

EXTRA PROBLEM 5: DOMINANCE AND RISK PROFILES

A. Can we make a decision in the decision problem depicted in Figure 1 using **ONLY** deterministic dominance considerations? Explain why or why not?

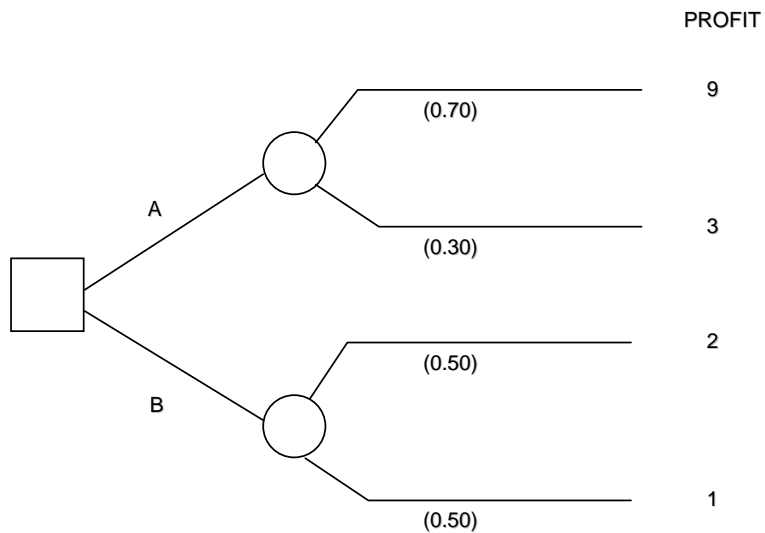


FIGURE 1

B. How many cumulative risk profiles can be drawn for the tree in Figure 2 and give an explanation (DO NOT DRAW THE CUMULATIVE RISK PROFILES).

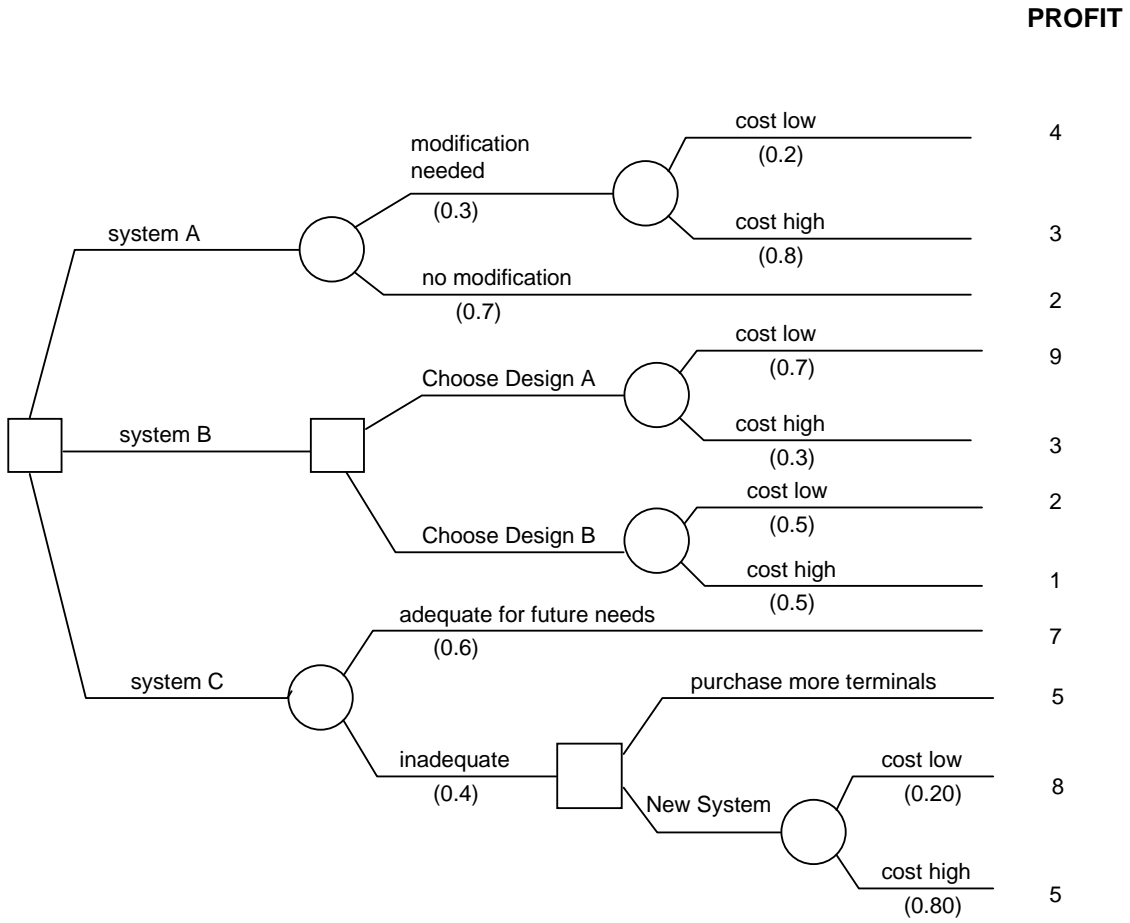
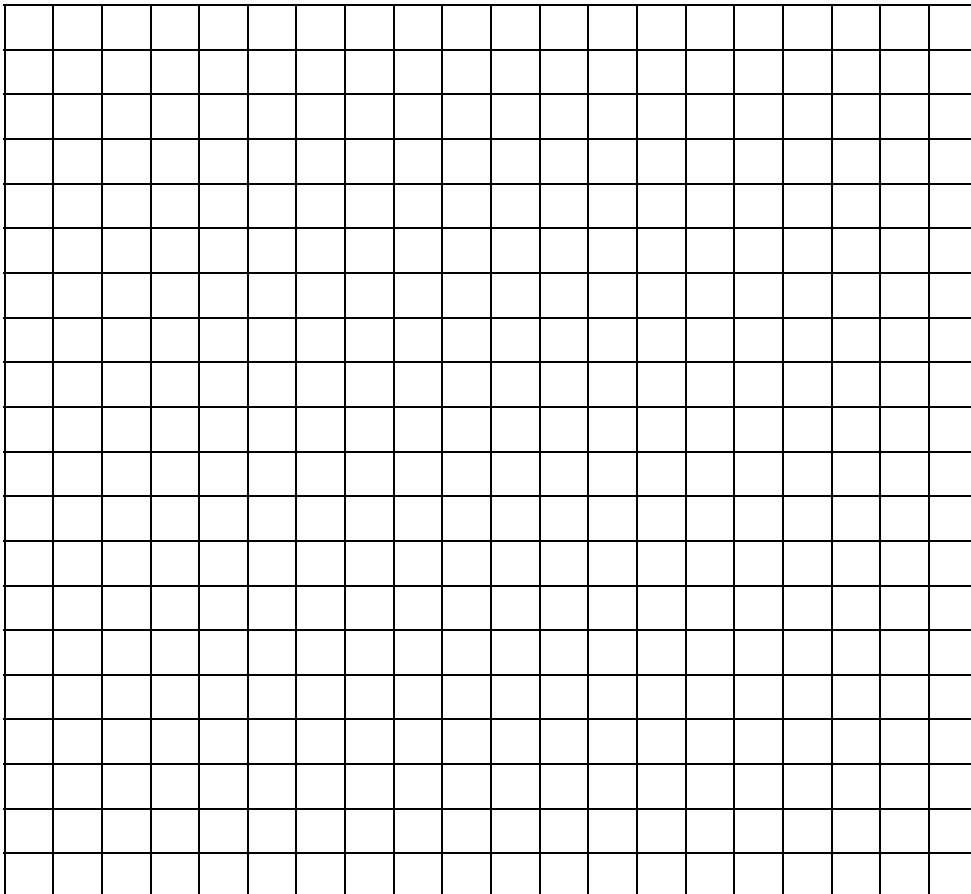


Figure 2

C. Using **ONLY** deterministic dominance considerations, simplify the tree in Figure 2 and draw the simplified tree. How many cumulative risk profiles can you draw for the simplified tree? (DO NOT DRAW THE CUMULATIVE RISK PROFILES).

D. Draw the cumulative risk profiles for the simplified tree under C. **Clearly show your calculations.**



E. Compare the cumulative risk profiles under D and draw dominance conclusions.