**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 = Upper Quartile – Lower quartile. So, 12.5-5= 7.5

IQR tell us about the range of the middle half of the data.

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

ANS – It is Positive 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 – In that case there would be no outlier and there would be change in the mean and the

median.



Answer the following three questions based on the histogram above.

1. Where would the mode of this dataset lie?

ANS – It should lie between the range of 4-8.

1. Comment on the skewness of the dataset.

ANS- It is 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- By seeing only we are getting that both the data are positively skewed.

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 - Probability of call getting misdirected = (1/200)

Probability of call not getting misdirected = (199/200)

Questions referred to from Aczel A., Sounderpandian J., Complete Business Statistics (7ed.)

Total number of calls attempted =5

Probability that at least one in 5 attempted call reaches the wrong number is= 1-(199/200) ^5=

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 - The most likely monetary outcome of the business venture is 2000.

1. Is the venture likely to be successful? Explain

ANS - p(x&gt;0) +p(x&gt;1000) +p(x&gt;2000) +p(x=3000) = 0.2+0.2+0.3+0.1 = 0.8 this states

that there is a good 80% chances for this venture to be making a profit.

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

ANS - Expected value = Sum (X \* P(X)) = 800$. This indicates that it will make good profit.

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

ANS - The good measure of the risk involved in a venture of this kind depends on the

Variability in the distribution.

Higher Variance means more chances of risk Var

(X) = E(X^2) –(E(X))^2 = 2800000 – 800^2 = 2160000