**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: Mean=0.332713

Std= 0.169454

Variance= 0.028715



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 range is (5,12.5)
2. Skewness =+ve as(mean<median).
3. 2.5 is outliers as it doesn’t have any significance with rest of data.



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. 4 to 8
2. leftskewness so skewness=+ve
3. From the above histogram and boxplot we conclude that that most of the observation lie between (5,12.5) on 25 we have outliers(2.5) so we should remove this value from the dataset.
4. 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: Probablity of at least one in five attempts telephone calls reaches the

wrong number = 1- none of call reaches the wrong number

= 1-P(0)

= 1-(199/200)2

= 0.02475

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?

Ans: The most likely monetary outcome of the business venture: 𝑥 = 2,000 with the

highest probability of 0.3

1. Is the venture likely to be successful? Explain

Ans: The venture is likely to be successful because overall probability is 0.6

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

Ans: average earning of business ventures= (0.1)(−2,000) + (0.1)(−1,000) + (0.2)(0) + (0.2)(1,000)

+ (0.3)(1,000) + (0,1)(3,000)= 800.

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

Ans: standard deviation is 0.08164966.