**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=0.376 , standard deviation = 0.2245 , variance=0.0504 , outlier =0.9136



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=7,this represents the range which contains 50% of the data points.**

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

**Ans: Right 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: 2.5 will be not considered an outlier. The boxplot will start from 0 and send at 20 in representation.**



Answer the following three questions based on the histogram above.

1. Where would the mode of this dataset lie?

**Ans: Mode of this dataset lie between 4 and 8.**

1. Comment on the skewness of the dataset.

**Ans: right 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: median in boxplot and mode in histogram.**

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:**

P=0.028

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: p=0.3 for p(2000).so most likely outcome is 2000.**

1. Is the venture likely to be successful? Explain

**Ans: p(x>0) =0.6 implies there is a 60% chance that the venture would yield profits or greater than expected returns.p(incurring losses) is only 0.2 so the venture is likely to be successful.**

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

**Ans: weighted average =x\*p(x)=800.this means the average expected earnings over a long period of time would be 800.(including all losses and gains over the period of time)**

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

**Ans: p(loss)=p(x=-2000)+p(x=-1000)=0.2 . so the risk associated with this venture is 20%.**