

Week 11 Lecture Exercise

Selling Price: 25
Cost Price: 20

1. Payoff Table

	Papers Demanded				
Papers Ordered	6	7	8	9	10
6	30	30	30	30	30
7	10	35	35	35	35
8	-10	15	40	40	40
9	-30	-5	20	45	45
10	-50	-25	0	25	50

2(a) Maximax rule

# Ordered	Best state of Nature	Payoff in Best State of Nature
6	6,7,8,9,10	30
7	7,8,9,10	35
8	8,9,10	40
9	9,10	45
10	10	50

2(b) Maximin rule

# Ordered	Worst state of Nature	Payoff in Worst State of Nature
6	6,7,8,9,10	30
7	6	10
8	6	-10
9	6	-30
10	6	-50

2(c) Regret Matrix

	Papers Demanded				
Papers Ordered	6	7	8	9	10
6	0	5	10	15	20
7	20	0	5	10	15
8	40	20	0	5	10
9	60	40	20	0	5
10	80	60	40	20	0