ALUPE UNIVERSITY COLLEGE
...Bastion of Knowledge...
P. O.Box 845-50400 Busia(K)
principal@auc.ac.ke
Tel: +254 741 217 185
+254 736 044 469
off Busia-Malaba road

**OFFICE OF THE DEPUTY PRINCIPAL**

**ACADEMICS, STUDENT AFFAIRS AND RESEARCH**

# UNIVERSITY EXAMINATIONS 2020 /2021 ACADEMIC YEAR

**THIRD YEAR FIRST SEMESTER REGULAR EXAMINATION**

# FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

**COURSE CODE:** **BBM 350**
**COURSE TITLE:** **MANAGERIAL STATISTICS**

**DATE: 16TH MARCH 2021** **TIME: 9.00AM-12.00**

**INSTRUCTION TO CANDIDATES**

- **SEE INSIDE**
- **PLEASE TURN OVER**

**DURATION: 3 Hours**

**INSTRUCTION TO CANDIDATES**

*i.Answer question ONE and any other TWO questions*

*ii.Do not write on the question paper.*

**QUESTION ONE**

a) A fast-food chain tests each day that the number of calories in their "Diet-Burger" is no more than 400. Due to imperfections in the cooking processes, the number of calories in their Diet-Burger is **Normally Distributed** with standard deviation of 30 calories. The decision rule adopted by the fast-food chain is to reject the **null hypothesis** (that the mean calories is 400) if the sample mean number of calories is more than 410.

**Required;**

**i)**If a random sample of size 40 burgers is selected, what is the probability of a **Type I error**, using this decision rule. (5 marks)

**ii)** Conduct an **ANOVA** for the following **THREE** samples with corresponding scores XYZ

| **SAMPE** | **X** | **Y** | **Z** |
|---|---|---|---|
| 1 | 12 | 9 | 12 |
| 2 | 7 | 10 | 12 |
| 3 | 5 | 8 | 11 |

NOTE; CI @ alpha = the 0.05 Use F-tables, the null hypothesis is that the differences in means are not **statistically significant.**

(15 marks)

**iii)** **X** is Normally distributed with mean 0 and SD 1 i.e **N~ (0,1)** .Find P **[ X ≤+1.96]** and show the area under curve. (5 marks)

**b)**

A large university wants to determine the average income their students earn during the summer. A random sample of 45 first-year business students produced the following statistics measured in hundreds of shs : X = 33.1 and s =5.0.

i.Estimate the mean summer employment income for all first-year business students, with 95% confidence. (5 marks)

ii.A statistician provides a confidence interval that runs from 31.5 to 33.8. Assuming he/she used the same sample data, what is the probability content of this interval? (5 marks

**QUESTION TWO**

a)

Six consultants work for XYZ ltd. A consultant has got a 20% of being absent from work on any given day. The company wishes to establish the probability of more than TWO workers being absent from work on any given day.

**Required;** Compute the probability of absence assuming the following;

i. Poisson distribution ( 5 marks)

ii. Binomial distribution ( 5 marks)

b)

A manufacturing company is testing a plant for acceptance. For the plant to be accepted the mean reading should be 19.5 and above. A sample of 25 readings is taken and found to have a mean of 19.7 with a standard deviation of 1.5

**Required;**

Test at 95% confidence level whether the company should accept the plant (10 marks).

**QUESTION THREE**

a)

A bottling company uses a filling machine to fill plastic bottles with a popular Cola. The bottles are supposed to contain 300 ml. In fact, the contents vary according to a normal distribution with **MEAN = 298 ml** and **SD = 3 ml**.

**Required;**

i.Calculate the probability that a randomly selected bottle contains < 295 ml? (5 marks)

ii. What is the probability that the average contents of 6 randomly selected bottles is < 295? (5 marks)

b)

Discuss the contribution of managerial statistics in the management of businesses (10 marks)

**QUESTION FOUR**

A large consumer products company wants to measure the effect of different local advertising media on the sales of its products. Specifically, they considered TV and newspaper advertising, and also considered providing cents-off coupons in newspapers. Over a period of three months, these variables were measured in 22 cities of roughly equal population and demographics, and the results were analyzed using multiple regression.

The variables were: SALES = sales in 1,000,000 khs units. TVAD = TV ad budget, in 10,000 shs units. NEWSAD = Newspaper ad budget, in 1,000 shs units. COUPON = 1 if coupons were given out in local newspapers, otherwise COUPON = 0.

| Regression statistics | |
|---|---|
| R Squared (D) | |
| Standard Error (C) | |

**ANOVA**

| | DF | SS |
|---|---|---|
| Regression | | 1.971 |
| Residual (E) | | 0.447 |
| Total | | |

| | Coefficients | Standard Error | t-Stat | p-value |
|---|---|---|---|---|
| **Intercept** | **0.376** | **0.130** | | |
| **1. TVAD** | **0.127** | **0.017** | **(A)** | **(B)** |
| **2. NEWSAD** | **0.016** | **0.003** | | |
| **3. COUPON** | **0.100** | **0.075** | | |

**Required;**

i.Interpret the coefficient for COUPON in words. (5 marks)

ii.Develop a 95% confidence interval for this number and interpret this confidence interval in words. (5 marks)

iii. For Pittsburgh, a city typical of those studied, the proposed local advertising budgets were shs 47,000 for TV ads and shs25,000 for newspaper ads. No coupons were distributed in this area. What is the predicted level of sales in Pittsburgh in shs . (10 marks)

**QUESTION FIVE**

a)

Provide explanations for the following;

i.Statistic

ii Random variable

iii.Test of significance

iv.Hypothesis **(10 marks)**

b)

The following data was extracted from financial records of Busia Sugar Mills Ltd.

| month | Units of production (shs) 000" | Indirect labour cost (shs) "000" |
|---|---|---|
| 1 | 66 | 1190 |
| 2 | 88 | 1211 |
| 3 | 72 | 1004 |
| 4 | 62 | 917 |
| 5 | 60 | 770 |

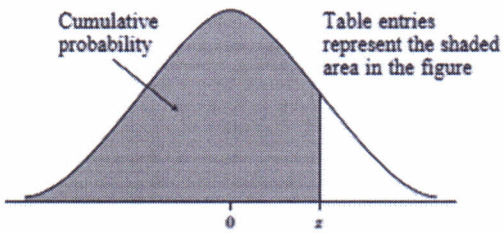
Required;

Using Ordinary Least Squares (OLS) method;

i.Formulate the cost function of the above relationship ( 8 marks)

ii.calculate indirect labour hours associated 120 machine hours ( 2 marks)

## Cumulative Probabilities for the Standard Normal Distribution (page 2)




| FIRST DIGIT OF $z$ | SECOND DIGIT OF $z$ | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| $z$ | **0.00** | **0.01** | **0.02** | **0.03** | **0.04** | **0.05** | **0.06** | **0.07** | **0.08** | **0.09** |
| 0.0 | 0.5000 | 0.5040 | 0.5080 | 0.5120 | 0.5160 | 0.5199 | 0.5239 | 0.5279 | 0.5319 | 0.5359 |
| 0.1 | 0.5398 | 0.5438 | 0.5478 | 0.5517 | 0.5557 | 0.5596 | 0.5636 | 0.5675 | 0.5714 | 0.5753 |
| 0.2 | 0.5793 | 0.5832 | 0.5871 | 0.5910 | 0.5948 | 0.5987 | 0.6026 | 0.6064 | 0.6103 | 0.6141 |
| 0.3 | 0.6179 | 0.6217 | 0.6255 | 0.6293 | 0.6331 | 0.6368 | 0.6406 | 0.6443 | 0.6480 | 0.6517 |
| 0.4 | 0.6554 | 0.6591 | 0.6628 | 0.6664 | 0.6700 | 0.6736 | 0.6772 | 0.6808 | 0.6844 | 0.6879 |
| 0.5 | 0.6915 | 0.6950 | 0.6985 | 0.7019 | 0.7054 | 0.7088 | 0.7123 | 0.7157 | 0.7190 | 0.7224 |
| 0.6 | 0.7257 | 0.7291 | 0.7324 | 0.7357 | 0.7389 | 0.7422 | 0.7454 | 0.7486 | 0.7517 | 0.7549 |
| 0.7 | 0.7580 | 0.7611 | 0.7642 | 0.7673 | 0.7704 | 0.7734 | 0.7764 | 0.7794 | 0.7823 | 0.7852 |
| 0.8 | 0.7881 | 0.7910 | 0.7939 | 0.7967 | 0.7995 | 0.8023 | 0.8051 | 0.8078 | 0.8106 | 0.8133 |
| 0.9 | 0.8159 | 0.8186 | 0.8212 | 0.8238 | 0.8264 | 0.8289 | 0.8315 | 0.8340 | 0.8365 | 0.8389 |
| 1.0 | 0.8413 | 0.8438 | 0.8461 | 0.8485 | 0.8508 | 0.8531 | 0.8554 | 0.8577 | 0.8599 | 0.8621 |
| 1.1 | 0.8643 | 0.8665 | 0.8686 | 0.8708 | 0.8729 | 0.8749 | 0.8770 | 0.8790 | 0.8810 | 0.8830 |
| 1.2 | 0.8849 | 0.8869 | 0.8888 | 0.8907 | 0.8925 | 0.8944 | 0.8962 | 0.8980 | 0.8997 | 0.9015 |
| 1.3 | 0.9032 | 0.9049 | 0.9066 | 0.9082 | 0.9099 | 0.9115 | 0.9131 | 0.9147 | 0.9162 | 0.9177 |
| 1.4 | 0.9192 | 0.9207 | 0.9222 | 0.9236 | 0.9251 | 0.9265 | 0.9279 | 0.9292 | 0.9306 | 0.9319 |
| 1.5 | 0.9332 | 0.9345 | 0.9357 | 0.9370 | 0.9382 | 0.9394 | 0.9406 | 0.9418 | 0.9429 | 0.9441 |
| 1.6 | 0.9452 | 0.9463 | 0.9474 | 0.9484 | 0.9495 | 0.9505 | 0.9515 | 0.9525 | 0.9535 | 0.9545 |
| 1.7 | 0.9554 | 0.9564 | 0.9573 | 0.9582 | 0.9591 | 0.9599 | 0.9608 | 0.9616 | 0.9625 | 0.9633 |
| 1.8 | 0.9641 | 0.9649 | 0.9656 | 0.9664 | 0.9671 | 0.9678 | 0.9686 | 0.9693 | 0.9699 | 0.9706 |
| 1.9 | 0.9713 | 0.9719 | 0.9726 | 0.9732 | 0.9738 | 0.9744 | 0.9750 | 0.9756 | 0.9761 | 0.9767 |
| 2.0 | 0.9772 | 0.9778 | 0.9783 | 0.9788 | 0.9793 | 0.9798 | 0.9803 | 0.9808 | 0.9812 | 0.9817 |
| 2.1 | 0.9821 | 0.9826 | 0.9830 | 0.9834 | 0.9838 | 0.9842 | 0.9846 | 0.9850 | 0.9854 | 0.9857 |
| 2.2 | 0.9861 | 0.9864 | 0.9868 | 0.9871 | 0.9875 | 0.9878 | 0.9881 | 0.9884 | 0.9887 | 0.9890 |
| 2.3 | 0.9893 | 0.9896 | 0.9898 | 0.9901 | 0.9904 | 0.9906 | 0.9909 | 0.9911 | 0.9913 | 0.9916 |
| 2.4 | 0.9918 | 0.9920 | 0.9922 | 0.9925 | 0.9927 | 0.9929 | 0.9931 | 0.9932 | 0.9934 | 0.9936 |
| 2.5 | 0.9938 | 0.9940 | 0.9941 | 0.9943 | 0.9945 | 0.9946 | 0.9948 | 0.9949 | 0.9951 | 0.9952 |
| 2.6 | 0.9953 | 0.9955 | 0.9956 | 0.9957 | 0.9959 | 0.9960 | 0.9961 | 0.9962 | 0.9963 | 0.9964 |
| 2.7 | 0.9965 | 0.9966 | 0.9967 | 0.9968 | 0.9969 | 0.9970 | 0.9971 | 0.9972 | 0.9973 | 0.9974 |
| 2.8 | 0.9974 | 0.9975 | 0.9976 | 0.9977 | 0.9977 | 0.9978 | 0.9979 | 0.9979 | 0.9980 | 0.9981 |
| 2.9 | 0.9981 | 0.9982 | 0.9982 | 0.9983 | 0.9984 | 0.9984 | 0.9985 | 0.9985 | 0.9986 | 0.9986 |
| 3.0 | 0.9987 | 0.9987 | 0.9987 | 0.9988 | 0.9988 | 0.9989 | 0.9989 | 0.9989 | 0.9990 | 0.9990 |
| $z$ | **0.00** | **0.01** | **0.02** | **0.03** | **0.04** | **0.05** | **0.06** | **0.07** | **0.08** | **0.09** |

Print Done

## TABLE E

*F* critical values

| Degrees of freedom in the denominator | *p* | Degrees of freedom in the numerator: 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | .100 | 39.86 | 49.50 | 53.59 | 55.83 | 57.24 | 58.20 | 58.91 | 59.44 | 59.86 |
| | .050 | 161.45 | 199.50 | 215.71 | 224.58 | 230.16 | 233.99 | 236.77 | 238.88 | 240.54 |
| | .025 | 647.79 | 799.50 | 864.16 | 899.58 | 921.85 | 937.11 | 948.22 | 956.66 | 963.28 |
| | .010 | 4052.2 | 4999.5 | 5403.4 | 5624.6 | 5763.6 | 5859.0 | 5928.4 | 5981.1 | 6022.5 |
| | .001 | 405284 | 500000 | 540379 | 562500 | 576405 | 585937 | 592873 | 598144 | 602284 |
| 2 | .100 | 8.53 | 9.00 | 9.16 | 9.24 | 9.29 | 9.33 | 9.35 | 9.37 | 9.38 |
| | .050 | 18.51 | 19.00 | 19.16 | 19.25 | 19.30 | 19.33 | 19.35 | 19.37 | 19.38 |
| | .025 | 38.51 | 39.00 | 39.17 | 39.25 | 39.30 | 39.33 | 39.36 | 39.37 | 39.39 |
| | .010 | 98.50 | 99.00 | 99.17 | 99.25 | 99.30 | 99.33 | 99.36 | 99.37 | 99.39 |
| | .001 | 998.50 | 999.00 | 999.17 | 999.25 | 999.30 | 999.33 | 999.36 | 999.37 | 999.39 |
| 3 | .100 | 5.54 | 5.46 | 5.39 | 5.34 | 5.31 | 5.28 | 5.27 | 5.25 | 5.24 |
| | .050 | 10.13 | 9.55 | 9.28 | 9.12 | 9.01 | 8.94 | 8.89 | 8.85 | 8.81 |
| | .025 | 17.44 | 16.04 | 15.44 | 15.10 | 14.88 | 14.73 | 14.62 | 14.54 | 14.47 |
| | .010 | 34.12 | 30.82 | 29.46 | 28.71 | 28.24 | 27.91 | 27.67 | 27.49 | 27.35 |
| | .001 | 167.03 | 148.50 | 141.11 | 137.10 | 134.58 | 132.85 | 131.58 | 130.62 | 129.86 |
| 4 | .100 | 4.54 | 4.32 | 4.19 | 4.11 | 4.05 | 4.01 | 3.98 | 3.95 | 3.94 |
| | .050 | 7.71 | 6.94 | 6.59 | 6.39 | 6.26 | 6.16 | 6.09 | 6.04 | 6.00 |
| | .025 | 12.22 | 10.65 | 9.98 | 9.60 | 9.36 | 9.20 | 9.07 | 8.98 | 8.90 |
| | .010 | 21.20 | 18.00 | 16.69 | 15.98 | 15.52 | 15.21 | 14.98 | 14.80 | 14.66 |
| | .001 | 74.14 | 61.25 | 56.18 | 53.44 | 51.71 | 50.53 | 49.66 | 49.00 | 48.47 |
| 5 | .100 | 4.06 | 3.78 | 3.62 | 3.52 | 3.45 | 3.40 | 3.37 | 3.34 | 3.32 |
| | .050 | 6.61 | 5.79 | 5.41 | 5.19 | 5.05 | 4.95 | 4.88 | 4.82 | 4.77 |
| | .025 | 10.01 | 8.43 | 7.76 | 7.39 | 7.15 | 6.98 | 6.85 | 6.76 | 6.68 |
| | .010 | 16.26 | 13.27 | 12.06 | 11.39 | 10.97 | 10.67 | 10.46 | 10.29 | 10.16 |
| | .001 | 47.18 | 37.12 | 33.20 | 31.09 | 29.75 | 28.83 | 28.16 | 27.65 | 27.24 |
| 6 | .100 | 3.78 | 3.46 | 3.29 | 3.18 | 3.11 | 3.05 | 3.01 | 2.98 | 2.96 |
| | .050 | 5.99 | 5.14 | 4.76 | 4.53 | 4.39 | 4.28 | 4.21 | 4.15 | 4.10 |
| | .025 | 8.81 | 7.26 | 6.60 | 6.23 | 5.99 | 5.82 | 5.70 | 5.60 | 5.52 |
| | .010 | 13.75 | 10.92 | 9.78 | 9.15 | 8.75 | 8.47 | 8.26 | 8.10 | 7.98 |
| | .001 | 35.51 | 27.00 | 23.70 | 21.92 | 20.80 | 20.03 | 19.46 | 19.03 | 18.69 |
| 7 | .100 | 3.59 | 3.26 | 3.07 | 2.96 | 2.88 | 2.83 | 2.78 | 2.75 | 2.72 |
| | .050 | 5.59 | 4.74 | 4.35 | 4.12 | 3.97 | 3.87 | 3.79 | 3.73 | 3.68 |
| | .025 | 8.07 | 6.54 | 5.89 | 5.52 | 5.29 | 5.12 | 4.99 | 4.90 | 4.82 |
| | .010 | 12.25 | 9.55 | 8.45 | 7.85 | 7.46 | 7.19 | 6.99 | 6.84 | 6.72 |
| | .001 | 29.25 | 21.69 | 18.77 | 17.20 | 16.21 | 15.52 | 15.02 | 14.63 | 14.33 |