**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:**

***μ* = 45 minutes and *σ* = 8 minutes,**

**Time delay = 10**

**Time available=60 – 10=50**

**1-pnorm(50,45,8) = 0.2659855**

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.

**Ans: FALSE**

**According to Normal Distribution, 34.1% employees are aged between 38 & 44.  
15.9% employees are aged above 44.**

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

**Ans: TRUE  
9% of employees would come under the age 30.**

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: 2X1 ~ 2*****N*(μ, σ2), Will be a Normal Distribution since X1 is Normal**

**X1+X2 ~ N(2((μ, σ2), Sum of 2 normal distribution may not be Normally Distributed.**

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:**

**σ = 20, μ = 100, z-score for 99% CI = 2.576  
100+(2.576\*20) = 151.52  
 100-(2.576\*20) = 48.48**

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.  
   **σ1 = 3, μ1 = 5, z-score for 95% CI = 1.96**

**σ2 = 4, μ2 = 7, z-score for 95% CI = 1.96**

**CI 95% of Div1 = -0.88 to 10.88  
CI 95% of Div2 = -0.84 to 14.84**

**CI 95% of the Company = -1.75 to 25.72 Million $  
-77.4 to 1157.4 Million Rupees**

1. Specify the 5th percentile of profit (in Rupees) for the company

**Ans: 2.94476 + 18.92635 = 21.871 Million Rupees**

1. Which of the two divisions has a larger probability of making a loss in a given year?  
   **Ans: Higher variance indicates higher risk, Hence Division 2 has a larger probability of making a loss.**