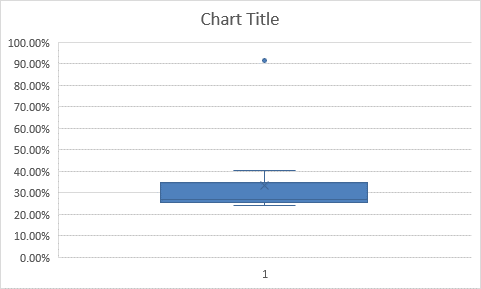
**Topics: Descriptive Statistics and Probability**

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% |



1. Outlier in the data = Morgan Stanley (91.36%)
2. Mean (µ) = 33.27%
3. Standard Deviation (σ) = 16.94
4. Variance (σ2) = 287.15



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.

* Q1=5, Q3=12
* IQR = Q3 – Q1 = 12 – 5 = 7

This value shows that 25% lies between 0-5 i.e., Q1. And 75% of the data lies between 0 – 12 i.e., Q3.

Min. value = 0, Max. value = 19

Outlier is present in the data at 25.

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

* The data is Right skewed. More data is on the left side of the median and the outlier must be present on the right side.

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 would be no Outlier in the data.
* The data would be normal distributed, the median is slightly moved towards Q1.



Answer the following three questions based on the histogram above.

1. Where would the mode of this dataset lie?

* Between 4 – 8.

1. Comment on the skewness of the dataset.

* The data is Right skewed. Mean>Median>Mode.

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.

* The boxplot is used to display the data in Standardized format. And the Histogram used to show the frequency distribution in each class occur in dataset.
* Both of them are used find the outliers in the dataset.
* Both the plots gave the same outlier at 25.

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.)

* IF 1 in 200 long-distance telephone calls are getting misdirected.

probability of call misdirecting = 1/200

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

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

Number of Calls = 5

n = 5, p = 1/200, q = 199/200

P(x) = at least one in five attempted telephone calls reaches the wrong number

P(x) = ⁿCₓ pˣ qⁿ⁻ˣ

P(x) = (nCx) (p^x) (q^n-x)

P (1) = (5C1) (1/200) ^1 (199/200) ^5-1

P(1) = 0.0245037

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 |

E(X) =Sum X.\*P(X) | E(X^2) =X^2\*P(X)

-200 | 400000

-100 | 100000

0 | 0

200 | 200000

600 | 1200000

300 | 900000

Total: 800 | 2800000

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

* The most likely monetary outcome of the business venture is 2000$As for 2000$ the probability is 0.3 which is maximum as compared to others.

1. Is the venture likely to be successful? Explain

* Yes, the probability that the venture will make more than 0 or a profit

p(x>0)+p(x>1000)+p(x>2000)+p(x=3000) = 0.2+0.2+0.3+0.1 = 0.8 this states that there is a good 80% chances for this venture to be making a profit.

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

* The long term average is expected value =Sum(X\*p(X))=800 which mean on average.
* The returns will be +800.

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

* The good measure of the risk involved in a venture of this kind depends on the Variability in the distribution. Higher Variance means more chances of risk
* Var (X) = E(X^2) –(E(X))^2 = 2800000 – 800^2 = 2160000.