

UNIVERSITY OF ESSEX

AUTUMN MID-TERM TEST, THURSDAY 25 NOVEMBER 2010

INTRODUCTION TO QUANTITATIVE ECONOMICS

Time allowed: 60 minutes.

Write your name, your registration number, your class teacher's name, and your class number clearly on the front page of your answer book(s).

Candidates must answer ALL questions.

This paper consists of THREE questions.

A statistical table can be found on page 3.

Candidates are allowed to bring into the examination room:
calculators (hand held, containing no textual information).

Please do not leave your seat unless you are given permission by an invigilator.

Do not communicate in any way with any other candidate in the examination room.

Do not open the question paper until told to do so.

All answers must be written in the answer book(s) provided.

All rough work must be written in the answer book(s) provided. A line should be drawn through any rough work to indicate to the examiner that it is not part of the work to be marked.

At the end of the examination, remain seated until your answer book(s) have been collected and you have been told you may leave.

1. Answer *all* parts (a) – (c) of this question.

The following are the profits (in £000s) made by a sample of nine outlets that were randomly chosen from a chain of shops:

20, 5, 38, 15, 10, 17, 20, 25, 12.

- (a) [15 marks] Define and calculate the sample mean, mode and median profits.
- (b) [10 marks] Define and calculate the sample variance and standard deviation of profits.
- (c) [15 marks] Assuming that the population of profits earned in the shops is normally distributed with mean μ and variance $\sigma^2 = 9$, construct a 95% confidence interval for the population mean of profits.

2. Answer *both* parts (a) and (b) of this question.

A multiple choice test contains ten questions, each question having four choices. Only one choice is correct.

- (a) [10 marks] What is the probability of getting all ten questions wrong with random guessing?
- (b) [10 marks] What is the probability of getting exactly four questions correct with random guessing?

Hint: use the binomial formula.

3. Answer *all* parts (a) – (c) of this question.

The loss, X , (in £) from each burglary in a certain area is normally distributed with mean $\mu = 3000$ and standard deviation $\sigma = 800$.

- (a) [15 marks] Find the probability of the loss due to a burglary being above £4600.
- (b) [15 marks] Find the probability of the loss due to a burglary being between £2500 and £3500.
- (c) [10 marks] An individual wishes to insure up to 95% of possible losses due to burglary. What is the maximum amount, M , up to which he needs to insure?

Hint: because it is assumed that X is normally distributed, find M such that $\Pr(-\infty < X < M) = 0.95$.

(END OF PAPER)

Areas under the standard normal curve

z'	0.00	0.01	0.02	0.03	0.04	0.05	0.06	0.07	0.08	0.09
0.0	0.0000	0.0040	0.0080	0.0120	0.0160	0.0199	0.0239	0.0279	0.0319	0.0359
0.1	0.0398	0.0438	0.0478	0.0517	0.0557	0.0596	0.0636	0.0675	0.0714	0.0753
0.2	0.0793	0.0832	0.0871	0.0910	0.0948	0.0987	0.1026	0.1064	0.1103	0.1141
0.3	0.1179	0.1217	0.1255	0.1293	0.1331	0.1368	0.1406	0.1443	0.1480	0.1517
0.4	0.1554	0.1591	0.1628	0.1664	0.1700	0.1736	0.1772	0.1808	0.1844	0.1879
0.5	0.1915	0.1950	0.1985	0.2019	0.2054	0.2088	0.2123	0.2157	0.2190	0.2224
0.6	0.2257	0.2291	0.2324	0.2357	0.2389	0.2422	0.2454	0.2486	0.2517	0.2549
0.7	0.2580	0.2611	0.2642	0.2673	0.2704	0.2734	0.2764	0.2794	0.2823	0.2852
0.8	0.2881	0.2910	0.2939	0.2967	0.2995	0.3023	0.3051	0.3078	0.3106	0.3133
0.9	0.3159	0.3186	0.3212	0.3238	0.3264	0.3289	0.3315	0.3340	0.3365	0.3389
1.0	0.3413	0.3438	0.3461	0.3485	0.3508	0.3531	0.3554	0.3577	0.3599	0.3621
1.1	0.3643	0.3665	0.3686	0.3708	0.3729	0.3749	0.3770	0.3790	0.3810	0.3830
1.2	0.3849	0.3869	0.3888	0.3907	0.3925	0.3944	0.3962	0.3980	0.3997	0.4015
1.3	0.4032	0.4049	0.4066	0.4082	0.4099	0.4115	0.4131	0.4147	0.4162	0.4177
1.4	0.4192	0.4207	0.4222	0.4236	0.4251	0.4265	0.4279	0.4292	0.4306	0.4319
1.5	0.4332	0.4345	0.4357	0.4370	0.4382	0.4394	0.4406	0.4418	0.4429	0.4441
1.6	0.4452	0.4463	0.4474	0.4484	0.4495	0.4505	0.4515	0.4525	0.4535	0.4545
1.7	0.4554	0.4564	0.4573	0.4582	0.4591	0.4599	0.4608	0.4616	0.4625	0.4633
1.8	0.4641	0.4649	0.4656	0.4664	0.4671	0.4678	0.4686	0.4693	0.4699	0.4706
1.9	0.4713	0.4719	0.4726	0.4732	0.4738	0.4744	0.4750	0.4756	0.4761	0.4767
2.0	0.4772	0.4778	0.4783	0.4788	0.4793	0.4798	0.4803	0.4808	0.4812	0.4817
2.1	0.4821	0.4826	0.4830	0.4834	0.4838	0.4842	0.4846	0.4850	0.4854	0.4857
2.2	0.4861	0.4864	0.4868	0.4871	0.4875	0.4878	0.4881	0.4884	0.4887	0.4890
2.3	0.4893	0.4896	0.4898	0.4901	0.4904	0.4906	0.4909	0.4911	0.4913	0.4916
2.4	0.4918	0.4920	0.4922	0.4925	0.4927	0.4929	0.4931	0.4932	0.4934	0.4936
2.5	0.4938	0.4940	0.4941	0.4943	0.4945	0.4946	0.4948	0.4949	0.4951	0.4952
2.6	0.4953	0.4955	0.4956	0.4957	0.4959	0.4960	0.4961	0.4962	0.4963	0.4964
2.7	0.4965	0.4966	0.4967	0.4968	0.4969	0.4970	0.4971	0.4972	0.4973	0.4974
2.8	0.4974	0.4975	0.4976	0.4977	0.4977	0.4978	0.4979	0.4979	0.4980	0.4981
2.9	0.4981	0.4982	0.4982	0.4983	0.4984	0.4984	0.4985	0.4985	0.4986	0.4986
3.0	0.4987	0.4987	0.4987	0.4988	0.4988	0.4989	0.4989	0.4989	0.4990	0.4990

NB: Entries are $\Pr(0 < Z < z')$ e.g. $\Pr(0 < Z < 1.32) = 0.4066$.