**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?

Ans-B

1-stats.norm.cdf(50,45,8)

0.26598552904870054

1. 0.3875
2. 0.2676
3. 0.5
4. 0.6987
5. 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.
6. More employees at the processing center are older than 44 than between 38 and 44.

Sol: #employees greater than 44 years age

1-stats.norm.cdf(44,38,6)= 0.15865525393145707

#employees between age 38 and 44

stats.norm.cdf(44,38,6)-stats.norm.cdf(38,38,6)= 0.3413447460685429

Ans-FALSE. More employees are there between age 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.

#employees under 30 years of age

stats.norm.cdf(30,38,6)= 0.09121121972586788

#employees out of 400 expected to attend the training

400\*0.09121121972586788= 36.484487890347154~36

Ans. TRUE

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.

**Answer:**

The difference between  and  is .

**Step-by-step explanation:**

According to the **Central Limit Theorem**, any **large sum** of **independent**, **identically distributed(iid)** random variables is approximately **Normal**.

The **Normal distribution** is defined by two parameters, the **mean**, , and the **variance**,  and written as .

Given   are two independent identically distributed random variables.

From the properties of **normal random variables**,

if  and  are two independent identically distributed random variables then

* the **sum** of normal random variables is given by

,

* and the **difference** of normal random variables is given by



* When  , the **product** of X is given by



* When  , the **linear combination** of X and Y is given by



Given to find, 

Thus, following the property of multiplication, we get



and following the property of addition,



And the difference between the two is given by



The mean of  and  is same but the var() of   is 2 times more than the variance of .

The difference between the two says that the two given variables are **identically** and **independently** 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.D

stats.norm.interval(0.99,100,20)= 48.48341392902199, 151.516586070978

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.

Soln:

# Mean profits from two different divisions of a company = Mean1 + Mean2

Mean = 5+7

print('Mean Profit is Rs', Mean\*45,'Million')

Mean Profit is Rs 540 Million

# Variance of profits from two different divisions of a company =

S^2 = SD1^2 + SD2^2

SD = np.sqrt((9)+(16))

print('Standard Deviation is Rs', SD\*45, 'Million')

Standard Deviation is Rs 225.0 Million

# A. Specify a Rupee range (centered on the mean) such that it contains 95% probability for the annual profit of the company.

print('Range is Rs',(stats.norm.interval(0.95,540,225)),'in Millions')

Range is Rs (99.00810347848784, 980.9918965215122) in Millions

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

# To compute 5th Percentile, we use the formula X=μ + Zσ; wherein from z table, 5 percentile = -1.645

X= 540+(-1.645)\*(225)

print('5th percentile of profit (in Million Rupees) is',np.round(X,))

5th percentile of profit (in Million Rupees) is 170.0

1. Which of the two divisions has a larger probability of making a loss in a given year?

# Probability of Division 1 making a loss P(X<0)

stats.norm.cdf(0,5,3)= 0.0477903522728147

# Probability of Division 2 making a loss P(X<0)

stats.norm.cdf(0,7,4)= 0.040059156863817086

Division1 has greater probability of making a loss.