

Spring 2012 Final
All A

5] $T_c = .25$, $T_e = .15$, $T_i = .3$

$E(T_c)$: $0-100k$ $E(T_c) = 1(.25) = .25$

$100k-250k$ $E(T_c) = .75(.25) = .1875$

$250k-450k$ $E(T_c) = .3(.25) = .075$

$7450k$ $E(T_c) = 0$

$+25$ $T^* = 1 - \frac{(1-E(T_c))(1-T_e)}{1-T_i}$

$100-250$
~~250-100~~ $T^* = 1 - \frac{(1-.1875)(1-.15)}{1-.3} = 1 - .98661 = +.0134$

$250-450$
~~450-250~~ $T^* = 1 - \frac{(1-.075)(1-.15)}{1-.3} = 1 - 1.1232 = -.1232$

\Rightarrow optimal = ~~450~~ $250k + 2$
of interest