

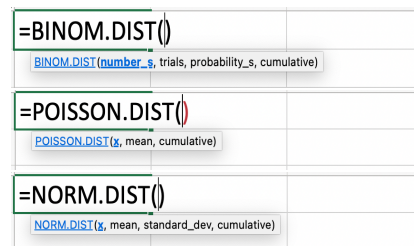
Using A Spreadsheet Program

1 Calculating Probability

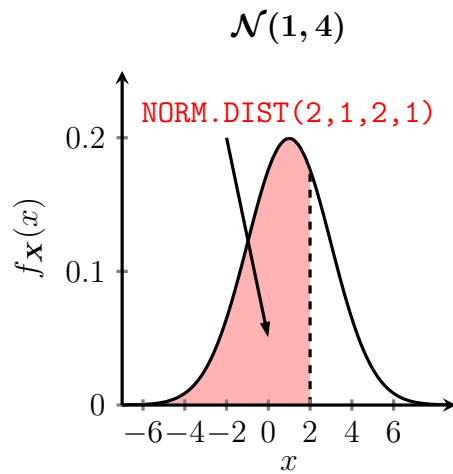
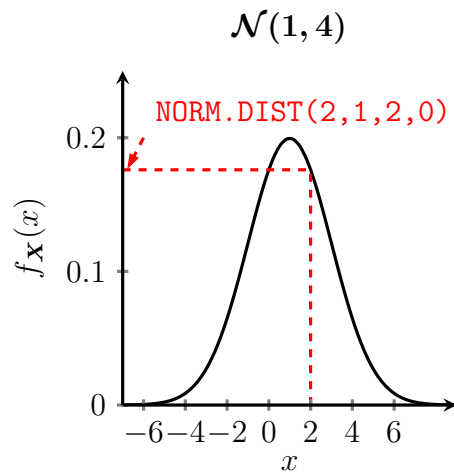
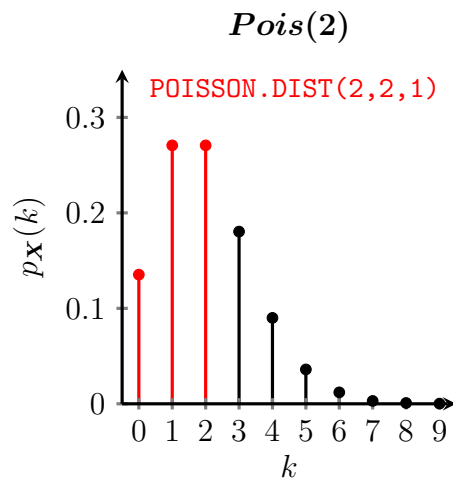
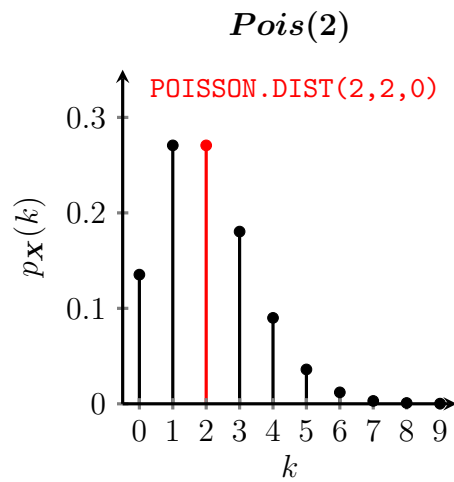
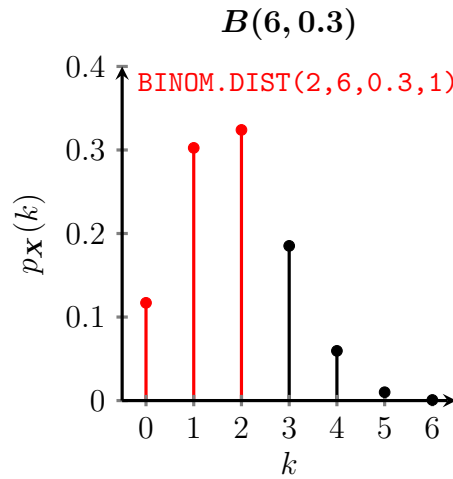
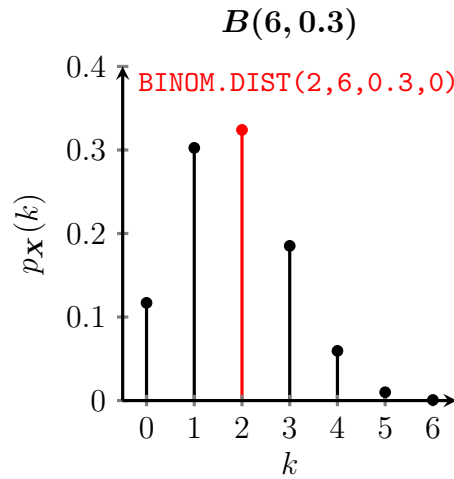
Look up pre-computed tables is one way to find out probabilities of certain distribution. It is good enough, but it is not convenient. In reality, you always want to use some statistical software for this purpose. If you are familiar with certain programming languages, such as **Python** or **R**, you probably don't really need me to show you how to calculate probabilities. Here, we just use **Excel** to calculate probabilities, which is straightforward. You don't need to have any programming skills to use it.

You can use the functions **BINOM.DIST**, **POISSON.DIST** and **NORM.DIST** to calculate probabilities of the Binomial, Poisson and Normal (Gaussian) distributions, respectively.

Like shown in the picture on the right-hand side. If you put an “=” sign followed by the name of the function in a cell in **Excel**, you will get some pointers to help you fill in the content. The first argument is always the value of your *random variables*, that is x . Then, you need to put the *parameters* of the distribution. In the Binomial case, those are “trials (n)” and “probability_s (p)”. In the Poisson case, you only need “mean (λ)”. Finally, in the normal case, you need to put “mean (μ)” and “standard_dev (σ)”. The last argument is the same for all three cases, which is whether you want cumulative probability or not. 1 means “yes, give me cumulative probability”, and 0 means “no, give me exact probability or density”.



Some examples are shown in the next page with three different distributions: $B(6, 0.3)$, $Pois(2)$ and $\mathcal{N}(1, 4)$. The corresponding values in terms of **Excel** functions are also shown in the picture. You should be able to easily see how to calculate any probability using that information.



2 Find x with certain probability in a normal distribution

In reality, we sometimes need to do the opposite when we are dealing with a normal distribution. For example, in a normal distribution $\mathcal{N}(1, 4)$, we want to find a specific value x , such that $P(\mathbf{X} \leq x) = 0.1$.

What we can do is to look at a standard normal table, and we find out that $P(Z \leq -1.28) = 0.1$. Therefore, we know the corresponding z score for x is -1.28 . We have

$$\begin{aligned} z &= \frac{x - \mu}{\sigma} = -2.18 \\ \frac{x - 1}{2} &= -1.28 \\ x &= -1.56 \end{aligned}$$

In practice, it is annoying to go through this procedure, so you can use the function `NORM.INV` from **Excel** in the same way. It needs three arguments, the first argument is the lower probability, the second is the mean (μ) and the third is the standard deviation (σ). Basically, in **Excel**, you will find out that `NORM.INV(0.1, 1, 2) = -1.5631031`. Visually, this is what happens:

