ISM-E1004 - Business Analytics 2, Lecture, 8.1.2024-19.2.2024

To make sure all answers are saved always finish your attempt before time is up!
Time left 2:30:40

Question 3

Flag question Marked out of 6.00 Complete

A company is considering whether to invest into a high-risk external project or a virtually risk-free internal project. The profit from the external project depends on whether a remote economic market experiences an upturn or a downturn. If there is an upturn, the external project will yield a profit of 6.3 thousand euros but if there is a downturn, the external project will cause a loss of 2.6 thousand euros. The internal project will yield one thousand euros regardless of the market developments. The company has estimated the probability of there being an upturn in the remote market to be 0.3. The company is risk-neutral in its investment decision making. (Note: the parameter values may be different than in the previous question.)

What is the **expected value of perfect information** (in thousands of euros)? Use two decimals in your answer. (Currency symbol is not needed in the answer.)

In this problem, you get three tries such that after each incorrect try, one third (33%) of the maximum points is deducted.

Answer: 1.59

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