Accounting 2 Essay, Research Paper

Statistical concepts are used in various aspects on industry. The following highlights the use of statistics in these industries: Accounting/Auditing, Insurance, and Medical (Pharmaceutical).In the accounting/auditing field, it is imperative that the auditor makes an effort to determine that financial statements are stated accurately and free of material error (appear to be stated accurately). To accomplish this task, auditors utilize test methods that include statistical sampling of accounting transactions — payroll, accounts payable, accounts receivable, journal entries, etc.. This statistical approach is used for validating (determining the accuracy) financial statements through limited test work. This limited test work is based on the statistical approach of how a population reacts — ie, a small sample of the population is generally representative of the entire population.The use of statistics provides the auditor with a tool that provides comfort in the amount of test work required to achieve adequate” scope coverage to meet a representative sample of the financial scope. This use of statistics provides an auditor with a lower cost approach to substantiate accuracy — this is important to both the auditing firm and the industry being audited.Another industry that utilizes statistics on a daily basis is the insurance industry. In fact, this industry relies on statistics to help forecast its bottom line results. The typical insurance company uses statistics to determine approval rates for clients, while providing coverage (life, medical, dental, etc.) and turning a profit.For example, an insurance company might use statistical concepts to determine the trend of a population. This statistical approach might be used to determine the likelihood of a population incurring extreme medical needs, birth rates, or surgery. The results of this approach help the insurance company project the probability of incurring medical, dental, and/or life claims and therefore, enables the company to establish premium rates that delivery profitable results.The medical/pharmaceutical industry is another major industry segment that utilizes statistical concepts on a daily basis. Statistical concepts are used to determine the appropriateness of distributing new drugs (ie, determine the likelihood of drug interactions). This is an example of how statistics truly have a very favorable or detrimental impact on daily life. Again, population trending is used to determine whether or not a drug should be released to the general public (based on the results of a small sample size) for consumption. As indicated, statistical concepts play a key role in various industries.