**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: Q1 = 5 , Q3 = 12

IQR = Q3-Q1

IQR = (12-5) = 7

It Shows the middle half of the data.

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

ANS: The data 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: If the data point is actually 2.5 then there would be no outliers.



Answer the following three questions based on the histogram above.

1. Where would the mode of this dataset lie?

ANS: Mode of this dataset lies between 4-8

1. Comment on the skewness of the dataset.

ANS: The dataset is Right 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: If we compare both the datasets the data would still be right 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: The probability of call getting misdirected is 1/200

Hence probability of call not getting misdirected = 1-(1/200) = 199/200Number of phone calls attempted = 5

Therefore, 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: Here the highest probability is for 2000

1. Is the venture likely to be successful? Explain

ANS: Yes the venture is more likely to be successful, because the total earnings of the venture is positive in value i.e 800 and highest probability of earning is 2000

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

ANS: (0.1)(-2000) + (0.1)(-1000)+(0.2)(0)+(0.2)\*(1000)+(0.3)(1000)+(0.1)(3000)

=800

The long term average earning of business ventures is 800.

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

ANS: A good measure of the risk involved in a venture of this kind is the standard deviation. The standard deviation of the probability distribution is $1,469.69. This means that there is a significant amount of risk involved in the venture, as the actual return could be much lower or higher than the expected return.