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Question: Analyze each problem and show your solutions in an orderly ...



Analyze each problem and show your solutions in an orderly manner.

- Mutual funds for ABC Company have Php500,000 available for one of the three investment alternatives in the stock market: a black-chip stock offering, a growth-stock offering, and a venture-stock offering. The environment of the investment can assume any of the three future events, and ABC has no information about the response of the market. The payoff table of ABC Company is presented below:

The trend in the stock market	Stock type		
	Black chip	Growth	Venture
Affluent	Php250,000	Php375,000	Php500,000
Moderate growth	75,000	150,000	100,000
Moderate decline	0	-50,000	-150,000
Breakdown	-300,000	-400,000	-500,000

Advise the company on the best alternative to adopt using the minimax regret criterion.

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Expert Answer

Anonymous answered this
4,005 answers

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	A	B	C	D	E	F	G
1							
2	Stock Type	Affluent	Moderate growth	Moderate decline	Breakdown	Maximum	
3	Black chip	250000	75000	0	-300000	250000	
4	Growth	375000	150000	-50000	-400000	375000	
5	Venture	500000	100000	-150000	-500000	500000	
6					Minimax:	250000	
7							

	A	B	C	D	E	F	G
1							
2	Stock Type	Affluent	Moderate growth	Moderate decline	Breakdown	Maximum	
3	Black chip	250000	75000	0	-300000	=MAX(B3:E3)	
4	Growth	375000	150000	-50000	-400000	=MAX(B4:E4)	
5	Venture	500000	100000	-150000	-500000	=MAX(B5:E5)	
6					Minimax:	=MIN(F3:F5)	
7							

The minimax regret criteria selects the maximum payoff from each events and computes the minimum value out of these maximum payoffs. As per the excel image shown above, the minimum payoff or the minimax regret payoff is 250000. Hence, the company must invest in Blackchip stock type.

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Q: A certain village, in anticipation of possible losses due to flu-related sickness among its residents, is faced with three possible options: (1) stock 2000 units of type A flu vaccine only, (2) stock 2000 units of type B flu only, or (3) stock

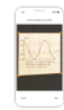
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A: [See answer](#)

Q: Mutual Funds of the Northeast has to make a decision to invest in one of four alternatives in the stock market: a blue chip stock offering, a growth stock offering, a new ventures stock offering, and treasury bills. The investment environment can assume any one of four states, and Mutual has no prior information about what the market will do. Mutual's payoff table looks like this...

A: [See answer](#)

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