

Total Cost and Total Revenue in Dollars

35
30
25
20
15
10
5

INTRODUCTION TO QUANTITATIVE METHODS IN BUSINESS

WITH APPLICATIONS USING
MICROSOFT® OFFICE EXCEL®

BHARAT KOLLURI
MICHAEL J. PANIK
RAO N. SINGAMSETTI

WILEY

**Solutions Manual to
Accompany Introduction
to Quantitative Methods
in Business**

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Published by John Wiley & Sons, Inc., Hoboken, New Jersey

Published simultaneously in Canada

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Library of Congress Cataloging-in-Publication Data

Names: Kolluri, Bharat, author. | Panik, Michael J., author. | Singamsetti, Rao, author.

Title: Introduction to quantitative methods in business : with applications using Microsoft Office Excel / Bharat Kolluri, Michael J. Panik, Rao Singamsetti.

Description: Hoboken, New Jersey : John Wiley & Sons, Inc., [2017] | Includes index.

Identifiers: LCCN 2016017312 | ISBN 9781119220978 (cloth) |

ISBN 9781119221029 (solutions manual) | ISBN 9781119220992 (epub)

Subjects: LCSH: Business mathematics. | Management—Mathematical models. | Microsoft Excel (Computer file)

Classification: LCC HF5691 .K71235 2017 | DDC 650.0285/54—dc23 LC record available at <https://lcn.loc.gov/2016017312>

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

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Note to the reader: In this Manual the solutions to the odd-numbered exercises for each chapter are preceded by a summary of the requisite material presented in the main text. Hence the numbering of the sections offered herein mirrors those used to designate the various portions of the textbook.

Chapter 1

The Mathematical Toolbox: A Summary

1.2 LINEAR FUNCTIONS

An expression such as $Y = b_0 + b_1X$ represents a *linear equation (function)*, where b_0 is the Y-intercept (it gives the value of Y when $X=0$) and $b_1 = \Delta Y / \Delta X$ is the *slope* (often referred to as *rise/run*). Here Y is the *dependent variable* and X is the *independent variable*. Note that both b_0 and b_1 are constants.

1.3.1 Solving Two Simultaneous Linear Equations

At times you will need to obtain a solution to a set of simultaneous linear equations, that is, to a set of equations of the general form:

$$aX + bY = e, \quad (1.1)$$

$$cX + dY = f. \quad (1.2)$$

A system such as this is said to be *consistent* if it has at least one solution. Moreover, if $ad - cb \neq 0$, then this equation system is consistent. For instance, the equation system

$$X - Y = 6 \quad (1.3)$$

$$3X - 2Y = 4 \quad (1.4)$$

is consistent since $(1)(-2) - (3)(-1) = 1 \neq 0$. In fact, to obtain the (unique) solution, we can multiply Equation (1.3) by -3 so as to obtain $-3X + 3Y = -18$, and then add this multiple to Equation (1.4) to get $Y = -14$. If we then substitute $Y = -14$ into Equation (1.3), we obtain $X = -8$. How do we know that we have generated the correct solution to this equation system?

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Answer: Substitute $X = -8$ and $Y = -14$ back into, say, Equation (1.4) and show that equality holds.

It is easily demonstrated that the equation system

$$4X_1 + 2X_2 = 3,$$

$$16X_1 + 8X_2 = 12,$$

is *inconsistent* or *dependent* in that it has no solution. Here $(4)(8) - (16)(2) = 0$. Clearly, these two equations represent parallel lines—they do not intersect.

1.4 SUMMATION NOTATION

The operation of addition of a set of n values is readily carried out by using the “sigma” notation. In this regard, the left-hand side of the expression

$$\sum_{i=1}^n X_i = X_1 + X_2 + \cdots + X_n$$

reads: “the sum of all values X_i as i goes from 1 to n .” The right-hand side shows that the operation of addition has been executed. Some useful summation rules are as follows:

Rule 1: $\sum_{i=1}^n (X_i \pm Y_i) = \sum_{i=1}^n X_i \pm \sum_{i=1}^n Y_i$.

Rule 2: $\sum_{i=1}^n cX_i = c \sum_{i=1}^n X_i$, where c is a constant.

Rule 3: $\sum_{i=1}^n c = nc$, where c is a constant.

Note also that

$$\sum_{i=1}^n X_i^2 \neq \left(\sum_{i=1}^n X_i \right)^2,$$

$$\sum_{i=1}^n X_i Y_i \neq \left(\sum_{i=1}^n X_i \right) \left(\sum_{i=1}^n Y_i \right),$$

if $\bar{X} = \sum_{i=1}^n X_i / n$ is the sample mean, then

$$\sum_{i=1}^n (X_i - \bar{X}) = 0.$$

The *Pearson sample correlation coefficient* can be written as either

$$r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2 \sum_{i=1}^n (Y_i - \bar{Y})^2}} \quad (\text{long formula}),$$

where $\bar{X} = \sum_{i=1}^n X_i / n$ and $\bar{Y} = \sum_{i=1}^n Y_i / n$ are the sample means of X and Y , respectively; or as

$$r = \frac{\sum X_i Y_i - \frac{\sum X_i \sum Y_i}{n}}{\left[\left(\sum X_i^2 - \left[(\sum X_i)^2 / n \right] \right) \left(\sum Y_i^2 - \left[(\sum Y_i)^2 / n \right] \right) \right]^{1/2}} \quad (\text{short formula}).$$