CBA: Practice Problem Set 2

Topics: Sampling Distributions and Central Limit Theorem

1. Examine the following normal Quantile plots carefully. Which of these plots indicates that the data

…

* 1. Are nearly normal?

**Ans)-C**

* 1. Have a bimodal distribution? (One way to recognize a bimodal shape is a “gap” in the spacing of adjacent data values.)

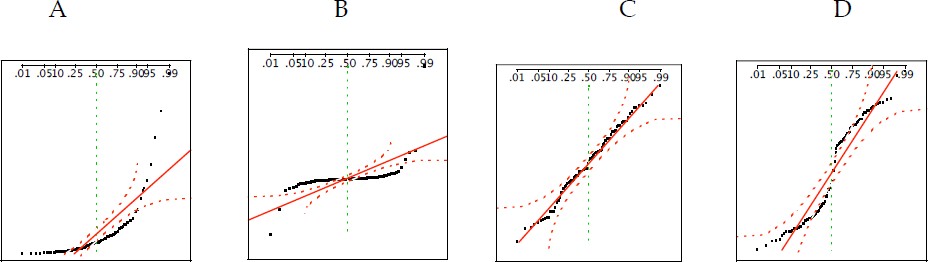
**Ans)-D**

* 1. Are skewed (i.e. not symmetric) ?

**Ans)-A,**

* 1. Have outliers on both sides of the center?

**Ans)-B**



1. For each of the following statements, indicate whether it is True/False. If false, explain why.

The manager of a warehouse monitors the volume of shipments made by the delivery team. The automated tracking system tracks every package as it moves through the facility. A sample of 25 packages is selected and weighed every day. Based on current contracts with customers, the weights should have *μ* = 22 lbs. and *σ* = 5 lbs.

1. Before using a normal model for the sampling distribution of the average package weights, the manager must confirm that weights of individual packages are normally distributed.

ANS-  False. The**statement**is incorrect. The manager of a warehouse monitors the volume of shipments made by the delivery team. The automated tracking system tracks every package as it moves through the facility. A sample of 25 packages is selected and weighed every day. Based on current **contracts** with customers, the weights should have u= 22 lbs, and o = 5 lbs. However, before using a normal model for the sampling distribution of the average package weights, the manager must confirm that the weights of individual packages are normally distributed.

1. The standard error of the daily average SE(𝑥̅) = 1.

ANS-

The statement is **incomplete.** The standard error of the daily average depends on the standard deviation of the population, the sample size, and the distribution of the population. Without knowing the sample size and the population distribution, we cannot **determine** the standard error of the daily**averag**

1. Auditors at a small community bank randomly sample 100 withdrawal transactions made during the week at an ATM machine located near the bank’s main branch. Over the past 2 years, the average withdrawal amount has been $50 with a standard deviation of $40. Since audit investigations are typically expensive, the auditors decide to not initiate further investigations if the mean transaction amount of the sample is between $45 and $55. What is the probability that in any given week, there will be an investigation?

A. 1.25%

B. 2.5%

C. 10.55%

D. 21.1%

E. 50%

**Answer:**

We're in the xbar distribution (sample mean distribution, or distribution of sample means). In this case the center is at mu = 50 and the standard error is SE = s/sqrt(n) = 40/sqrt(100) = 40/10 = 4

This distribution is normally distributed because of the central limit theorem. The fact that n = 100 makes n > 30 true indicates that we can use this idea.

Using a calculator, the value of P(45 < x < 55) is roughly 0.7887

Subtracting 1 from that value gives 1-0.7887 = 0.2113 which converts to 21.13%

That rounds to 21.1% so you have the correct answer.

1. The auditors from the above example would like to maintain the probability of investigation to 5%. Which of the following represents the minimum number transactions that they should sample if they do not want to change the thresholds of 45 and 55? Assume that the sample statistics remain unchanged.

A. 144

B. 150

C. 196

D. 250

E. Not enough information

Ans-

To maintain the probability of investigation at 5%, we need to select a sample size such that the number of transactions that fall outside the range [45, 55] is less than or equal to 5% of the sample size.

Let's assume that the sample statistics remain unchanged. From the information given in the question, we know that the population mean is 50 and the population standard deviation is 10. Therefore, the probability of selecting a transaction that falls outside the range [45, 55] is:

P(X < 45 or X > 55) = P(Z < (45 - 50) / 10) + P(Z > (55 - 50) / 10)

= P(Z < -0.5) + P(Z > 0.5)

= 0.1915 + 0.1915

= 0.383

where Z is the standard normal distribution.

To maintain the probability of investigation at 5%, we want the probability of selecting a transaction that falls outside the range [45, 55] to be less than or equal to 5% of the sample size. Therefore, we need to solve the following inequality:

0.383n ≤ 0.05n

where n is the sample size. Solving for n, we get:

n ≥ 196.21

Rounding up to the nearest integer, we get:

n = 197

Therefore, the minimum number of transactions that the auditors should sample to maintain the probability of investigation at 5% is 197.

Answer: C. 196.

1. An educational startup that helps MBA aspirants write their essays is targeting individuals who have taken GMAT in 2012 and have expressed interest in applying to FT top 20 b-schools. There are 40000 such individuals with an average GMAT score of 720 and a standard deviation of 120. The scores are distributed between 650 and 790 with a very long and thin tail towards the higher end resulting in substantial skewness. Which of the following is likely to be true for randomly chosen samples of aspirants?
2. The standard deviation of the scores within any sample will be 120.
3. The standard deviation of the mean of across several samples will be 120.
4. The mean score in any sample will be 720.
5. The average of the mean across several samples will be 720.
6. The standard deviation of the mean across several samples will be 0.60

Ans.

D.The average of the mean across several samples will be 720.