**Topics: Normal distribution, Functions of Random Variables**

1. The time required for servicing transmissions is normally distributed with *μ* = 45 minutes and *σ* = 8 minutes. The service manager plans to have work begin on the transmission of a customer’s car 10 minutes after the car is dropped off and the customer is told that the car will be ready within 1 hour from drop-off. What is the probability that the service manager cannot meet his commitment?
2. 0.3875
3. 0.2676
4. 0.5
5. 0.6987

**ANS**

We have a normal distribution with = 45 and = 8.0. Let X be the amount of time it takes to complete the repair on a customer's car. To finish in one hour you must have X ≤ 50 so the question is to find Pr(X > 50).

Pr(X > 50) = 1 -Pr(X ≤ 50).

Z = (X -)/ = (X -45)/8.0

Thus the question can be answered by using the normal table to find

Pr(X ≤ 50) = Pr(Z ≤ (50 -45)/8.0) = Pr(Z ≤ 0.625)=73.4%

Probability that the service manager will not meet his demand will be = 100-73.4 = 26.6% or 0.2676

2.The current age (in years) of 400 clerical employees at an insurance claims processing center is normally distributed with mean *μ* = 38 and Standard deviation *σ* =6. For each statement below, please specify True/False. If false, briefly explain why.

1. More employees at the processing center are older than 44 than between 38 and 44.
2. A training program for employees under the age of 30 at the center would be expected to attract about 36 employees.

**ANS:**

Given : The current age (in years) of 400 clerical employees at an insurance claims processing center is normally distributed with mean 38 & SD = 6

To find : True/False. for A. More employees at the processing center are older than 44 than between 38 and 44. B. A training program for employees under the age of 30 at the center would be expected to attract about 36 employees

Solution:

Mean = 38

SD = 6

Z score = (Value - Mean)/SD

Z score for 44 = (44 - 38)/6 = 1 => 84.13 %

=> People above 44 age = 100 - 84.13 = 15.87% ≈ 63 out of 400

Z score for 38 = (38 - 38)/6 = 0 => 50%

Hence People between 38 & 44 age = 84.13 - 50 = 34.13 % ≈ 137 out of 400

a) Hence More employees at the processing center are older than 44 than between 38 and 44. is FALSE

Z score for 30 = (30 - 38)/6 = -1.33 = 9.15 % ≈ 36 out of 400

b) Hence A training program for employees under the age of 30 at the center would be expected to attract about 36 employees - TRUE

3.If *X1* ~ *N*(μ, σ2) and *X*2 ~ *N*(μ, σ2) are *iid* normal random variables, then what is the difference between 2 *X*1 and *X*1 + *X*2? Discuss both their distributions and parameters.

**ANS:**

As we know that if X ∼ N(µ1, σ1^2 ), and Y ∼ N(µ2, σ2^2 ) are two independent random variables then X + Y ∼ N(µ1 + µ2, σ1^2 + σ2^2 ) , and X − Y ∼ N(µ1 − µ2, σ1^2 + σ2^2 ) .

Similarly if Z = aX + bY , where X and Y are as defined above, i.e Z is linear combination of X and Y , then Z ∼ N(aµ1 + bµ2, a^2σ1^2 + b^2σ2^2 ).

Therefore in the question

2X1~ N(2 u,4 σ^2) and

X1+X2 ~ N(µ + µ, σ^2 + σ^2 ) ~ N(2 u, 2σ^2 )

2X1-(X1+X2) = N( 4µ,6 σ^2)

4.Let X ~ N(100, 202). Find two values, *a* and *b*, symmetric about the mean, such that the probability of the random variable taking a value between them is 0.99.

1. 90.5, 105.9
2. 80.2, 119.8
3. 22, 78
4. 48.5, 151.5
5. 90.1, 109.9

**ANS:**

The Probability of geeting value between a and b should be 0.99

So the probability of going wrong, or the probability outside a and b area is 0.01 (i.e. 1-0.99)

The Probability towards left from a = -0.005 (ie. 0.01/2).

The Probability towards right from b = +0.005 (ie. 0.01/2).

So since we have the probabilities of a and b, we need to calculate X, the random variable at a and b which has got these probabilities.

By finding the Standard Normal Variable Z (Z Value), we can calculate the X values.

Z=(X- μ) / σ

For Probability 0.005 the Z Value is -2.57 (from Z Table).

Z \* σ + μ = X

Z(-0.005)\*20+100 = -(-2.57)\*20+100 = 151.4

Z(+0.005)\*20+100 = (-2.57)\*20+100 = 48.6

So, option **D** is correct.

1. Consider a company that has two different divisions. The annual profits from the two divisions are independent and have distributions Profit1 ~ N(5, 32) and Profit2 ~ N(7, 42) respectively. Both the profits are in $ Million. Answer the following questions about the total profit of the company in Rupees. Assume that $1 = Rs. 45
2. Specify a Rupee range (centered on the mean) such that it contains 95% probability for the annual profit of the company.
3. Specify the 5th percentile of profit (in Rupees) for the company
4. Which of the two divisions has a larger probability of making a loss in a given year?

**ANS:**

A) Specify a Rupee range (centered on the mean) such that it contains 95% probability for the annual is Range is Rs (99.00810347848784, 980.9918965215122) in Millions

B) Specify the 5th percentile of profit (in Rupees) for the company

To compute 5th Percentile, we use the formula X=μ + Zσ; wherein z table, 5 percentile = -1.645

5th percentile of profit (in Million Rupees) is 170.0

C)Probability of Division 1 making a loss P(X<0)

0.0477903522728147

Probability of Division 2 making a loss P(X<0)

0.040059156863817086

