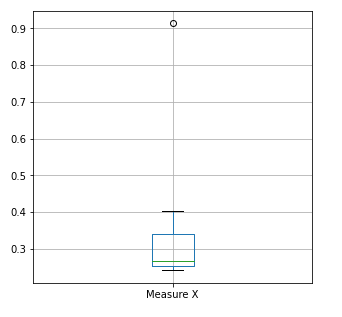
**Topics: Descriptive Statistics and Probability**

1. Look at the data given below. Plot the data, find the outliers and find out

|  |  |
| --- | --- |
| **Name of company** | **Measure X** |
| Allied Signal | 24.23% |
| Bankers Trust | 25.53% |
| General Mills | 25.41% |
| ITT Industries | 24.14% |
| J.P.Morgan & Co. | 29.62% |
| Lehman Brothers | 28.25% |
| Marriott | 25.81% |
| MCI | 24.39% |
| Merrill Lynch | 40.26% |
| Microsoft | 32.95% |
| Morgan Stanley | 91.36% |
| Sun Microsystems | 25.99% |
| Travelers | 39.42% |
| US Airways | 26.71% |
| Warner-Lambert | 35.00% |

Ans:



Mean: 0.332713

Standard deviation: 0.169454

Variance: 0.028715



Answer the following three questions based on the box-plot above.

1. What is inter-quartile range of this dataset? (please approximate the numbers) In one line, explain what this value implies.

Ans: IQR= Q1-Q3 = 12-5 = 7

1. What can we say about the skewness of this dataset?

Ans: skewness is positive

1. If it was found that the data point with the value 25 is actually 2.5, how would the new box-plot be affected?

Ans: there is a outlier at 25



Answer the following three questions based on the histogram above.

1. Where would the mode of this dataset lie?

Ans: mode of the dataset lie between 4 to 8.

1. Comment on the skewness of the dataset.

Ans: skewness is positive

1. Suppose that the above histogram and the box-plot in question 2 are plotted for the same dataset. Explain how these graphs complement each other in providing information about any dataset.

Ans: there is an outlier at 25

1. AT&T was running commercials in 1990 aimed at luring back customers who had switched to one of the other long-distance phone service providers. One such commercial shows a businessman trying to reach Phoenix and mistakenly getting Fiji, where a half-naked native on a beach responds incomprehensibly in Polynesian. When asked about this advertisement, AT&T admitted that the portrayed incident did not actually take place but added that this was an enactment of something that “could happen.” Suppose that one in 200 long-distance telephone calls is misdirected. What is the probability that at least one in five attempted telephone calls reaches the wrong number? (Assume independence of attempts.)

Ans: Probability of 1 misdirected call out of 200 = 1/200= 199

P= 199

Probability of having at least one successful call will be

1-P= 199/200= 0.967

As every event is independent of other event the probability will be

1- (0.967)^5

0.02475 = 2% chance.

1. Returns on a certain business venture, to the nearest $1,000, are known to follow the following probability distribution

|  |  |
| --- | --- |
| x | P(x) |
| -2,000 | 0.1 |
| -1,000 | 0.1 |
| 0 | 0.2 |
| 1000 | 0.2 |
| 2000 | 0.3 |
| 3000 | 0.1 |

1. What is the most likely monetary outcome of the business venture?

Ans: The probability is more for 2000$ . Therefore, the most likely monetary outcome of the business venture is 2000$

1. Is the venture likely to be successful? Explain

Ans: (0.3+0.2+0.1=0.6=>0.6\*100=>60

Then there is a 60% probability that the venture would be successful.

1. What is the long-term average earning of business ventures of this kind? Explain

Ans: Long term returns = (-2000\*1)+ (-1000\*1)+ (1000\*2)+ (2000\*3)+ (3000\*1) = 8000

1. What is the good measure of the risk involved in a venture of this kind? Compute this measure

Ans: Sd = 1870.83

The large value of standard deviation of $1870 is considered along with the average returns of $8000 indicates that this venture is highly risky.