

Please respond to the following questions:

1. A survey asked 1,500 adults in the U.S. to assess their own skill at driving automobiles on a scale of 1 to 5, as follows:

Poor	Below Average	Average	Above Average	Excellent
1	2	3	4	5

What percentage of adults do you believe rated their driving skill as either 4 or 5?

2. Most people like to pick their own numbers when they play the state lottery because they think they are more likely to win. Is this a rational behavior? Why or why not?

3. In its annual report, ABC Corp. described events of interest to shareholders that had occurred over the past year. Much of the report was devoted to describing the successes that management had achieved. These included a new product launch, which was due to management being able to forecast a consumer need successfully several years earlier, and the takeover of a small competitor, which management had correctly recognized as providing a niche product for ABC. The report also explained that a failed venture in Australia was due to bad market conditions there, and that the fall in ABC's share price over the past year was due to the general global economic downturn.

With no additional information, do you see any problems with this report?

4. Elizabeth was in a company meeting in which future important strategies for the firm were being discussed. After some general discussion, each person at the table was asked to give his or her individual opinion. Elizabeth's boss, Dorothy, gave her opinion first and stated that she thought a particular strategy was an excellent idea. When Elizabeth's turn came, she supported the strategy also despite her private misgivings that it was a bad idea. Comment on Elizabeth's behavior.

5. Imagine that you are at an out-of-town business meeting that runs late. As soon as you can break away, you head to the airport to catch the last flight home. If you miss the flight, which is scheduled to leave at 8:30 p.m., you will have to stay overnight and miss an important meeting the next day. You run into heavy traffic and do not get to the airport gate until 8:57 p.m. When you arrive, either

- A. You find out that the plane left on schedule at 8:30 p.m., or
- B. You see the plane depart, having left the gate at 8:55 p.m.

Which is more upsetting, A. or B.?

6. As you know, in the Olympic Games the top three finishers in events win gold, silver, and bronze medals, respectively. Who is happier, silver medalists or bronze medalists? Why?

7. Your company has spent \$5 million attempting to install SAP enterprise software, but it now appears that the software is not going to serve the company's long-term interests. Additionally, a net present value analysis performed today shows a negative value. Should you halt the project?

8. Alan was looking for a rare Currier & Ives print on ebay, the internet auction site. The print was generally thought to be worth between \$4,000 and \$5,000 depending on its condition. Alan was willing to spend \$5,000 if he could find the print, since he had been searching for it over a period of 20 years. One day the print appeared for auction on ebay. Alan bid \$3,000 for the print, but was soon outbid by someone else. Over the next few days the bidding proceeded to \$5,000. Alan considered that he had been looking for the print for more than 20 years and decided to bid \$5,500. Soon he was outbid again. Alan thought about all the time and energy he had invested in looking for the print over the years and wondered when he would see it available again. He bid \$6,000. The bidding between the various parties continued and Alan eventually won the auction for \$9,000. Comment specifically on Alan's behavior.

9. You are a bank loan officer. A seemingly good credit risk comes to you and asks for a \$50,000 business start-up loan. After a careful review of the application, you personally make the decision to grant the loan. Six months later, the loan recipient comes to your office and says, "I have bad news and I have good news. The bad news is that the company is having problems. In fact, without additional help, we will definitely go under and you will lose the \$50,000 you lent us. The good news is that I am quite confident that if you lend us an additional \$50,000 we can turn the whole thing around and be able to repay you in full."

Should you lend him an additional \$50,000?