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Overview: This document contains answers to all questions, Problems 5-7, for Assignment 2. The source code for Problems 5 and 7 should be in the zip folder.

Question 5 (35 points): Please refer to the `README.txt` for implementation details.

- (a) **3x3 grid.** For the actions *Right, Right, Down, Down* and the readings *N, N, H, H*, we have the following probability distributions after each step:

- After step 1 (*Right, N*):

0.00132	0.01315	0.02500
0.02368	0.23684	0.45000
0.23684	0.00000	0.01315
- After step 2 (*Right, N*):

$7.7 * 10^{-6}$	0.00001	0.00215
0.00249	0.04735	0.69784
0.24923	0.00000	0.00008
- After step 3 (*Down, H*):

$1.1 * 10^{-6}$	$2.2 * 10^{-5}$	$1.8 * 10^{-5}$
$2.2 * 10^{-5}$	0.00406	0.00614
0.02151	0.00000	0.96822
- After step 4 (*Down, H*):

$1.2 * 10^{-7}$	$2.3 * 10^{-6}$	$1.0 * 10^{-7}$
$1.9 * 10^{-7}$	0.00002	$3.6 * 10^{-5}$
0.00122	0.00000	0.99850

- (b) **100x50 grids.** Please refer to the video demonstration folder in the assignment zip folder.
- (c) **Heat maps.** As above, implementation is shown in the videos provided in the implementation zip folder.
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Question 6 (10 points):

- (a) **Expected net gain.** The expected net gain of buying C_1 would be equal to the 70% chance of a \$1000 net gain (if C_1 is in good shape) plus the 30% chance of a \$400 loss (if C_1 is in bad shape), which is $\$1000 * 0.7 + (-\$400) * 0.3 = \$580$.
- (b) **Bayes' Theorem.** The following probabilities are calculated using Bayes' Theorem:

- $P(q^+|pass) = \frac{P(pass|q^+) * P(q^+)}{P(pass|q^+) * P(q^+) + P(pass|q^-) * P(q^-)} = \frac{0.8 * 0.7}{0.8 * 0.7 + 0.35 * 0.3} = 0.842$
- $P(q^-|pass) = \frac{P(pass|q^-) * P(q^-)}{P(pass|q^+) * P(q^+) + P(pass|q^-) * P(q^-)} = \frac{0.35 * 0.3}{0.8 * 0.7 + 0.35 * 0.3} = 0.158$
- $P(q^+|\neg pass) = \frac{P(\neg pass|q^+) * P(q^+)}{P(\neg pass|q^+) * P(q^+) + P(\neg pass|q^-) * P(q^-)} = \frac{0.2 * 0.7}{0.2 * 0.7 + 0.65 * 0.3} = 0.418$
- $P(q^-|\neg pass) = \frac{P(\neg pass|q^-) * P(q^-)}{P(\neg pass|q^+) * P(q^+) + P(\neg pass|q^-) * P(q^-)} = \frac{0.65 * 0.3}{0.2 * 0.7 + 0.65 * 0.3} = 0.582$

(c) **Expected Utility.** If given a "pass" from the mechanic, then the expected utility of buying the car would be $\$900 * P(q^+|pass) + (-\$500) * P(q^-|pass) = \$678.80$; since it is a positive expected utility, it would be best to buy the car. If given a "fail" from the mechanic, then the expected utility of buying the car would be $\$900 * P(q^+|\neg pass) + (-\$500) * P(q^-|\neg pass) = \85.20 ; again, since it is a positive expected utility, it would still be best to buy the car as there is still some expected net gain.

(d) **Decision.** The value of optimal information would be

$$P(pass) * expected_util(pass) + P(\neg pass) * expected_util(\neg pass) \quad (1)$$

which gives us $(0.8 * 0.7 + 0.35 * 0.3)(678.8) + (0.2 * 0.7 + 0.65 * 0.3)(85.2) = \479.94 . Since this value is less than the initial expected net gain of $\$580$ found in part (a), it would be better *not* to take the car to the mechanic.

Question 7 (15 points):

The process started by assigning the reward values of each state as their respective values (i.e., s_1, s_2 , and $s_4 = 0$, $s_3 = 1$). The gamma value was set to 0.9 and yielded 178 iterations in 0.0100 seconds. In the implementation, the `valuePolicy(double gamma)` function helps compute the Bellman equation, where the maximums are saved into the `value` and `policy` instance variables of each state. We check/terminate for convergence when the previous states' values equal the current states' values. To run the code, run `javac State.java`, then `java State`, which will then print each iteration's policies and values (as shown in Figure 2) and the time and number of iterations at the end.

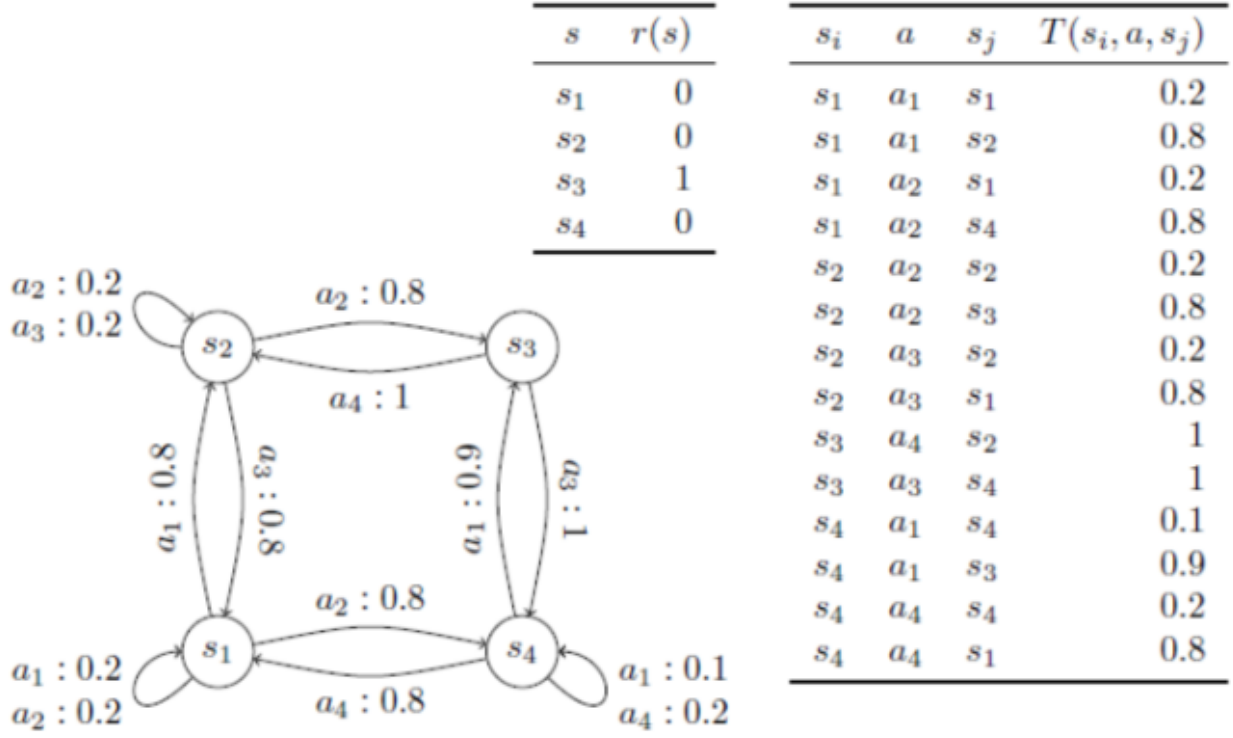


Figure 1: Problem 7 network and corresponding probability/action table.

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--- ITERATION 1:---
POLICY: a2, VALUE: 0.0
POLICY: a2, VALUE: 0.7200000000000001
POLICY: a4, VALUE: 1.6480000000000001
POLICY: a1, VALUE: 1.33488
--- ITERATION 2:---
POLICY: a2, VALUE: 0.9611136000000002
POLICY: a2, VALUE: 1.3161600000000002
POLICY: a3, VALUE: 2.2013920000000002
POLICY: a1, VALUE: 1.9032667200000004
--- ITERATION 3:---
POLICY: a2, VALUE: 1.5433524864000003
POLICY: a2, VALUE: 1.8219110400000003
POLICY: a3, VALUE: 2.712940048
POLICY: a1, VALUE: 2.36877544368
--- ITERATION 4:---
POLICY: a2, VALUE: 1.9833217670016001
POLICY: a2, VALUE: 2.28126082176
POLICY: a3, VALUE: 3.1318978993120004
POLICY: a1, VALUE: 2.750027088373921
--- ITERATION 5:---
POLICY: a2, VALUE: 2.337017421689511
POLICY: a2, VALUE: 2.6655934354214406
POLICY: a3, VALUE: 3.4750243795365288
POLICY: a1, VALUE: 3.0622721853782413

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(a)

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--- ITERATION 24:---
POLICY: a2, VALUE: 3.893552976160534
POLICY: a2, VALUE: 4.375118521109137
POLICY: a3, VALUE: 4.9926737850453335
POLICY: a1, VALUE: 4.443333144391254
--- ITERATION 25:---
POLICY: a2, VALUE: 3.900039399670599
POLICY: a2, VALUE: 4.382246459032285
POLICY: a3, VALUE: 4.998999829952128
POLICY: a1, VALUE: 4.449089845256437
--- ITERATION 26:---
POLICY: a2, VALUE: 3.905351780525343
POLICY: a2, VALUE: 4.388084240191343
POLICY: a3, VALUE: 5.004180860730793
POLICY: a1, VALUE: 4.453804583265022
--- ITERATION 27:---
POLICY: a2, VALUE: 3.9097026204453775
POLICY: a2, VALUE: 4.392865382960613
POLICY: a3, VALUE: 5.008424214293852
POLICY: a1, VALUE: 4.457665953694053
--- ITERATION 28:---
POLICY: a2, VALUE: 3.9132659583398866
POLICY: a2, VALUE: 4.396781138888644
POLICY: a3, VALUE: 5.011899358324648
POLICY: a1, VALUE: 4.4608284160754295

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(b)

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--- ITERATION 174:---
POLICY: a2, VALUE: 3.929389570138794
POLICY: a2, VALUE: 4.414499393612719
POLICY: a3, VALUE: 5.027624309392263
POLICY: a1, VALUE: 4.47513812154696
--- ITERATION 175:---
POLICY: a2, VALUE: 3.929389570138795
POLICY: a2, VALUE: 4.4144993936127195
POLICY: a3, VALUE: 5.027624309392264
POLICY: a1, VALUE: 4.475138121546961
--- ITERATION 176:---
POLICY: a2, VALUE: 3.9293895701387953
POLICY: a2, VALUE: 4.41449939361272
POLICY: a3, VALUE: 5.027624309392265
POLICY: a1, VALUE: 4.475138121546961
--- ITERATION 177:---
POLICY: a2, VALUE: 3.9293895701387953
POLICY: a2, VALUE: 4.414499393612721
POLICY: a3, VALUE: 5.027624309392265
POLICY: a1, VALUE: 4.475138121546961
--- ITERATION 178:---
POLICY: a2, VALUE: 3.9293895701387953
POLICY: a2, VALUE: 4.414499393612721
POLICY: a3, VALUE: 5.027624309392265
POLICY: a1, VALUE: 4.475138121546961

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(c)

Figure 2: Iteration results.