

CA Kairos  
Framework for Predictive Accountant

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# CA Kairos Framework for the Predictive Accountant

Following these steps requires an understanding of select capabilities of Power BI as well as concepts of big data highlighted in the Systems of Insight course. [CA Kairos Portal](#)

You are strongly suggested to cover this CPD course before tackling the use of content packs and attempt to use external data sources for advisory accounting services.

The traditional source of data for the professional has been the transactional data available from accounting systems. The extraction of the transaction data for analysis is greatly simplified over the processes from the last few years. The steps for extracting transaction data from cloud accounting systems follow similar patterns for the various cloud accounting systems e.g. Xero, QuickBooks, Sage, MYOB.

An example walk through of transaction extraction from Xero serves to highlight the individual steps. These are available with video walk throughs via the following link ([www.bit.ly/XPBI](http://www.bit.ly/XPBI)) Small Practice Accounting Analytics and Automation for Xero, Quick Books, Sage and Stripe: A CA Kairos Primer.

Beyond the transactional business data 3 other types of data are generally available:

- External data (see examples of curated data sources and integration packs with the CA Kairos Portal – under Help & Resources [CA Kairos Portal](#))
- Customer /behaviour data available from customer web site via Google Analytics [Google Analytics Solutions - Marketing Analytics & Measurement – Google](#)
- Social media and Search data

Combining these different types of data including the transactional data helps a professional provide advisory capability. The use cases for an advisory practice (can include but are not limited to):

- a) Forecasting (Financial)
- b) Pitch deck inputs for start-up businesses and including financial reporting
- c) Cross border business expansion
- d) Cost of Capital Estimates
- e) Risk Management including reputation

- f) M & A
- g) Fraud
- h) Spend Analytics
- i) Continuous Auditing via Drone

#### Case Study: ANZ Truckometer

<https://www.anz.co.nz/about-us/economic-markets-research/truckometer/>

The ANZ Truckometer available publicly acts as a proxy for New Zealand economic activity as measured by the GDP. The ANZ Light Traffic Index provides a six month projection on activity as measured by GDP assisting with financial projections.

#### Case Study: Winter Rainfall & Wine

The importance of such external data over customer internal data cannot be understated. When Orley Ashenfelter an economist "ran the numbers" he discovered  $\text{Wine quality} = 12.145 / 0.00117 * \text{Winter Rainfall} + 0.0614 \text{ average growing season temp} - 0.00386 \text{ harvest rainfall}$ . Remarkably, this equation helped predict the "wines of the century" for 1989 and 1990. He has gone on to predict the price of an Australian Grange Hermitage using similar techniques. Ashenfelter's formulation does not build on any data specific to an individual winery.

This example serves to highlight the work with data and advisory is often not driven by a particular problem or client requirement but is opportunity-based and highly sensitive to externally available data.

The different types of data used for an investigation helps drive new businesses or the discovery of an opportunity relating to:

- ✓ Marketing and sales growth
- ✓ Operational and financial performance
- ✓ Risk and fraud reduction
- ✓ New product and service innovation
- ✓ Monetisation of data

Overall a four-step process is suggested:

Step 1. Identify and consolidate the transactional data from the accounting system

Step 2. Source complimentary data from relevant sources (includes content packs and curated data) for the line of business under investigation

Step 3. Select the nature of the question being asked or exploration amongst the data and deriving conclusions from the data itself. This is an analytical style either inductive (traditional problem solving) or bottom-up

Step 4. Seek correlations amongst the data using Power BI capability to find insights in data

### Data Types & Sources

The data might reside in a variety of internal and external systems and sources. Internal systems include marketing systems, CRM systems and other back-office systems (such as ERP, supply chain management, product systems and transactional systems). In many cases, that data can even be found in spreadsheets.

PowerBI is one tool used by CA Kairos to assist analysing data (full details and download is accessible in the CA Kairos portal.

<https://portal.cakairos.net/getting-powerbi>

Power BI provides a range of services for integrating with external systems.

See <https://app.powerbi.com/groups/me/getdata/services> for the breadth of systems.

Combining data from curated sources, content packs, social media and your transactional systems with intuition and past experience helps drive better tactical and operational decisions for clients and the practice.