**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% |

ANS :-

From Boxplot : Morgan Stanley = 91.36% is outlier

Mean = 33.27

Std = 16.945

Var = 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.
2. What can we say about the skewness of this dataset?
3. If it was found that the data point with the value 25 is actually 2.5, how would the new box-plot be affected?

ANS:-

1. IQR=Q3-Q1=12-5=7 , From IQR we can infer that 50% lies in btn 5 to 12.
2. Since mean is greater than mode and median it is Right skewed
3. 2.5 will not considered as outlier and mean will change.



Answer the following three questions based on the histogram above.

1. Where would the mode of this dataset lie?
2. Comment on the skewness of the dataset.
3. 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.

ANS:-

1. Mode will range from 4-8.
2. Since mean is greater than mode and median it is Right skewed.
3. Box plot: will identify the outliers in the data which effect the accuracy.

Histogram: will identify how data is spread.

And both box plot and histogram are plotted on the same data set because both has same mean median and has outlier of 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.

ANS:-Probability of misdirected = 1/200=0.005

Probability of not misdirected = 1-1/200=0.995

Probability of atleast one out of 5 number

= 1- Probability of all 5 numbers are not misdirected

= 1- [(1-.005)^5]

=1-[(1-.005) (1-.005) (1-.005) (1-.005) (1-.005)]

= 1-0.9752

= .02475

=2.5%

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 |

1. What is the most likely monetary outcome of the business venture?
2. Is the venture likely to be successful? Explain
3. What is the long-term average earning of business ventures of this kind? Explain
4. What is the good measure of the risk involved in a venture of this kind? Compute this measure

Ans :-

1. x=2000 with P(x)= 0.3 will be monetary outcome.
2. Yes, Because probability of profit is higher than the loss.
3. Long term avg = x \* P(x) = (-2000\*.1) + (-1000\*.1) +(0\*.2) + (1000\*.2)+ (2000\*.3) +(3000\*.1) = 800. If he invest in long term at the end he will get a profit of 800$.
4. Probability of loss is less = (-2000\*.1) + (-1000\*.1) = 0.2 = 20% loss