**Topics: Normal distribution, Functions of Random Variables**

1. The time required for servicing transmissions is normally distributed with *μ* = 45 minutes and *σ* = 8 minutes. The service manager plans to have work begin on the transmission of a customer’s car 10 minutes after the car is dropped off and the customer is told that the car will be ready within 1 hour from drop-off. What is the probability that the service manager cannot meet his commitment?
2. 0.3875
3. 0.2676
4. 0.5
5. 0.6987

A)B

|  |
| --- |
| Sol=We have a normal distributed with (mean = 45) and s.d = 8.0. Let X be the amount of time it takes to complete the repair on a customer's car. To finish in one hour you must have X ≤ 50 so the question is to find Pr(X > 50). |
|  |

|  |
| --- |
| Pr(X > 50) = 1 - Pr(X ≤ 50). |
|  |

|  |
| --- |
| Z = (X - )/ = (X - 45)/8.0 |
|  |

|  |
| --- |
| Thus the question can be answered by using the normal table to find |
|  |

|  |
| --- |
| Pr(X ≤ 50) = Pr(Z ≤ (50 - 45)/8.0) = Pr(Z ≤ 0.625)=73.4% |
|  |

Probability that the service manager will not meet his demand will be = 100-73.4 = 26.6% or (0.2676)

1. The current age (in years) of 400 clerical employees at an insurance claims processing center is normally distributed with mean *μ* = 38 and Standard deviation *σ* =6. For each statement below, please specify True/False. If false, briefly explain why.
2. More employees at the processing center are older than 44 than between 38 and 44.=True

Sol: let X be the number of employees.

|  |
| --- |
| So according to question |
|  |

|  |
| --- |
| a)Probability of employees greater than age of 44= Pr(X>44) |
|  |

|  |
| --- |
| Pr(X > 44) = 1 - Pr(X ≤ 44). |
|  |

|  |
| --- |
| Z = (X - )/ = (X - 38)/6 |
|  |

|  |
| --- |
|  |

|  |
| --- |
| Pr(X ≤ 44) = Pr(Z ≤ (44 - 38)/6) = Pr(Z ≤ 1)=84.1345% |
|  |

|  |
| --- |
| Probability that the employee will be greater than age of 44 = 100- 84.1345=15.86% |
|  |

|  |
| --- |
| So the probability of number of employees between 38-44 years of age = Pr(X<44)-0.5=84.1345-0.5= 34.1345% |
|  |

Therefore the statement that “More employees at the processing center are older than 44 than between 38 and 44” is TRUE

1. A training program for employees under the age of 30 at the center would be expected to attract about 36 employees. A)True

.

1. If *X1* ~ *N*(μ, σ2) and *X*2 ~ *N*(μ, σ2) are *iid* normal random variables, then what is the difference between 2 *X*1 and *X*1 + *X*2? Discuss both their distributions and parameters.

|  |
| --- |
| As we know that if X ∼ N(µ1, σ1^2 ), and Y ∼ N(µ2, σ2^2 ) are two independent random variables then X + Y ∼ N(µ1 + µ2, σ1^2 + σ2^2 ) , and X − Y ∼ N(µ1 − µ2, σ1^2 + σ2^2 ) . |
|  |

|  |
| --- |
| Similarly if Z = aX + bY , where X and Y are as defined above, i.e. Z is linear combination of X and Y , then Z ∼ N(aµ1 + bµ2, a^2σ1^2 + b^2σ2^2 ). |
|  |

|  |
| --- |
| Therefore in the question |
|  |

|  |
| --- |
| 2X1~ N(2 u,4 σ^2) and |
|  |

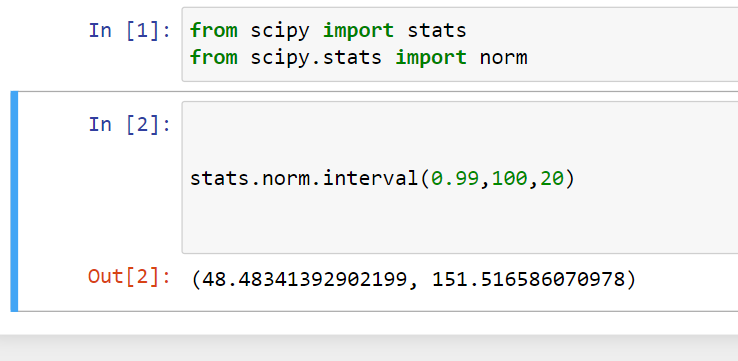
|  |
| --- |
| X1+X2 ~ N(µ + µ, σ^2 + σ^2 ) ~ N(2 u, 2σ^2 ) |
|  |

2X1-(X1+X2) = N( 4µ,6 σ^2)

4) Let X ~ N(100, 202). Find two values, *a* and *b*, symmetric about the mean, such that the probability of the random variable taking a value between them is 0.99.

1. 90.5, 105.9
2. 80.2, 119.8
3. 22, 78
4. 48.5, 151.5
5. 90.1, 109.9

Answer = D



1. Consider a company that has two different divisions. The annual profits from the two divisions are independent and have distributions Profit1 ~ N(5, 32) and Profit2 ~ N(7, 42) respectively. Both the profits are in $ Million. Answer the following questions about the total profit of the company in Rupees. Assume that $1 = Rs. 45
2. Specify a Rupee range (centered on the mean) such that it contains 95% probability for the annual profit of the company.
3. Specify the 5th percentile of profit (in Rupees) for the company
4. Which of the two divisions has a larger probability of making a loss in a given year?

