**Topics: Normal distribution, Functions of Random Variables**

1. The time required for servicing transmissions is normally distributed with  = 45 minutes and  = 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?

* 1. 0.3875
  2. 0.2676
  3. 0.5
  4. 0.6987

**Ans:** B. 0.2676

1. The current age (in years) of 400 clerical employees at an insurance claims processing center is normally distributed with mean  = 38 and Standard deviation  =6. For each statement below, please specify True/False. If false, briefly explain why.
   1. More employees at the processing center are older than 44 than between 38 and

44.

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

# Ans:

1. p(X>44) = 0.1587 p(38<X<44) = 0.3413

The statement is False. The Probability of employees aged from 38 to 44 is more.

1. N\*P(X<30) = 36.49

The statement is true. The no. of employees aged below 30 years attending training is 36.

3. 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:

If *X1* = *N*(μ, σ2) and *X*2 = *N*(μ, σ2)

Then, 2*X1* = *N*(2μ, 4σ2) and

*X1 + X*2 = *N*(μ, σ2) + *N*(μ, σ2) = *N*(2μ, 2σ2)

∴ 2 *X*1 – (*X*1 + *X*2) = N(2σ2)

4. 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.

1. 90.5, 105.9
2. 80.2, 119.8
3. 22, 78
4. 48.5, 151.5
5. 90.1, 109.9

# Ans:

D. 48.5, 151.5

5. 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

1. Specify a Rupee range (centered on the mean) such that it contains 95% probability for the annual profit of the company.
2. Specify the 5th percentile of profit (in Rupees) for the company
3. Which of the two divisions has a larger probability of making a loss in a given year?

# Ans:

1. The Range for 95% probability for the annual profit of the company is Rs.99 to 981 Million.
2. The 5th percentile of profit for the company is Rs.170 Million.
3. P(X1) = 4.78 % & P(X2) = 4 %

Probability of Division 1 making a loss in a given year is more than Division 2.