Appendix 3
Project A – Expected NPV ($ million) for each possible demand level and tariff level combination

		Tariff level		
		High	**Medium**	**Low**
	Low	1,200	1,700	1,850
Demand level	**Medium**	1,000	1,500	1,600
	High	900	1,000	1,100

Project A – Joint probabilities for each possible demand level and tariff level combination

			Tariff level		
			High	**Medium**	**Low**
			0·20	**0·50**	**0·30**
	Low	**0·20**	0·04	0·10	0·06
Demand level	**Medium**	**0·50**	0·10	0·25	0·15
	High	**0·30**	0·06	0·15	0·09

Notes

(1) The standard deviation of the outcomes for project A has been correctly calculated to be 103 and the standard deviation of the outcomes for project B has been correctly calculated to be 106.

(2) An analyst has already calculated that the overall expected value of project B is $1,347 million.