

# STATISTICS WORKSHEET-I

Q1 to Q9 have only one correct answer. Choose the correct option to answer your question.

1. Bernoulli random variables take (only) the values 1 and 0.

- a) True
- b) False

Ans: a) True

2. Which of the following theorem states that the distribution of averages of iid variables, properly normalized, becomes that of a standard normal as the sample size increases?

- a) Central Limit Theorem
- b) Central Mean Theorem
- c) Centroid Limit Theorem
- d) All of the mentioned

Ans: a) Central Limit Theorem

3. Which of the following is incorrect with respect to use of Poisson distribution?

- a) Modeling event/time data
- b) Modeling bounded count data
- c) Modeling contingency tables
- d) All of the mentioned

Ans: b) Modeling bounded count data

4. Point out the correct statement.

- a) The exponent of a normally distributed random variables follows what is called the log-normal distribution
- b) Sums of normally distributed random variables are again normally distributed even if the variables are dependent
- c) The square of a standard normal random variable follows what is called chisquared distribution
- d) All of the mentioned

Ans: d) All of the mentioned

5. \_\_\_\_\_ random variables are used to model rates.

- a) Empirical
- b) Binomial
- c) Poisson
- d) All of the mentioned

Ans: c) Poisson

6. Usually replacing the standard error by its estimated value does change the CLT.

- a) True
- b) False

Ans: b) False

7. Which of the following testing is concerned with making decisions using data?

- a) Probability
- b) Hypothesis
- c) Causal
- d) None of the mentioned

Ans: b) Hypothesis

8. Normalized data are centred at\_\_\_\_\_and have units equal to standard deviations of the original data.

d) 10

Ans: a) 0

9. Which of the following statement is incorrect with respect to outliers?
- a) Outliers can have varying degrees of influence
  - b) Outliers can be the result of spurious or real processes
  - c) Outliers cannot conform to the regression relationship
  - d) None of the mentioned

Ans: c) Outliers cannot conform to the regression relationship

10) What do you understand by the term Normal Distribution?

Ans: Normal distribution, also called Gaussian distribution, is the most common distribution function for independent, randomly generated variables. Its familiar bell-shaped curve is ubiquitous in statistical reports, from survey analysis and quality control to resource allocation.

The graph of the normal distribution is characterized by two parameters: the mean, or average, which is the maximum of the graph and about which the graph is always symmetric; and the standard deviation, which determines the amount of dispersion away from the mean. A small standard deviation (compared with the mean) produces a steep graph, whereas a large standard deviation (again compared with the mean) produces a flat graph.

The normal distribution is often called the bell curve because the graph of its probability density looks like a bell. It is also known as called Gaussian distribution, after the German mathematician Carl Gauss who first described it. A normal distribution is determined by two parameters the mean and the variance. A normal distribution with a mean of 0 and a standard deviation of 1 is called a standard normal distribution.

11) How do you handle missing data? What imputation techniques do you recommend?

Ans: Understanding the nature of missing data is critical in determining what treatments can be applied to overcome the lack of data. Data can be missing in the following ways:

- Missing Completely At Random (MCAR): When missing values are randomly distributed across all observations, then we consider the data to be missing completely at random. A quick check for this is to compare two parts of data — one with missing

observations and the other without missing observations. On a t-test, if we do not find any difference in means between the two samples of data, we can assume the data to be MCAR.

- **Missing At Random (MAR):** The key difference between MCAR and MAR is that under MAR the data is not missing randomly across all observations, but is missing randomly only within sub-samples of data. For example, if high school GPA data is missing randomly across all schools in a district, that data will be considered MCAR. However, if data is randomly missing for students in specific schools of the district, then the data is MAR.
- **Not Missing At Random (NMAR):** When the missing data has a structure to it, we cannot treat it as missing at random. In the above example, if the data was missing for all students from specific schools, then the data cannot be treated as MAR.

In the first two cases, it is safe to remove the data with missing values depending upon their occurrences, while in the third case removing observations with missing values can produce a bias in the model. So, we have to be really careful before removing observations. Note that imputation does not necessarily give better results.

The common imputation techniques for handling missing data are as follows:

### 1. Mean or Median Imputation:

When data is missing at random, we can use list-wise or pair-wise deletion of the missing observations. However, there can be multiple reasons why this may not be the most feasible option:

- There may not be enough observations with non-missing data to produce a reliable analysis
- In predictive analytics, missing data can prevent the predictions for those observations which have missing data
- External factors may require specific observations to be part of the analysis

In such cases, we impute values for missing data. A common technique is to use the mean or median of the non-missing observations. This can be useful in cases where the number of missing observations is low. However, for large number of missing values, using mean or median can result in loss of variation in data and it is better to use imputations. Depending upon the nature of the missing data, we use different techniques to impute data.

### 2. Multivariate Imputation by Chained Equations (MICE):

MICE assumes that the missing data are Missing at Random (MAR). It imputes data on a variable-by-variable basis by specifying an imputation model per variable. MICE use predictive mean matching (PMM) for continuous variables, logistic regressions for binary variables, Bayesian polytomous regressions for factor variables, and proportional odds model for ordered variables to impute missing data. To set up the data for MICE, it is important to note that the algorithm uses all the variables in the data for predictions. In this case, variables that may not be useful for predictions, like the ID variable, should be removed before implementing this algorithm.

### 3. Random Forest:

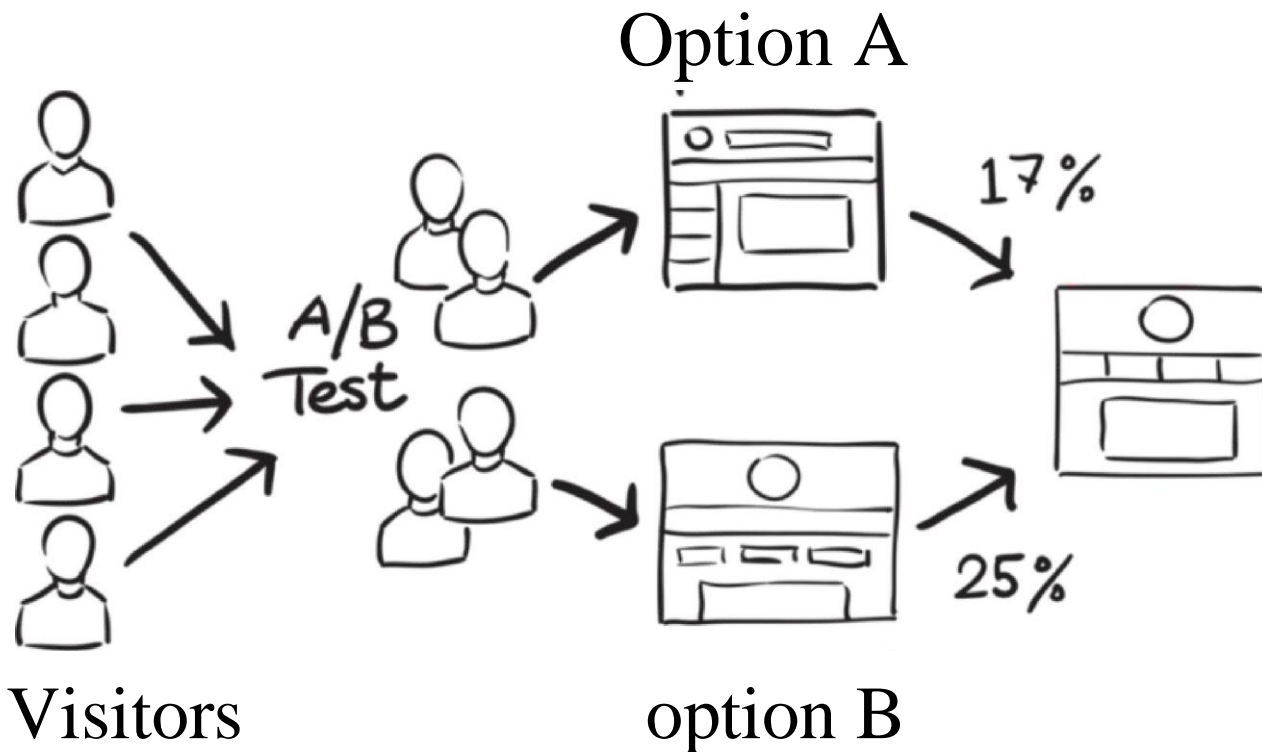
Random forest is a non-parametric imputation method applicable to various variable types that works well with both data missing at random and not missing at random. Random forest uses multiple decision trees to estimate missing values and outputs OOB (out of bag) imputation error estimates.

One caveat is that random forest works best with large datasets and using random forest on small datasets runs the risk of overfitting. The extent of overfitting leading to inaccurate imputations will depend upon how closely the distribution for predictor variables for non-missing data resembles the distribution of predictor variables for missing data. For example, if the distribution of race/ethnicity for non-missing data is similar to the distribution of race/ethnicity for missing data, overfitting is not likely to throw off results. However, if the two distributions differ, the accuracy of imputations will suffer.

## 12. What is A/B testing?

Ans: A/B testing is a basic randomized control experiment. It is a way to compare the two versions of a variable to find out which performs better in a controlled environment.

For instance, let's say you own a company and want to increase the sales of your product. Here, either you can use random experiments, or you can apply scientific and statistical methods. A/B testing is one of the most prominent and widely used statistical tools.



In the above scenario, you may divide the products into two parts — A and B. Here A will remain unchanged while you make significant changes in B's packaging. Now, on the basis of the response from customer groups who used A and B respectively, you try to decide which is performing better.

To put this in more practical terms, a prediction is made that Option B will perform better than Option A. Then, data sets from both pages are observed and compared to determine if Option B is a statistically significant improvement over Option A. It IS a hypothetical testiw methodology for making decisions that estimate population parameters based on sample statistics. The population refers to all the customers buying your product, while the sample refers to the number of customers that participated in the test.

The point of AB testing has absolutely nothing to do with how Option A or Option B will perform. We don't care about that. What we care about is how our page will ultimately perform with our entire audience. For example, we have no way of knowing with 100% accuracy how the next 100,000 people who visit our website will behave. That is information we do not know today, and if we were to wait until those 100,000 people visited our site, it would be too late to optimize the user experience.

So, what we can do is observe the next 1,000 people who visit our site and then use statistical analysis to predict how the following 99,000 will behave/expect. If we set things up properly, we can make that prediction with incredible accuracy, which allows us to optimize how we interact with those 99,000 visitors. This is why AB testing can be so valuable to businesses.

13. Is mean imputation of missing data acceptable practice?

Ans: Firstly, we have to understand that there is no standard way to deal with the missing data. We have to use different methods depending upon which kind of problem we are solving, for example Time series, ML, regression etc. Mean imputation is a nonstandard practice, but a fairly flexible imputation algorithm. It uses Random Forest at its core to predict the missing data. It can be applied to both continuous and categorical variables which makes it advantageous over other imputation algorithms. Mean imputation of missing values is not a recommended practice, if just estimating means, then mean imputation preserves the mean of the observed data leads to an underestimate of the standard deviation Distorts relationships between variables by "pulling" estimates of the correlation toward zero.

14. What is linear regression in statistics?

Ans: Linear regression is a basic and commonly used type of predictive analysis. The overall idea of regression is to examine two things:

- (1) does a set of predictor variables do a good job in predicting an outcome (dependent) variable?
- (2) Which variables in particular are significant predictors of the outcome variable, and in what way do they—indicated by the magnitude and sign of the beta estimates—impact the outcome variable?

These regression estimates are used to explain the relationship between one dependent variable and one or more independent variables. The simplest form of the regression equation with one dependent and one independent variable is defined by the formula  $y = c + b \cdot x$ , where  $y$  = estimated dependent variable score,  $c$  = constant,  $b$  = regression coefficient, and  $x$  = score on the independent variable.

Naming the Variables. There are many names for a regression's dependent variable. It may be called an outcome variable, criterion variable, endogenous variable, or regressand. The independent variables can be called exogenous variables, predictor variables, or regressors.

Three major uses for regression analysis are:

- (1) determining the strength of predictors, (2) forecasting an effect, and (3) trend forecasting.

First, the regression might be used to identify the strength of the effect that the independent variable(s) have on a dependent variable. Typical questions are what is the strength of relationship between dose and effect, sales and marketing spending, or age and income.

Second, it can be used to forecast effects or impact of changes. That is, the regression analysis helps us to understand how much the dependent variable changes with a change in one or more independent variables.

A typical question is, "how much additional sales income do I get for each additional \$1000 spent on marketing?"

Third, regression analysis predicts trends and future values. The regression analysis can be used to get point estimates. A typical question is, "what will the price of gold be in 6 months?"

15. What are the various branches of statistics?

Ans: The two main branches of statistics are descriptive statistics and inferential statistics. Both of these are employed in scientific analysis of data and both are equally important for statistics.

Descriptive statistics deals with the presentation and collection of data. This is usually the first part of a statistical analysis. It is usually not as simple as it sounds, and the statistician needs to be aware of designing experiments, choosing the right focus group and avoid biases that are so easy to creep into the experiment. Different areas of study require different kinds of analysis using descriptive statistics. For example, a physicist studying turbulence in the laboratory needs the average quantities that vary over small intervals of time. The nature of this problem requires that physical quantities be averaged from a host of data collected through the experiment.

Inferential statistics, as the name suggests, involves drawing the right conclusions from the statistical analysis that has been performed using descriptive statistics. In the end, it is the inferences that make studies important and this aspect is dealt with in inferential statistics. Most predictions of the future and generalizations about a population by studying a smaller sample come under the purview of inferential statistics. Most social sciences experiments deal with studying a small sample population that helps determine how the population in general behaves. By designing the right experiment, the researcher is able to draw conclusions relevant to his study.

While drawing conclusions, one needs to be very careful so as not to draw the wrong or biased conclusions. Even though this appears like a science, there are ways in which one can manipulate studies and results through various means. For example, data dredging is increasingly becoming a problem as computers hold loads of information and it is easy, either intentionally or unintentionally, to use the wrong inferential methods.