**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% |



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= Q3 – Q1**

**= 12 – 5 = 7 ( Middle Quartile Range).**

**IQR represents middle 50% data.**

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

**Ans: Mean is less than median, so the box plot is 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: The new Box plot will have no outliers.**



Answer the following three questions based on the histogram above.

1. Where would the mode of this dataset lie?

**Ans:- Between Bins 4-8and 5-10.**

1. Comment on the skewness of the dataset.

**Ans:- Right skewed, as long tail towards Right.**

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 Plots give idea about skewness of the data, But,**

**1. Box plot provides outlier values, which fails to provide by histogram.**

**2. Similarly histogram provides the frequency of datapoints, which fails to provide by box plot.**

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:- E: The call is misdirected**

**then probability of the event E is**

**P(E)= 1/200**

**Therefore,**

**Probability that at least one in 5 attempted call reaches the wrong number**

**= 1 - Probability that no attempted call reaches the wrong number**

**= 1 – P(E bar)**

**= 1 – (199/200)\* (199/200)\* (199/200)\* (199/200)\* (199/200)**

**= 1 - (199/200)^5**

**= 0.025**

**Probability that at least one in 5 attempted call reaches the wrong number = 0.025.**

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:- 2000.**

1. Is the venture likely to be successful? Explain

**Ans:- Yes, there are 60% chances of getting a positive return and 20% chances of negative**

**returns or debts.**

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

**Ans:- Long term returns = ((-2000\*1)+ (-1000\*1)+ (1000\*2)+ (2000\*3)+ (3000\*1) / 6) = 8000**

**The long-term average earning around $800**

(iv)What is the good measure of the risk involved in a venture of this kind? Compute this measure

**ANS: A good measure to evaluate the risk would be variance and standard deviation of the variable x**

**Var = 3500000**

**Sd = 1870.83**

**The large value of standard deviation of $1870 is considered along with the average returns of $800 indicates that this venture is highly risky**