**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% |

mean of Measure X is: 33.27%

variance of Measure X is: 287.14%

standard deviation of Measure X is: 16.94%



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,

Here Q3 = 12 & Q1 = 5,

IQR = 12 – 5

IQR = 7

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

Ans – The data is Right skewed (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 – the median will be unchanged as median is resistant to outlier, the whiskers and the box of the boxplot will become shorter or narrow down as 25 will not be an outlier, iqr will also remain unchanged.

The skewness of boxplot will also decrease.



Answer the following three questions based on the histogram above.

1. Where would the mode of this dataset lie?

Ans – the mode of data lies between 4 to 6

1. Comment on the skewness of the dataset.

Ans - The data is Right skewed (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 – histogram provides the visual information about distribution of data, most occurring values, frequency of data points and outlier points, on the other hand boxplot displays outliers, upper extreme and lower extreme values, location of median, quartiles that is what percentage of data lies within various quartiles.

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.)

P(single calls misdirected) = 1/200

P(call not being misdirected) = 1- 1/200 = 199/200

As attempts are independent therefore,

P(all of 5 call aren’t misdirected) = (199/200)^5

P(atleast 1 call is misdirected) = 1- (199/200)^5

= 0.02475

The probability that atleast one in 5 attempted telephone call reaches the wrong number is 0.02475 = 2.475%

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 as it has highest probability

1. Is the venture likely to be successful? Explain

Ans - We say venture is successful when the returns are positive

probability of positive returns = 0.2+0.3+0.1 = 0.6

probability of negative returns = 0.1+0.1 = 0.2

as the probability of positive returns is greater than probability of negative return we say that venture is likely to succeed.

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

Ans – long term average earning means expected value = x \* p(x)

E = (-2000 \* 0.1) + (-1000 \* 0.1) + (0 \* 0.2) + (1000 \* 0.2) + (2000 \* 0.3) + (3000 \* 0.1)

E = -200 - 100 + 0 + 200 + 600 + 300

E = 800

The long-term average earning of business ventures of this kind is $800

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

Ans -

Standard Deviation (SD) = √[Σ((x - E)^2 \* P(x))

SD = √[((-2000 - 800)^2 \* 0.1) + ((-1000 - 800)^2 \* 0.1) + ((0 - 800)^2 \* 0.2) + ((1000 - 800)^2 \* 0.2) + ((2000 - 800)^2 \* 0.3) + ((3000 - 800)^2 \* 0.1)]

SD = √[784000+324000+128000+8000+432000+484000]

SD = √2158000

SD ≈ 1469.69

(measure of risk) of this venture is approximately $1469.69 .