**Topics: Descriptive Statistics and Probability**

1. Look at the data given below. Plot the data, find the outliers and find out

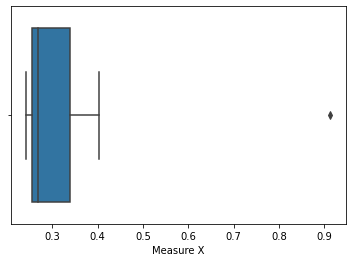
|  |  |
| --- | --- |
| **Name of company** | **Measure X** |
| Allied Signal | 24.23% |
| Bankers Trust | 25.53% |
| General Mills | 25.41% |
| ITT Industries | 24.14% |
| J.P.Morgan& Co. | 29.62% |
| Lehman Brothers | 28.25% |
| Marriott | 25.81% |
| MCI | 24.39% |
| Merrill Lynch | 40.26% |
| Microsoft | 32.95% |
| Morgan Stanley | 91.36% |
| Sun Microsystems | 25.99% |
| Travelers | 39.42% |
| US Airways | 26.71% |
| Warner-Lambert | 35.00% |

Variance= 0.028715

Standard Deviation= 0.169454

Mean=33.12

Outlier is Morgan Stanley-91.36%





Answer the following three questions based on the box-plot above.

1. What is inter-quartile range of this dataset? (please approximate the numbers) In one line, explain what this value implies.

12-5=7

It indicates middle 50% of our dataset.

1. What can we say about the skewness of this dataset?

It is positively skewed.

1. If it was found that the data point with the value 25 is actually 2.5, how would the new box-plot be affected?

Then there is no outlier in the dataset.



Answer the following three questions based on the histogram above.

1. Where would the mode of this dataset lie?

4-8

1. Comment on the skewness of the dataset.

Most of the data is situated towards left,hence it is positively skewed.

1. Suppose that the above histogram and the box-plot in question 2 are plotted for the same dataset. Explain how these graphs complement each other in providing information about any dataset.

\*Both the plots shows that Mean/Median is situated towards the left

\*Most of the datapoints are situated towards left.

\*There is one outlier in the dataset.

1. AT&T was running commercials in 1990 aimed at luring back customers who had switched to one of the other long-distance phone service providers. One such commercial shows a businessman trying to reach Phoenix and mistakenly getting Fiji, where a half-naked native on a beach responds incomprehensibly in Polynesian. When asked about this advertisement, AT&T admitted that the portrayed incident did not actually take place but added that this was an enactment of something that “could happen.” Suppose that one in 200 long-distance telephone calls is misdirected. What is the probability that at least one in five attempted telephone calls reaches the wrong number? (Assume independence of attempts.)

Sol: one in 200 long-distance telephone calls is misdirected

=>  probability of call misdirecting  p = 1/200

     Probability of call not Misdirecting = 1 - 1/200 = 199/200

Number of Calls = 5

P(x) = ⁿCₓpˣqⁿ⁻ˣ

n = 5

p = 1/200

q = 199/200

at least one in five attempted telephone calls reaches the wrong number

= 1  -  none of the call reaches the wrong number

= 1  - P(0)

= 1   -  ⁵C₀(1/200)⁰(199/200)⁵⁻⁰

= 1  -  (199/200)⁵

= 0.02475

**probability that at least one in five attempted telephone calls reaches the wrong number = 0.02475**

1. Returns on a certain business venture, to the nearest $1,000, are known to follow the following probability distribution

|  |  |
| --- | --- |
| x | P(x) |
| -2,000 | 0.1 |
| -1,000 | 0.1 |
| 0 | 0.2 |
| 1000 | 0.2 |
| 2000 | 0.3 |
| 3000 | 0.1 |

1. What is the most likely monetary outcome of the business venture?

X=2000, as p(x)=0.3 which is the highest.

1. Is the venture likely to be successful? Explain

Yes, because 0.2 + 0.3 + 0.1 = 0.6, the venture is likely to be successful.

1. What is the long-term average earning of business ventures of this kind? Explain

=(0.1)(−2,000) + (0.1)(−1,000) + (0.2)(0) + (0.2)(1,000) + (0.3)(1,000) + (0.1)(3,000)

= 800

1. What is the good measure of the risk involved in a venture of this kind? Compute this measure

2000\*0.1-1000\*0.1=-300

So,20% risk involved in the data