**Topics: Normal distribution, Functions of Random Variables**

1. The time required for servicing transmissions is normally distributed with *μ* = 45 minutes and *σ* = 8 minutes. The service manager plans to have work begin on the transmission of a customer’s car 10 minutes after the car is dropped off and the customer is told that the car will be ready within 1 hour from drop-off. What is the probability that the service manager cannot meet his commitment?
2. 0.3875
3. 0.2676
4. 0.5
5. 0.6987

**Ans:** Given,

Mean = 45

Std Dev = 8

Time Delay = 10

Time Available = 60-10 =50

1-pnorm(50,45,8) = 0.2659

So ans is **B**

1. The current age (in years) of 400 clerical employees at an insurance claims processing center is normally distributed with mean *μ* = 38 and Standard deviation *σ* =6. For each statement below, please specify True/False. If false, briefly explain why.
2. More employees at the processing center are older than 44 than between 38 and 44.

**Ans:** False, 84% of employees are below the age of 44

1. A training program for employees under the age of 30 at the center would be expected to attract

about 36 employees.

**Ans:** True, 9% of employee comes under age 30

1. If *X1* ~ *N*(μ, σ2) and *X*2 ~ *N*(μ, σ2) are *iid* normal random variables, then what is the difference between 2 *X*1 and *X*1 + *X*2? Discuss both their distributions and parameters.

**Ans:** 2X1:2X1~N(2µ,4 σ2) - x1 is normal then 2x1 will also be normally distributed

X1+X2:X1+X2~N(2(μ,2 σ2) - sum of 2 normal variables will not be exactly normally

distributed

1. Let X ~ N(100, 202). Find two values, *a* and *b*, symmetric about the mean, such that the probability of the random variable taking a value between them is 0.99.
2. 90.5, 105.9
3. 80.2, 119.8
4. 22, 78
5. 48.5, 151.5
6. 90.1, 109.9

**Ans:** Mean = 100

Std Dev = 20

From Empirical rule – (40,60)

So ans is **D**

1. Consider a company that has two different divisions. The annual profits from the two divisions are independent and have distributions Profit1 ~ N(5, 32) and Profit2 ~ N(7, 42) respectively. Both the profits are in $ Million. Answer the following questions about the total profit of the company in Rupees. Assume that $1 = Rs. 45
2. Specify a Rupee range (centered on the mean) such that it contains 95% probability for the

annual profit of the company.

**Ans:** $2.2M to $21.79M

1. Specify the 5th percentile of profit (in Rupees) for the company

**Ans:** $3.77M

1. Which of the two divisions has a larger probability of making a loss in a given year?

**Ans:** Higher variance leads to loss

Hence, N(7, 42) in the given year