance of a loan getting rejected by the bank.
    B) a lesser chance of a loan getting rejected by the bank.
    C) no effect on the chance of a loan getting rejected by the bank.

62) In the LendingClub dataset, a credit score is synonymous with:
    A) a debt score.
    B) a risk score.
    C) a credit card score.
    D) a premium score.

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63) Artificial intelligence relies on which of the following for its models:
   A) text.
   B) images.
   C) video.
   D) all of these.

64) The process of guiding artificial intelligence to generate the most relevant and high-quality output is called:
   A) Generative AI.
   B) prompt engineering.
   C) ChatGPT.
   D) speech recognition.

65) How would you prompt an AI chat bot to respond as someone evaluating the processes of a public company?
   A) "Act as an accountant..."
   B) "Act as a manager of a retail store..."
   C) "Act as an auditor..."
   D) "Act as an investor..."

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

66) List and describe the eight (8) different approaches to data analytics.

67) List and explain four (4) of the seven (7) data analytic skills needed by analytic-minded accountants:

68) As more and more data are available, some would argue that the role of accounting is changing. While accountants don't need to become data scientists, they must develop a base level skill set. Whether they are the Director of Tax for Hewlett Packard or their external auditor, which basic skills are needed by an analytic-minded accountant?

69) What is the regression approach? How might the regression approach be used in auditing?

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70) Assume that you have just started a new job as a credit manager for a Fortune 500 company. Using all steps in the IMPACT Cycle, provide examples of tasks that would be performed as part of each step and state the information/data you would need to make a decision if a customer is credit worthy.

71) What are the benefits and limitations of a Generative AI? How does prompt engineering help overcome some of those challenges?

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Answer Key

Test name: Chapter 01

1) TRUE
2) FALSE
3) FALSE
4) TRUE
5) TRUE
6) FALSE
7) TRUE
8) TRUE
9) FALSE
10) FALSE
11) FALSE
12) TRUE
13) TRUE
14) FALSE
15) FALSE
16) TRUE
17) FALSE
18) TRUE
19) C
20) A
21) B
22) B
23) C
24) B
25) A
26) A
27) C
28) D
29) A
30) D
31) D
32) C
33) A
34) D
35) B
36) A
37) C
38) A
39) C
40) B
41) A
42) D
43) B
44) A
45) C
46) C
47) A
48) D
49) B
50) D
51) A
52) A
53) B
54) B
55) A
56) B
57) D
58) B
59) A
60) B
61) B
62) B
63) D
64) B
65) A
66) Essay
67) Essay
68) Essay
69) Essay
70) Essay
71) Essay

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