**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

The answer is **B. 0.2676**

The time required for servicing transmissions is normally distributed with mean = 45 minutes and standard deviation = 8 minutes. The customer is told that the car will be ready within 1 hour from drop-off, which is 60 minutes.

The time it takes to service the car beyond the commitment is 60 - 10 = 50 minutes.

The probability that the service manager cannot meet his commitment is the probability that the servicing time exceeds 50 minutes.

P(X > 50) = 1 - P(X <= 50)

= 1 - P(Z <= (50 - 45)/8)

= 1 - P(Z <= 0.625)

= 1 - 0.7344

= 0.2676

Therefore, the probability that the service manager cannot meet his commitment is 0.2676. So the answer is 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.

Statement A is **FALSE**

68% of the data falls within one standard deviation of the mean (µ+*σ)*.

Here µ=38, *σ* =6

Then, µ+*σ= 38+*6=44

Statement B is **TRUE**

Z=(X-µ)/ 

P(X≤30)=p(Z≤(30-38)/6)=p(Z≤-1.33)= 0.0918(using z table)

Expected count=0.0918\*400= 36.72

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

SOL:

Given that X1 ~ N(μ, σ2) and X2 ~ N(μ, σ2) are normal random variables, then:

2 X1 is simply a larger scale version of the random variable X1. If X\_1 is normally distributed then 2X1 is also normally distributed.

X1 and X2 are normal distributed, the associated sums and random samples are exactly (and not just approximately) normal, with the appropriate parameters.

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

SOLN: D

Here we need range of 99% data which lies between 3rd standard deviation of the mean. Here µ=100,  =20

From empirical rule, µ±3= 100±3\*20=>(100-60, 100+60)=>(40,160).

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?

SOLN: Let, X be the sum of two random variables having normal distribution.

E[X]= E[45\*(profit 1+profit 2)]= 45\*(5+7)=540 million rupees

SD[X]= SD[profit 1 +profit 2]=> 45\*(√(var(profit1)+var(profit2)))

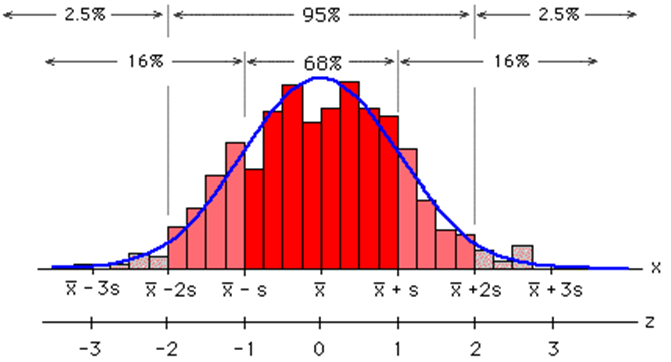
= 45\*√(9+16)= 225 million rupees.

Therefore, X~ N(540,〖225〗^2)

A. From the empirical rule, Approximately 95% of the data falls within two standard deviations of the mean.

μ ± 2σ = 540±2\*225=> (540-450, 540+450)=> (90,990)

B.



From the above normal distribution we can say that to find 5th percentile from the left side we can use the formula,

μ - 1.5σ => 540-(1.5\*225) =>202.5 million rupees.

C.

This question concerns the original profit distributions.

For division1= Z score for a profit of zero: Z=(X-µ)/  => (0-5)/3 => -1.66=0.0485

For division2= Z score for a profit of zero: Z=(X-µ)/  =(0-7)/4 => -1.75= .0401

Therefore, Division 2 has a higher probability of making a loss.