

<b>Math/Mgmt 3502 (Ng/Fall 2007)</b> <b>Assignment 2</b> <b>Due Thursday November 15, 2007.</b>
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1. Handout from *Anderson, Sweeney, Williams - Decision Analysis section*, Numbers 2 (15pts.), 6 (10pts.), 7 (10pts.), 10 (20pts), 20 (20pts), 25 (30pts).
2. (10pts). The daily demand for loaves of bread at Food-R-U's grocery store can assume one of the following values: 100, 120, or 130 loaves with probabilities .2, .3, .5, respectively. The owner of Food-R-U's is thus limiting his alternatives to stocking one of the indicated levels. If he stocks more than he can sell in the same day, he must dispose of the remaining loaves at a discount price of 55 cents per loaf. Assuming that he pays 60 cents per loaf and sells it for \$1.05, find the optimum stock level, optimum level meaning the one which will yield the maximum expected profit.