

Test 2 Math 304 5/16/2000

- 1) $E(G) = 0.5(1,000) + 0.5(0) = 500$
 $E(F) = 0.5(1,100) + 0.5(100) = 600$
 $500 > 50$ so pick CG
 $E(C) = 500$
 $600 > 150$ so pick EI
 $E(E) = 600$
 $E(A) =$
 $E(A) = 0.9 E(C) + 0.1 E(D) = 0.9(500) + 0.1(50) = 455$
 $E(B) = 0.4 E(E) + 0.6 E(F) = 0.4(600) + 0.6(150) = 330$
 $455 > 330$. Choose RA.
 Choose RA, EI, CG with payoff 455

- 2) At A $4 > 3$ so player 2 chooses AF.
 At B $3 > 2$ so player 2 chooses BH
 At D $3 > 2$ so player 1 chooses DK
 At E $4 > 3$ so player 1 chooses EL.
 At C $5 > 3$ so player 2 chooses CE.

 At R $F(2,4)$ $H(5,3)$ $L(4,5)$ so player 1
 chooses RB
 Outcome is $R \rightarrow B \rightarrow H$. Payoff $(5, 3)$.