

Critical Thinking & Problem Solving 07. Critical Reasoning (Part – 1)



From:

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Class:

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Absence:

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Major:

Information Technology

Study Program:

Informatic Engineering

Task

Suppose a new team of analysts has reassessed a shale gas deposit based on new evidence and technological improvements. Extraction costs remain the same, but the team now estimates that there are:

no harm from Level C results (returns \$2 million)

only 30% chance of a Level B result (\$7 million return)

40% chance of Level A returns (\$12 million return)

25% chance of getting Level AA results (\$24 million return)

5% chance of AAA Level results (\$40 million return).

A rival company called YGN has bid \$10 million for the extraction rights. Calculate possible new returns, using a decision tree if that helps you. Then decide which of the following can most reliably be inferred from the data.

A On economic grounds alone, the Zenergies should accept YGN's offer.

B On economic grounds alone, the Energies should decline Yangen's offer and continue extraction.

C It makes no difference economically which decision the Zenergies make.

Answer

The answer is B On economic grounds alone, the Zenergies should decline Yangen's offer and continue extraction. Because based on prediction, company would likely be \$1.9 million better off by making this choice.