#### **UNIVERSITY OF ESWATINI**

#### **FACULTY OF SOCIAL SCIENCES**

#### **DEPARTMENT OF ECONOMICS**

#### **MAIN EXAMINATION**

#### **JUNE 2019**

TITLE OF PAPER:

**MATHEMATICS FOR ECONOMISTS II** 

COURSE CODE:

ECO206 / IDE - ECO206

TIME ALLOWED:

2 HOURS

INSTRUCTIONS:

ANSWER ANY FOUR QUESTIONS [25 MARKS EACH]

#### REQUIREMENTS

- SCIENTIFIC CALCULATOR
- STATISTICAL TABLES

#### Question 1

- (a) Global Insurance has found that 20% (one in five) of all insurance policies are surrendered (cashed in) before their maturity date. Assume that 10 policies are randomly selected from the company's policy database.
  - i. What is the probability that four of these 10 insurance policies will have been surrendered before their maturity date?[3]
  - ii. What is the probability that *no more than* three of these 10 insurance policies will have been surrendered before their maturity date? [3]
  - iii. What is the probability that at *least* two out of the 10 randomly selected policies will be surrendered before their maturity date? [4]
  - (b) Discuss any two non-probability sampling techniques and any three probability sampling techniques. [15]

#### Question 2

(a) A survey of a random sample of 300 grocery shoppers in Kimberley found that the mean value of their grocery purchases was R78. Assume that the population standard deviation of grocery purchase values is R21.

Find the 95% confidence limits for the average value of a grocery purchase by all grocery shoppers in Kimberley. [5]

(b) The Grocery Retailers Association of South Africa (GRASA) believes that the average amount spent on groceries by Cape Town shoppers on each visit to a supermarket is R175. To test this belief, the association commissioned Market Research e-Afrika to conduct a survey among a random sample of 360 grocery shoppers at supermarkets in Cape Town.

Based on the survey, the average value of grocery purchases was R182.40. Assume that the population of grocery purchase values is normally distributed with a standard deviation,  $\sigma$ , of R67.50.

Can GRASA conclude that grocery shoppers spend R175, on average, on each visit to a supermarket? Conduct a test at the 5% level of significance. [20]

#### Question 3

PQ Printers is evaluating the delivery time of two courier delivery services in Johannesburg. Their initial belief is that there is no difference between the average delivery times of the two courier services.

To examine this view, PQ Printers used both courier services daily on a random basis over a period of three months for deliveries to similar destinations. A dispatch clerk in the marketing department recorded *delivery times*. Courier A was used 60 times over this period and the sample mean delivery time was 42 minutes. Courier B was used 48 times over the same period and their sample mean delivery time was 38 minutes. Assume that the population standard deviation of delivery times for courier A is 14 minutes, and for courier B assume it is 10 minutes. Also assume that delivery times are normally distributed.

- (a) PQ Printers wishes to sign a one-year contract with one of the courier companies after this trial period. Test the hypothesis, at the 5% level of significance, that there is *no difference* between the mean delivery times of the two couriers. [15]
- (b) PQ Printers would like to know whether courier A is *slower*, on average, than courier B in its delivery times to clients. Test statistically, at the 5% level of significance, whether courier A's mean delivery time is *longer than* (i.e. greater than) courier B's mean delivery time. [10]

#### Question 4

After a recent AIDS awareness campaign, the Department of National Health commissioned a market research company to conduct a survey on its effectiveness. Their brief was to establish whether the *recall rate of teenagers* differed from that of *young adults* (20-30 years of age).

The market research company interviewed a random sample of 640 teenagers and 420 young adults. It was found that 362 teenagers and 260 young adults were able to recall the AIDS awareness slogan of 'AIDS: don't let it happen'.

Test, at the 5% level of significance, the hypothesis that there is an *equal recall rate* between teenagers and young adults (i.e. that the campaign was equally effective for both groups).

[25]

#### Question 5

(a) A ladies' fashion retail company wants to know whether the proportion of their customers who have store loyalty cards is the same across three major retail outlets: Canal Walk, Sandton Mall and Somerset Mall. A random sample of 180 customers across the three stores was selected and the number who had loyalty cards was recorded.

Table 10.6 Cross-tabulation of loyalty card membership by retail store

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ÝΚ	36	44 40	26 18	106
Total	1. 52	84	44	180

Can the management conclude that the *proportion* of loyalty card customers per store is the *same* across the three retail outlets? Test this assertion statistically at the 10% significance level.

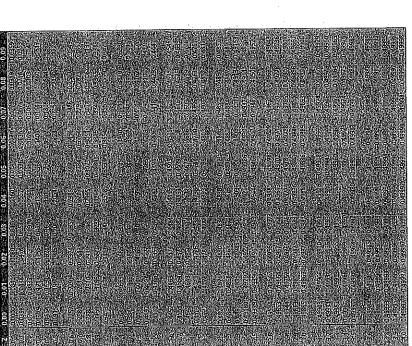
[20]

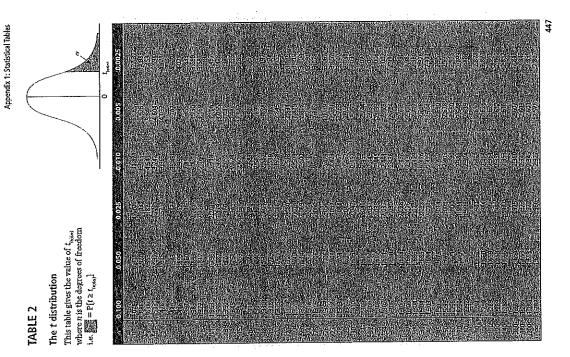
(b) Define a type on and type two error, which error is more fatal?

[5]

# APPENDIX 1: LIST OF STATISTICAL TABLES



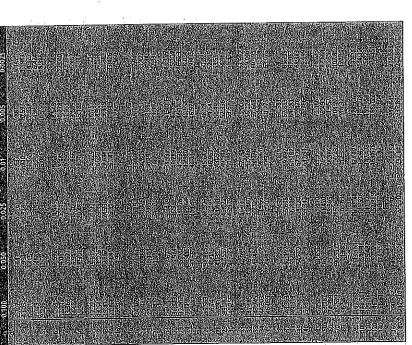




### TABLE 3

The Chi-Squared distribution ( $\chi^2$ ) This table gives the value of  $\chi^2_{i,ij(n)}$ where d/is the degrees of freedom i.e.  $\overline{g}_{ij} = P(\Sigma^2 > \chi^2_{i,ij(n)})$ 

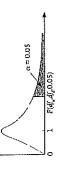


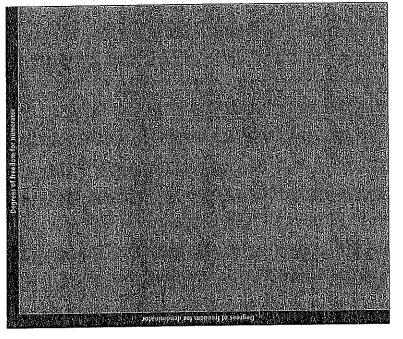


## TABLE 4 (a)

F distribution ( $\alpha = 0.05$ )

The entries in this table are critical values of F for which the area under the curve to the right is equal to 0.05.





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TABLE 4 (a) continued F distribution ( $\alpha$  = 0.05)

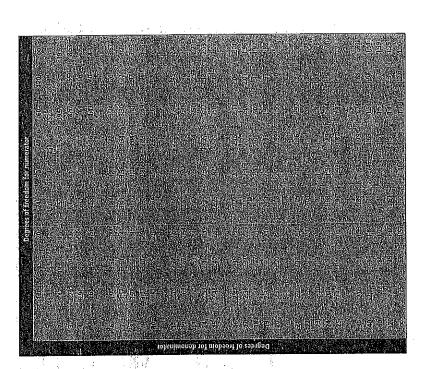


TABLE 4 (b)

F distribution ( $\alpha=0.01$ ) The entries in the table are cri

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Appendix 1: Statistical Tables

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