**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 : In Jupyter Notebook .



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: Q1=5 , Q3=12

IQR= Q3-Q1=12-5=7

Data-set is spread ed in range of 5-12 outside that exist outlier and 50%

data is in this range .

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

Ans: Positively skewed .

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 : Median will slightly move towards Q1 .



Answer the following three questions based on the histogram above.

1. Where would the mode of this dataset lie?

Ans: In the range of value of ‘Y’ 5 to 10 .

1. Comment on the skewness of the dataset.

Ans: Positively skewed

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 : Both plot shows there is large number value in range 5 to 10 and data is positively

skewed and value 25 is an outlier .

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 : In Jupyter Notebook .

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: Most likely monetary outcome will mode of P(x) which 0.3 that is 2000$.

1. Is the venture likely to be successful? Explain

Ans: To find out venture to be successful or not we need to calculate

the combined positive probability which is 0.7 so it has 70% chance to be

successful .

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

Ans: Avg earning will be expected value which is summation of (XiPi)

Expected value=600$

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

Ans: To compute the risk we need to calculate the standard deviation so we can know about dispersion of value from its mean

Std = 1870.82 $ .

**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

Ans : Probability that service manager cannot meet his commitment

is 0.03039 which closer to option B .

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

Ans: In Jupyter Notebook.

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.

Ans : To understand their distribution we randomly generate value and plot histogram

and their parameter of 2X1 will be U1 (2 times larger than X1 U) and std1 will be 2 times more than X1 std , the U2 of (X1+X2) is 2 times larger than U and standard deviation stays same as std.

Histogram in Jupyter Notebook .

1. 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.
2. 90.5, 105.9
3. 80.2, 119.8
4. 22, 78
5. 48.5, 151.5
6. 90.1, 109.9

Ans : D. 48.5,151.5 using confidence interval of 0.99 .

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?

Ans: In Jupyter Notebook .

**Topics: Confidence Intervals**

1. For each of the following statements, indicate whether it is True/False. If false, explain why.
2. The sample size of the survey should at least be a fixed percentage of the population size in order to produce representative results.

Ans: False , sample size doesn’t have to be fixed percentage of population , sample should be generated such that every member of should have equal to be included in survey.

1. The sampling frame is a list of every item that appears in a survey sample, including those that did not respond to questions.

Ans : False , the sampling frame is list of item from which sample is drawn.

1. Larger surveys convey a more accurate impression of the population than smaller surveys.

Ans : False , larger survey sometimes can provide good result but it depends on many other factor like sampling technique, quality of survey etc.

1. *PC Magazine* asked all of its readers to participate in a survey of their satisfaction with different brands of electronics. In the 2004 survey, which was included in an issue of the magazine that year, more than 9000 readers rated the products on a scale from 1 to 10. The magazine reported that the average rating assigned by 225 readers to a Kodak compact digital camera was 7.5. For this product, identify the following:
2. The population : All the reader of magazine .
3. The parameter of interest : Avg rating by reader.
4. The sampling frame : List of reader who participated in survey.
5. The sample size : 225 who rated Kodak compact digital camera.
6. The sampling design : Census design.
7. Any potential sources of bias or other problems with the survey or sample : Not all the reader participated in survey so those who didn’t participate might have different opinion creating bias sampling and lack of random sampling.
8. For each of the following statements, indicate whether it is True/False. If false, explain why.
9. If the 95% confidence interval for the average purchase of customers at a department store is $50 to $110, then $100 is a plausible value for the population mean at this level of confidence.

Ans: True.

1. If the 95% confidence interval for the number of moviegoers who purchase concessions is 30% to 45%, this means that fewer than half of all moviegoers purchase concessions.

Ans: False, the confidence interval gives us a range of plausible values for the true population proportion, but it does not tell us anything about the exact value of the proportion.

1. The 95% Confidence-Interval for *μ* only applies if the sample data are nearly normally distributed.

Ans : False, centrel limit theorem states that sample mean tends to follow normal distribution as long as sample size is (n>30).

1. What are the chances that ?
2. ¼
3. **½**
4. ¾
5. 1

Ans : B. **½**

1. In January 2005, a company that monitors Internet traffic (WebSideStory) reported that its sampling revealed that the Mozilla Firefox browser launched in 2004 had grabbed a 4.6% share of the market.
2. If the sample were based on 2,000 users, could Microsoft conclude that Mozilla has a less than 5% share of the market?

Ans : No.

1. WebSideStory claims that its sample includes all the daily Internet users. If that’s the case, then can Microsoft conclude that Mozilla has a less than 5% share of the market?

Ans: Yes.

1. A book publisher monitors the size of shipments of its textbooks to university bookstores. For a sample of texts used at various schools, the 95% confidence interval for the size of the shipment was 250 ± 45 books. Which, if any, of the following interpretations of this interval are correct?
2. All shipments are between 205 and 295 books.

Ans : False , confidence interval doesn’t give range of shipment.

1. 95% of shipments are between 205 and 295 books.

Ans : False , the does not give proportion of shipment.

1. The procedure that produced this interval generates ranges that hold the population mean for 95% of samples.

Ans : True.

1. If we get another sample, then we can be 95% sure that the mean of this second sample is between 205 and 295.

Ans : False , it based on current sample not for future sample.

1. We can be 95% confident that the range 160 to 340 holds the population mean.

Ans: False , range is 250 ± 45 , not wider than 295.

1. Which is shorter: a 95% *z*-interval or a 95% *t*-interval for *μ* if we know that σ =s?
2. The z-interval is shorter
3. The t-interval is shorter
4. Both are equal
5. We cannot say

Ans: C. Both are equal

Questions 8 and 9 are based on the following: To prepare a report on the economy, analysts need to estimate the percentage of businesses that plan to hire additional employees in the next 60 days.

1. How many randomly selected employers (minimum number) must we contact in order to guarantee a margin of error of no more than 4% (at 95% confidence)?
2. 600
3. 400
4. 550
5. 1000

Ans : A . 600.

1. Suppose we want the above margin of error to be based on a 98% confidence level. What sample size (minimum) must we now use?
2. 1000
3. 757
4. 848
5. 543

Ans : B. 757.

**CBA: Practice Problem Set 2**

**Topics: Sampling Distributions and Central Limit Theorem**

1. Examine the following normal Quantile plots carefully. Which of these plots indicates that the data …
2. Are nearly normal?
3. Have a bimodal distribution? (One way to recognize a bimodal shape is a “gap” in the spacing of adjacent data values.)
4. Are skewed (i.e. not symmetric) ?
5. Have outliers on both sides of the center?



Ans : Plot C.

1. For each of the following statements, indicate whether it is True/False. If false, explain why.

The manager of a warehouse monitors the volume of shipments made by the delivery team. The automated tracking system tracks every package as it moves through the facility. A sample of 25 packages is selected and weighed every day. Based on current contracts with customers, the weights should have *μ* = 22 lbs. and *σ* = 5 lbs.

1. Before using a normal model for the sampling distribution of the average package weights, the manager must confirm that weights of individual packages are normally distributed.

Ans : False, confirm the mean weight of mean of sample is normally distributed.

1. The standard error of the daily average SE() = 1.

Ans: True.

1. Auditors at a small community bank randomly sample 100 withdrawal transactions made during the week at an ATM machine located near the bank’s main branch. Over the past 2 years, the average withdrawal amount has been $50 with a standard deviation of $40. Since audit investigations are typically expensive, the auditors decide to not initiate further investigations if the mean transaction amount of the sample is between $45 and $55. What is the probability that in any given week, there will be an investigation?
2. 1.25%
3. 2.5%
4. 10.55%
5. 21.1%
6. 50%

Ans : D. 21.1%

1. The auditors from the above example would like to maintain the probability of investigation to 5%. Which of the following represents the minimum number transactions that they should sample if they do not want to change the thresholds of 45 and 55? Assume that the sample statistics remain unchanged.
2. 144
3. 150
4. 196
5. 250
6. Not enough information

Ans : C .196

1. An educational startup that helps MBA aspirants write their essays is targeting individuals who have taken GMAT in 2012 and have expressed interest in applying to FT top 20 b-schools. There are 40000 such individuals with an average GMAT score of 720 and a standard deviation of 120. The scores are distributed between 650 and 790 with a very long and thin tail towards the higher end resulting in substantial skewness. Which of the following is likely to be true for randomly chosen samples of aspirants?
2. The standard deviation of the scores within any sample will be 120. : False .
3. The standard deviation of the mean of across several samples will be 120. : True.
4. The mean score in any sample will be 720.: False.
5. The average of the mean across several samples will be 720.: True.
6. The standard deviation of the mean across several samples will be 0.60:False.