

Act. #85
Practice with Expected Value

Key

1. You draw one card from a standard deck of playing cards. If you pick a heart, you will win \$10. If you pick a face card, which is not a heart, you win \$8. If you pick any other card, you lose \$6. If you play the game 5 times, what is the expected value? $\begin{matrix} .42 \\ \times 5 \\ \hline 2.10 \end{matrix}$
2. The world famous gambler from Philadelphia, Señor Rick, proposes the following game of chance. You roll a fair die. If you roll a 1, then Señor Rick pays you \$25. If you roll a 2, Señor Rick pays you \$5. If you roll a 3, you win nothing. If you roll a 4 or a 5, you must pay Señor Rick \$10, and if you roll a 6, you must pay Señor Rick \$15. Is Señor Rick loco for proposing such a game? Explain. $-.83$
YES - loco - will lose money.
3. You pay \$10 to play the following game of chance. There is a bag containing 12 balls, five are red, three are green and the rest are yellow. You are to draw one ball from the bag. You will win \$14 if you draw a red ball and you will win \$12 if you draw a yellow ball. How much do you expect to win or lose if you play this game 100 times? $-.17 \times 100 = -\$17.00$
4. A detective figures that he has a one in nine chance of recovering stolen property. His out-of-pocket expenses for the investigation are \$9,000. If he is paid his fee only if he recovers the stolen property, what should he charge clients in order to breakeven? $\$81,000$
5. At Tucson Raceway Park, your horse, Soon-to-be-Glue, has a probability of $1/20$ of coming in first place, a probability of $1/10$ of coming in second place, and a probability of $1/4$ of coming in third place. First place pays \$4,500 to the winner, second place \$3,500 and third place \$1,500. Is it worthwhile to enter the race if it costs \$1,000? $-\$50.00$
6. Your company plans to invest in a particular project. There is a 35% chance that you will lose \$30,000, a 40% chance that you will break even, and a 25% chance that you will make \$55,000. Based solely on this information, what should you do? $\$3250$ EXPECTED TO GAIN
7. A manufacturer is considering the manufacture of a new and better mousetrap. She estimates the probability that the new mousetrap is successful is $\frac{3}{4}$. If it is successful it would generate profits of \$120,000. The development costs for the mousetrap are \$98,000. Should the manufacturer proceed with plans for the new mousetrap? Why or why not? $-\$8,000$
Expected to go in the hole
8. A grab bag contains 12 packages worth 80 cents apiece, 15 packages worth 40 cents apiece and 25 packages worth 30 cents apiece. Is it worthwhile to pay 50 cents for the privilege of picking one of the packages at random? $-.06$ lose
9. In a board game, players take turns spinning a wheel with 4 spaces and values of \$100, \$300, \$400, \$800. The probability of landing on \$100 is $4/9$. The probability of landing on \$300 is $2/9$. The probability of landing on \$400 is $2/9$. The probability of landing on \$800 is $1/9$. What is the expected value of spinning the wheel once? $\$288.89$ gain
10. At a fundraiser, 8000 tickets are sold at \$10 each for four prizes: a new car worth \$30,000, a European vacation worth \$9000, a home theater system worth \$4000, and a cash prize of \$1000. You buy 8 tickets. What is the expected value of your gain? $-4.50 \times 8 = -\$36.00$ lose