1: Inverse method for Poissson Distribution (25%)

For discrete Poisson Distribution ($\lambda = 5$),
the p.m.f is $P(x|\lambda) = e^{-\lambda}\frac{\lambda^x}{x!}$ and the c.d.f is $F(x|\lambda) = \sum_{t \le x} e^{-\lambda}\frac{\lambda^t}{t!}$.

Algorithm: Inverse method for the Poisson Distribution:

To generate $X \sim F(x)$:

STEP 1: Generate $U \sim unif[0, 1]$;

STEP 2: Transform $X = F^{-}(U)$: if $F(x|\lambda) < U \le F(x + 1|\lambda)$, let $X = x + 1$.

Plot :

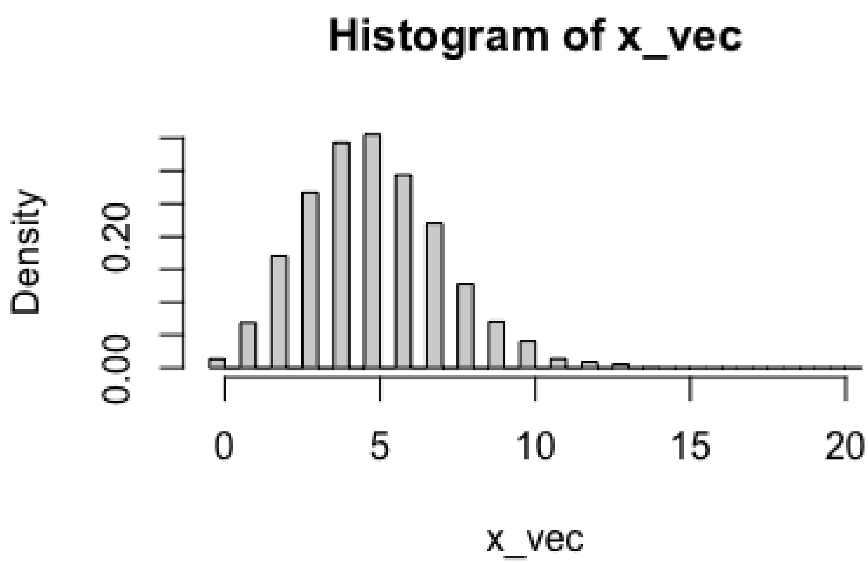

Figure 1: Histogram of 5000 samples

2: Accept-Reject method for truncated Gamma Distribution (25%)

For $X \sim Gamma(\frac{1}{2}, 1)I(x \ge 5)$, $f(x) = \frac{x^{-\frac{1}{2}}e^{-x}I(x\ge5)}{\int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy}$.

We can define a shifted exponential distribution $g(x) = e^{-(x-5)}I(x \ge 5)$ and want to find a constant M such that $f(x) < Mg(x)$ for any x.

Then $M = \sup\frac{f(x)}{g(x)} = \sup\frac{\frac{x^{-\frac{1}{2}}e^{-x}I(x\ge5)}{\int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy}}{e^{-(x-5)}I(x\ge5)} = \frac{5^{-\frac{1}{2}}e^{-5}}{\int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy}$.

Algorithm: Accept-Reject method for truncated Gamma Distribution:

To generate $X \sim F(x) =$ c.d.f of $f(x)$:

STEP 1: Generate $Y \sim g(y)$;

STEP 2: Generate $U \sim unif[0, 1]$;

STEP 3: Accept $X = Y$ if $U \leq \frac{f(Y)}{Mg(Y)}$.

Proof :

From the choice of constant M, we can know that $Mg(x) \geq f(x)$. The goal of this method is to generate $X \sim F(x) =$ c.d.f of $f(x)$.

For the generating algorithm:

$$
\begin{aligned}
P(X \leq x) &= P(Y \leq x | Y \text{ is accepted}) \\
&= P(Y \leq x | U \leq \frac{f(Y)}{Mg(Y)}) \\
&= \frac{P(Y \leq x, U \leq \frac{f(Y)}{Mg(Y)})}{P(U \leq \frac{f(Y)}{Mg(Y)})} \\
&= \frac{\int_{-\infty}^{x} g(y) \int_0^{\frac{f(y)}{Mg(y)}} 1 du dy}{\int_{-\infty}^{+\infty} g(y) \int_0^{\frac{f(y)}{Mg(y)}} 1 du dy} \\
&= \frac{\int_{-\infty}^{x} g(y) \frac{f(y)}{Mg(y)} dy}{\int_{-\infty}^{+\infty} g(y) \frac{f(y)}{Mg(y)} dy} \\
&= \frac{\int_{-\infty}^{x} f(y) dy}{\int_{-\infty}^{+\infty} f(y) dy} \\
&= \frac{\int_{-\infty}^{x} f(y) dy}{1} \\
&= F(x)
\end{aligned}
$$

Therefore, this AR method works.

Comparison :

Theoretical acceptance probability:

$$
\begin{aligned}
P(U \leq \frac{f(Y)}{Mg(Y)}) &= \int_{-\infty}^{+\infty} g(y) \int_0^{\frac{f(y)}{Mg(y)}} 1 du dy \\
&= \frac{1}{M} \int_{-\infty}^{+\infty} f(y) dy \\
&= \frac{1}{M}
\end{aligned}
$$

After computation, this acceptance probability is 0.9207851.

The actual acceptance rate is 0.918, which is a little bit lower than the theoretical value.

3: Importance Sampling for Estimation (25%)

(1)

Using 5000 samples from Q2 (l = length of samples obtained in Q2), the Monte Carlo estimate is

$$\begin{aligned}\int_5^{+\infty} cos(x)x^{-\frac{1}{2}}e^{-x}dx &= \int_{-\infty}^{+\infty} cos(x)\frac{x^{-\frac{1}{2}}e^{-x}I(x\geq 5)}{\int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy}dx \times \int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy \\ &= \frac{\int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy}{l}\sum_{i=1}^{l} cos(x_i) \\ &= 0.001708\end{aligned}$$

(2)

Using the same notations in Q2, we define $h(x) = cos(x)$.

$$\begin{aligned}\int_5^{+\infty} cos(x)x^{-\frac{1}{2}}e^{-x}dx &= \int_{-\infty}^{+\infty} cos(x)\frac{x^{-\frac{1}{2}}e^{-x}I(x\geq 5)}{\int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy}dx \times \int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy \\ &= \int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy \int_{-\infty}^{+\infty} \frac{h(x)f(x)}{g(x)}dx\end{aligned}$$

Note that $\frac{f(x)}{g(x)} \leq M < \infty$, and $E_g h^2(x) = \int_{-\infty}^{+\infty} g(x)h^2(x)dx \leq \int_{-\infty}^{+\infty} g(x)dx = 1 < \infty$, we can use the importance sampling as follows:

Algorithm:

STEP 1: Generate $n = 5000$ samples from $g(x)$;

STEP 2: Compute the Monte Carlo estimate:

$$\int_{-\infty}^{+\infty} \frac{h(x)f(x)}{g(x)}dx = \frac{\sum_{i=1}^{n} \frac{h(x_i)f(x_i)}{g(x_i)}}{n} = \frac{e^{-5}}{n\int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy}\sum_{i=1}^{n} cos(x_i)x_i^{-\frac{1}{2}}$$

Therefore,

$$\begin{aligned}\int_5^{+\infty} cos(x)x^{-\frac{1}{2}}e^{-x}dx &= \int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy \int_{-\infty}^{+\infty} \frac{h(x)f(x)}{g(x)}dx \\ &= \int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy \frac{e^{-5}}{n\int_5^{+\infty} y^{-\frac{1}{2}}e^{-y}dy}\sum_{i=1}^{n} cos(x_i)x_i^{-\frac{1}{2}} \\ &= \frac{e^{-5}}{n}\sum_{i=1}^{n} cos(x_i)x_i^{-\frac{1}{2}} \\ &= 0.00174\end{aligned}$$

4: Stratified Sampling (25%)

(1)

Randomly draw 100 samples from the date set, for each subpopulation:

Standard deviation for age interval 1 is 98.9192658;

Standard deviation for age interval 2 is 121.0536453;

Standard deviation for age interval 3 is 200.7419485.

(2)

The target of this sampling is to estimate the mean salary of this country.

Using Stratified Sampling, there're 3 strata in total, which are indicated by 1, 2, and 3 respectively. Define n_i = the sample number of the i strata, x_{ij} = the sampled j-th individual in strata i, μ_i = the i strata's proportion in population, and S_i = the strata i.

The target is

$$E(\vec{x}) = \sum_{i=1}^{3} p(x_i \in S_i) E(x|x \in S_i) = \sum_{i=1}^{3} \mu_i \frac{1}{n_i} \sum_{j=1}^{n_i} x_{ij}.$$

It is supposed that the n_i's can minimize $Var(E(\vec{x}))$.

$$Var(E(\vec{x})) = \sum_{i=1}^{3} \mu_i^2 Var(\frac{1}{n_i} \sum_{j=1}^{n_i} x_{ij}) = \sum_{i=1}^{3} \mu_i^2 \frac{1}{n_i} Var(x|x \in S_i)$$

Denote $Var(x|x \in S_i)$ by V_i, which can be estimated by variance we obtained in the last step. Then the minimization problem can be modeled as:

$$\begin{aligned} &\textit{minimize} && \sum_{i=1}^{3} \frac{\mu_i^2 V_i}{n_i} \\ &\textit{subject to} && \sum_{i=1}^{3} n_i = 1000 \end{aligned}$$

By Lagrange Multiplier, $n_i = \frac{1000\mu_i\sqrt{V_i}}{\sum_{k=1}^{3}\mu_k\sqrt{V_k}}$. After computation,

$$\begin{aligned} n_1 &= 94.7 = 95 \\ n_2 &= 314.9 = 315 \\ n_3 &= 590.1 = 590 \end{aligned}$$

(3)

By randomly drawing n_i samples in strata i for each i, the eatimated population mean salary based on these 1000 samples is 4504.717, which is a little bit higher than the true mean salary 4307.189 but is very close. The Stratified Sampling can somehow reflect the real mean salary.