

# STAT 527 HW 3

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1

(10 points) Money growth. Write an R function to calculate the amount of money,  $nt$ , in a fixed interest investment at any time  $t$  in the future, starting with  $n0$  dollars at  $100 \cdot i\%$  per year interest.

The equation is  $nt = n0(1+i)^t$ .

Besides  $n0$  and  $i$ , the function should take as an argument a whole vector of times and return a whole vector of corresponding dollar amounts. Evaluate your function with appropriate experimental inputs.

```
nt <- function(n0, i, t) {  
  out <- n0 * (1 + i)^t  
  return(out)  
}  
  
# This function seems work right  
nt(100, 0.05, 10)
```

```
## [1] 162.8895
```

2 (10 points) Poisson distribution. A discrete random variable  $X$  is said to have a Poisson distribution, with parameter  $\lambda > 0$ , if it has a probability mass function given by:  $f(k; \lambda) = \Pr(X = k) = (\lambda^k * e^{-\lambda}) / k!$  where  $k \geq 0$ . The cumulative distribution function (CDF) of Poisson distribution evaluated at  $X = x$  is calculated as  $\Pr(X \leq x)$ . Write an R function that takes  $\lambda$  and  $x$  as inputs and returns the CDF value. Pick  $\lambda=1$  and evaluate your function at  $x = 0, 1, \dots, 10$ . Plot your results and set an appropriate title for your plot. Hint: you may find the R functions `exp()` and `factorial()` being useful.

```
cdf <- function(lambda, x) {  
  a <- 0:x  
  pmf <- lambda ^ a * exp(lambda * (-1)) / factorial(a)  
  out <- unlist(ecdf(pmf))  
  # out2 <- ppois(a, lambda)  
  return(out)  
}  
  
a <- 0:10  
plot(cdf(1, 10), xlab = "Number of events", ylab = "F(x)",  
     main = "The plot of CDF for Poisson distribution")
```

The plot of CDF for Poisson distribution

