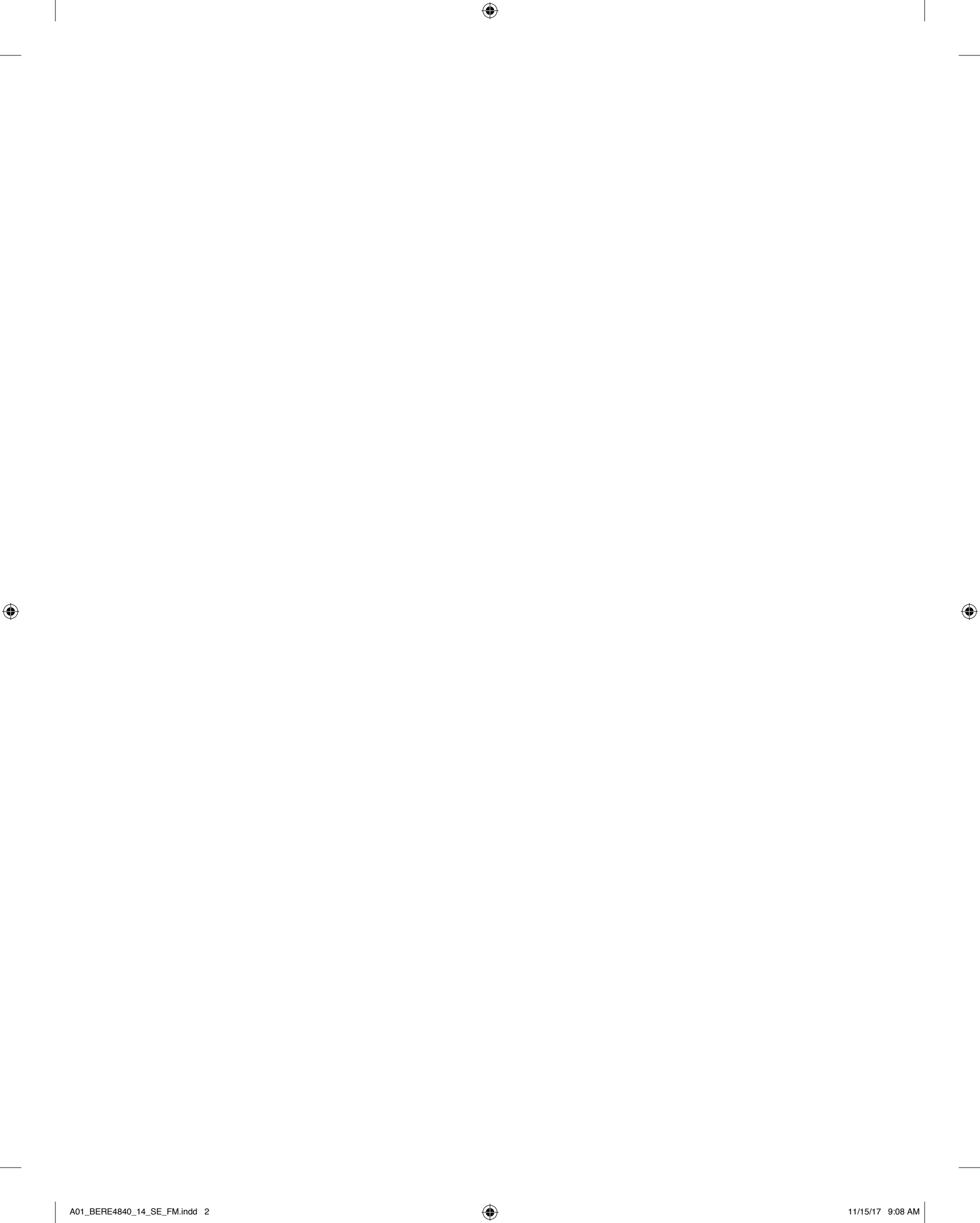


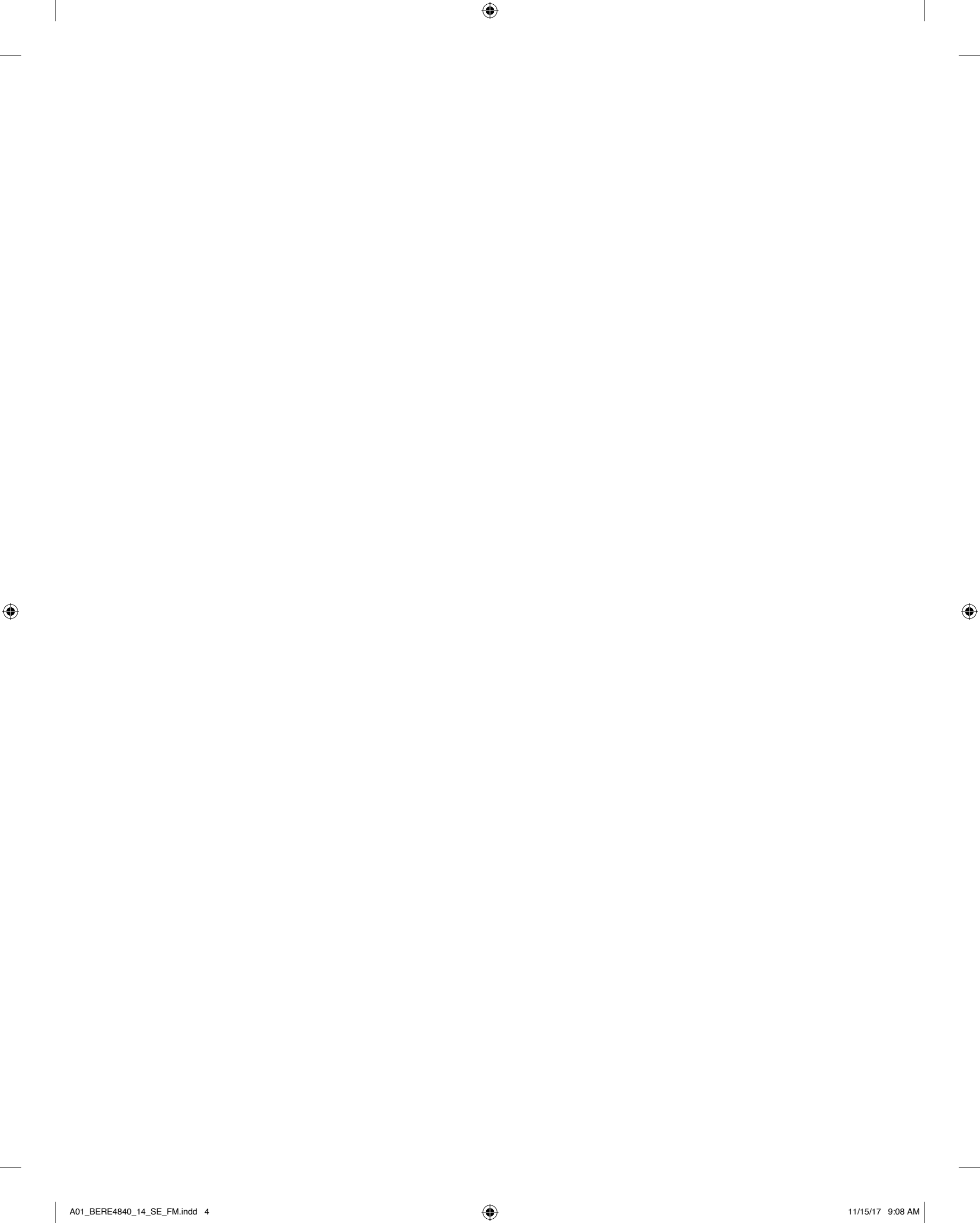
A ROADMAP FOR SELECTING A STATISTICAL METHOD

Data Analysis Task	For Numerical Variables	For Categorical Variables
Describing a group or several groups	<p>Ordered array, stem-and-leaf display, frequency distribution, relative frequency distribution, percentage distribution, cumulative percentage distribution, histogram, polygon, cumulative percentage polygon (Sections 2.2, 2.4)</p> <p>Mean, median, mode, geometric mean, quartiles, range, interquartile range, standard deviation, variance, coefficient of variation, skewness, kurtosis, boxplot, normal probability plot (Sections 3.1, 3.2, 3.3, 6.3)</p> <p>Index numbers (online Section 16.8)</p> <p>Dashboards (Section 17.2)</p>	<p>Summary table, bar chart, pie chart, doughnut chart, Pareto chart (Sections 2.1 and 2.3)</p>
Inference about one group	<p>Confidence interval estimate of the mean (Sections 8.1 and 8.2)</p> <p>t test for the mean (Section 9.2)</p> <p>Chi-square test for a variance or standard deviation (online Section 12.7)</p>	<p>Confidence interval estimate of the proportion (Section 8.3)</p> <p>Z test for the proportion (Section 9.4)</p>
Comparing two groups	<p>Tests for the difference in the means of two independent populations (Section 10.1)</p> <p>Wilcoxon rank sum test (Section 12.4)</p> <p>Paired t test (Section 10.2)</p> <p>F test for the difference between two variances (Section 10.4)</p> <p>Wilcoxon signed ranks test (online Section 12.8)</p>	<p>Z test for the difference between two proportions (Section 10.3)</p> <p>Chi-square test for the difference between two proportions (Section 12.1)</p> <p>McNemar test for two related samples (online Section 12.6)</p>
Comparing more than two groups	<p>One-way analysis of variance for comparing several means (Section 11.1)</p> <p>Kruskal-Wallis test (Section 12.5)</p> <p>Randomized block design (online Section 11.3)</p> <p>Two-way analysis of variance (Section 11.2)</p> <p>Friedman rank test (online Section 12.9)</p>	<p>Chi-square test for differences among more than two proportions (Section 12.2)</p>
Analyzing the relationship between two variables	<p>Scatter plot, time series plot (Section 2.5)</p> <p>Covariance, coefficient of correlation (Section 3.5)</p> <p>Simple linear regression (Chapter 13)</p> <p>t test of correlation (Section 13.7)</p> <p>Time-series forecasting (Chapter 16)</p> <p>Sparklines (Section 2.7)</p>	<p>Contingency table, side-by-side bar chart, PivotTables (Sections 2.1, 2.3, 2.6)</p> <p>Chi-square test of independence (Section 12.3)</p>
Analyzing the relationship between two or more variables	<p>Colored scatter plots, bubble chart, treemap (Section 2.7)</p> <p>Multiple regression (Chapters 14 and 15)</p> <p>Dynamic bubble charts (Section 17.2)</p> <p>Regression trees (Section 17.3)</p> <p>Cluster analysis (Section 17.5)</p> <p>Multidimensional scaling (Section 17.6)</p>	<p>Multidimensional contingency tables (Section 2.6)</p> <p>Drilldown and slicers (Section 2.7)</p> <p>Logistic regression (Section 14.7)</p> <p>Classification trees (Section 17.4)</p> <p>Multiple correspondence analysis (Section 17.6)</p>



Basic Business Statistics

Concepts and Applications



Basic Business Statistics Concepts and Applications

FOURTEENTH EDITION

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Text Design: Cenveo Publisher Services
Senior Designer and Cover Design: Barbara T. Atkinson
Cover Image: ArtisticPhoto/Shutterstock

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Library of Congress CIP data

Names: Berenson, Mark L., author. | Levine, David M., 1946– author. | Szabat, | Kathryn A., author.

Title: Basic business statistics : concepts and applications / Mark L.

Berenson, Department of Information Management and Business Analytics,
School of Business, Montclair State University, David M. Levine,
Department of Information Systems and Business Analytics, Zicklin School
of Business, Baruch College, City University of New York, Kathryn A.
Szabat, Department of Business Systems and Analytics, School of Business,
La Salle University, David F. Stephan, Two Bridges Instructional
Technology, NY.

Description: Fourteenth Edition. | New York : Pearson Education, [2017]

Revised edition of the authors' Basic business statistics, [2014]

Identifiers: LCCN 2017050511 | ISBN 9780134684840

Subjects: LCSH: Commercial statistics. | Statistics.

Classification: LCC HF1017 .B38 2017 | DDC 519.5—dc23

LC record available at <https://lcn.loc.gov/2017050511>



Instructor's Review Copy:

ISBN 13: 978-0-13-468506-9

ISBN 10: 0-13-468506-7

ISBN 13: 978-0-13-468484-0

ISBN 10: 0-13-468484-2

*To our spouses and children,
Rhoda, Marilyn, Mary, Kathy, Lori, Sharyn, and Mark*

*and to our parents, in loving memory,
Nat, Ethel, Lee, Reuben, Mary, William, Ruth and Francis J.*

About the Authors



Kathryn Szabat, David Levine, Mark Berenson,
and David Stephan

Mark L. Berenson, David M. Levine, Kathryn A. Szabat, and David F. Stephan are all experienced business school educators committed to innovation and improving instruction in business statistics and related subjects.

Mark L. Berenson is Professor of Information Management and Business Analytics at Montclair State University and also Professor Emeritus of Information Systems and Statistics at Baruch College. He currently teaches graduate and undergraduate courses in statistics and in operations management in the School of Business and an undergraduate course in international justice and human rights that he co-developed in the College of Humanities and Social Sciences.

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Over the years, Berenson has received several awards for teaching and for innovative contributions to statistics education. In 2005, he was the first recipient of the Catherine A. Becker Service for Educational Excellence Award at Montclair State University and, in 2012, he was the recipient of the Khubani/Telebrands Faculty Research Fellowship in the School of Business.

David Levine, Professor Emeritus of Statistics and CIS at Baruch College, CUNY, is a nationally recognized innovator in statistics education for more than three decades. Levine has coauthored 14 books, including several business statistics textbooks; textbooks and professional titles that explain and explore quality management and the Six Sigma approach; and, with David Stephan, a trade paperback that explains statistical concepts to a general audience. Levine has presented or chaired numerous sessions about business education at leading conferences conducted by the Decision Sciences Institute (DSI) and the American Statistical Association, and he and his coauthors have been active participants in the annual DSI Data, Analytics, and Statistics Instruction (DASI) mini-conference. During his many years teaching at Baruch College, Levine was recognized for his contributions to teaching and curriculum development with the College's highest distinguished teaching honor. He earned B.B.A. and M.B.A. degrees from CCNY, and a Ph.D. in industrial engineering and operations research from New York University.

As Associate Professor of Business Systems and Analytics at La Salle University, **Kathryn Szabat** has transformed several business school majors into one interdisciplinary major that better supports careers in new and emerging disciplines of data analysis including analytics. Szabat strives to inspire, stimulate, challenge, and motivate students through innovation and curricular enhancements, and shares her coauthors' commitment to teaching excellence and the continual improvement of statistics presentations. Beyond the classroom she has provided statistical advice to numerous business, nonbusiness, and academic communities, with particular interest in the areas of education, medicine, and nonprofit capacity building. Her research activities have led to journal publications, chapters in scholarly books, and conference presentations. Szabat is a member of the American Statistical Association (ASA), DSI, Institute for Operation Research and Management Sciences (INFORMS), and DSI DASI. She received a B.S. from SUNY-Albany, an M.S. in statistics from the Wharton School of the University of Pennsylvania, and a Ph.D. degree in statistics, with a cognate in operations research, from the Wharton School of the University of Pennsylvania.

Advances in computing have always shaped **David Stephan's** professional life. As an undergraduate, he helped professors use statistics software that was considered advanced even though it could compute *only* several things discussed in Chapter 3, thereby gaining an early appreciation for the benefits of using software to solve problems (and perhaps positively influencing his grades). An early advocate of using computers to support instruction, he developed a prototype of a main-frame-based system that anticipated features found today in Pearson's MathXL and served as special assistant for computing to the Dean and Provost at Baruch College. In his many years teaching at Baruch, Stephan implemented the first computer-based *classroom*, helped redevelop the CIS curriculum, and, as part of a FIPSE project team, designed and implemented a multimedia learning environment. He was also nominated for teaching honors. Stephan has presented at SEDSI and DSI DASI (formerly MSMESB) mini-conferences, sometimes with his coauthors. Stephan earned a B.A. from Franklin & Marshall College and an M.S. from Baruch College, CUNY, and completed the instructional technology graduate program at Teachers College, Columbia University.

For all four coauthors, continuous improvement is a natural outcome of their curiosity about the world. Their varied backgrounds and many years of teaching experience have come together to shape this book in ways discussed in the Preface.



Brief Contents

Preface xxiv

First Things First 1

- 1** Defining and Collecting Data 16
- 2** Organizing and Visualizing Variables 41
- 3** Numerical Descriptive Measures 120
- 4** Basic Probability 168
- 5** Discrete Probability Distributions 199
- 6** The Normal Distribution and Other Continuous Distributions 223
- 7** Sampling Distributions 252
- 8** Confidence Interval Estimation 275
- 9** Fundamentals of Hypothesis Testing: One-Sample Tests 311
- 10** Two-Sample Tests 351
- 11** Analysis of Variance 398
- 12** Chi-Square and Nonparametric Tests 440
- 13** Simple Linear Regression 484
- 14** Introduction to Multiple Regression 536
- 15** Multiple Regression Model Building 592
- 16** Time-Series Forecasting 629
- 17** Business Analytics 678
- 18** Getting Ready to Analyze Data in the Future 704
- 19** Statistical Applications in Quality Management (*online*) 19-1
- 20** Decision Making (*online*) 20-1

Appendices A-H 711

Self-Test Solutions and Answers to Selected Even-Numbered Problems 761

Index 792

Credits 805



Contents

Preface xiv

First Things First 1

USING STATISTICS: “The Price of Admission” 1

FTF.1 Think Differently About Statistics 2

Statistics: A Way of Thinking 2

Statistics: An Important Part of Your Business Education 3

FTF.2 Business Analytics: The Changing Face of Statistics 4

“Big Data” 4

FTF.3 Starting Point for Learning Statistics 5

Statistic 5

Can Statistics (*pl.*, statistic) Lie? 6

FTF.4 Starting Point for Using Software 6

Using Software Properly 8

REFERENCES 9

KEY TERMS 9

EXCEL GUIDE 10

EG.1 Getting Started with Excel 10

EG.2 Entering Data 10

EG.3 Open or Save a Workbook 10

EG.4 Working with a Workbook 11

EG.5 Print a Worksheet 11

EG.6 Reviewing Worksheets 11

EG.7 If You Use the *Workbook* Instructions 11

JMP GUIDE 12

JG.1 Getting Started with JMP 12

JG.2 Entering Data 13

JG.3 Create New Project or Data Table 13

JG.4 Open or Save Files 13

JG.5 Print Data Tables or Report Windows 13

JG.6 JMP Script Files 13

MINITAB GUIDE 14

MG.1 Getting Started with Minitab 14

MG.2 Entering Data 14

MG.3 Open or Save Files 14

MG.4 Insert or Copy Worksheets 15

MG.5 Print Worksheets 15

1 Defining and Collecting Data 16

USING STATISTICS: Defining Moments 16

1.1 Defining Variables 17

Classifying Variables by Type 17

Measurement Scales 18

1.2 Collecting Data 19

Populations and Samples 20

Data Sources 20

1.3 Types of Sampling Methods 21

Simple Random Sample 22

Systematic Sample 22

Stratified Sample 23

Cluster Sample 23

1.4 Data Cleaning 24

Invalid Variable Values 25

Coding Errors 25

Data Integration Errors 25

Missing Values 26

Algorithmic Cleaning of Extreme Numerical Values 26

1.5 Other Data Preprocessing Tasks 26

Data Formatting 26

Stacking and Unstacking Data 27

Recoding Variables 27

1.6 Types of Survey Errors 28

Coverage Error 28

Nonresponse Error 28

Sampling Error 28

Measurement Error 29

Ethical Issues About Surveys 29

CONSIDER THIS: New Media Surveys/Old Survey Errors 29

USING STATISTICS: Defining Moments, Revisited 31

SUMMARY 31

REFERENCES 31

KEY TERMS 31

CHECKING YOUR UNDERSTANDING 32

CHAPTER REVIEW PROBLEMS 32

CASES FOR CHAPTER 1 33

Managing Ashland MultiComm Services 33

CardioGood Fitness 33

Clear Mountain State Student Survey 34

Learning with the Digital Cases 34

CHAPTER 1 EXCEL GUIDE 35

EG1.1 Defining Variables 35

EG1.2 Collecting Data 35

EG1.3 Types of Sampling Methods 35

EG1.4 Data Cleaning 36

EG1.5 Other Data Preprocessing 36

CHAPTER 1 JMP GUIDE 37

JG1.1 Defining Variables 37

JG1.2 Collecting Data 37

JG1.3 Types of Sampling Methods 37

JG1.4 Data Cleaning 38

JG1.5 Other Preprocessing Tasks 39

CHAPTER 1 MINITAB GUIDE 39

- MG1.1 Defining Variables 39
- MG1.2 Collecting Data 39
- MG1.3 Types of Sampling Methods 39
- MG1.4 Data Cleaning 40
- MG1.5 Other Preprocessing Tasks 40

2 Organizing and Visualizing Variables 41

USING STATISTICS: “The Choice *Is* Yours” 41

- 2.1** Organizing Categorical Variables 42
 - The Summary Table 42
 - The Contingency Table 43
- 2.2** Organizing Numerical Variables 46
 - The Frequency Distribution 47
 - Classes and Excel Bins 49
 - The Relative Frequency Distribution and the Percentage Distribution 49
 - The Cumulative Distribution 51
- 2.3** Visualizing Categorical Variables 54
 - The Bar Chart 54
 - The Pie Chart and the Doughnut Chart 55
 - The Pareto Chart 56
 - Visualizing Two Categorical Variables 58
- 2.4** Visualizing Numerical Variables 61
 - The Stem-and-Leaf Display 61
 - The Histogram 61
 - The Percentage Polygon 63
 - The Cumulative Percentage Polygon (Ogive) 64
- 2.5** Visualizing Two Numerical Variables 67
 - The Scatter Plot 67
 - The Time-Series Plot 68
- 2.6** Organizing a Mix of Variables 70
 - Drill-down 71
- 2.7** Visualizing a Mix of Variables 72
 - Colored Scatter Plot 72
 - Bubble Charts 73
 - PivotChart (Excel) 73
 - Treemap (Excel, JMP) 73
 - Sparklines (Excel) 74
- 2.8** Filtering and Querying Data 75
 - Excel Slicers 75
- 2.9** Pitfalls in Organizing and Visualizing Variables 77
 - Obscuring Data 77
 - Creating False Impressions 78
 - Chartjunk 79

EXHIBIT: Best Practices for Creating Visual Summaries 80

USING STATISTICS: “The Choice *Is* Yours,” Revisited 81

SUMMARY 81

REFERENCES 82

KEY EQUATIONS 82

KEY TERMS 83

CHECKING YOUR UNDERSTANDING 83

CHAPTER REVIEW PROBLEMS 83

CASES FOR CHAPTER 2 88

- Managing Ashland MultiComm Services 88
- Digital Case 88
- CardioGood Fitness 89
- The Choice *Is* Yours Follow-Up 89
- Clear Mountain State Student Survey 89

CHAPTER 2 EXCEL GUIDE 90

- EG2.1 Organizing Categorical Variables 90
- EG2.2 Organizing Numerical Variables 92
 - Charts Group Reference 94
- EG2.3 Visualizing Categorical Variables 94
- EG2.4 Visualizing Numerical Variables 96
- EG2.5 Visualizing Two Numerical Variables 99
- EG2.6 Organizing a Mix of Variables 100
- EG2.7 Visualizing a Mix of Variables 101
- EG2.8 Filtering and Querying Data 102

CHAPTER 2 JMP GUIDE 102

- JG2 JMP Choices for Creating Summaries 102
- JG2.1 Organizing Categorical Variables 103
- JG2.2 Organizing Numerical Variables 104
- JG2.3 Visualizing Categorical Variables 106
- JG2.4 Visualizing Numerical Variables 107
- JG2.5 Visualizing Two Numerical Variables 109
- JG2.6 Organizing a Mix of Variables 110
- JG2.7 Visualizing a Mix of Variables 110
- JG2.8 Filtering and Querying Data 111
 - JMP Guide Gallery 112

CHAPTER 2 MINITAB GUIDE 113

- MG2.1 Organizing Categorical Variables 113
- MG2.2 Organizing Numerical Variables 113
- MG2.3 Visualizing Categorical Variables 113
- MG2.4 Visualizing Numerical Variables 115
- MG2.5 Visualizing Two Numerical Variables 117
- MG2.6 Organizing a Mix of Variables 118
- MG2.7 Visualizing a Mix of Variables 118
- MG2.8 Filtering and Querying Data 119

3 Numerical Descriptive Measures 120

USING STATISTICS: More Descriptive Choices 120

- 3.1** Measures of Central Tendency 121
 - The Mean 121
 - The Median 123
 - The Mode 124
 - The Geometric Mean 125
 - 3.2** Measures of Variation and Shape 126
 - The Range 126
 - The Variance and the Standard Deviation 127
 - The Coefficient of Variation 130
 - Z Scores 130
 - Shape: Skewness 132
 - Shape: Kurtosis 132
 - 3.3** Exploring Numerical Variables 137
 - Quartiles 137
- EXHIBIT:** Rules for Calculating the Quartiles from a Set of Ranked Values 137

- The Interquartile Range 139
- The Five-Number Summary 139
- The Boxplot 141
- 3.4 Numerical Descriptive Measures for a Population 143**
 - The Population Mean 144
 - The Population Variance and Standard Deviation 144
 - The Empirical Rule 145
 - Chebyshev's Theorem 146
- 3.5 The Covariance and the Coefficient of Correlation 148**
 - The Covariance 148
 - The Coefficient of Correlation 148
- 3.6 Descriptive Statistics: Pitfalls and Ethical Issues 152**
- USING STATISTICS: More Descriptive Choices, Revisited 153**
- SUMMARY 153**
- REFERENCES 154**
- KEY EQUATIONS 154**
- KEY TERMS 154**
- CHECKING YOUR UNDERSTANDING 155**
- CHAPTER REVIEW PROBLEMS 155**
- CASES FOR CHAPTER 3 158**
 - Managing Ashland MultiComm Services 158
 - Digital Case 158
 - CardioGood Fitness 158
 - More Descriptive Choices Follow-up 159
 - Clear Mountain State Student Survey 159
- CHAPTER 3 EXCEL GUIDE 160**
 - EG3.1 Measures of Central Tendency 160
 - EG3.2 Measures of Variation and Shape 161
 - EG3.3 Exploring Numerical Variables 161
 - EG3.4 Numerical Descriptive Measures for a Population 162
 - EG3.5 The Covariance and the Coefficient of Correlation 162
- CHAPTER 3 JMP GUIDE 163**
 - JG3.1 Measures of Central Tendency 163
 - JG3.2 Measures of Variation and Shape 163
 - JG3.3 Exploring Numerical Variables 164
 - JG3.4 Numerical Descriptive Measures for a Population 164
 - JG3.5 The Covariance and the Coefficient of Correlation 164
- CHAPTER 3 MINITAB GUIDE 165**
 - MG3.1 Measures of Central Tendency 165
 - MG3.2 Measures of Variation and Shape 166
 - MG3.3 Exploring Numerical Variables 166
 - MG3.4 Numerical Descriptive Measures for a Population 167
 - MG3.5 The Covariance and the Coefficient of Correlation 167

4 Basic Probability 168

- USING STATISTICS: Possibilities at M&R Electronics World 168**
- 4.1 Basic Probability Concepts 169**
 - Events and Sample Spaces 169
 - Types of Probability 170
 - Summarizing Sample Spaces 171
 - Simple Probability 172
 - Joint Probability 173
 - Marginal Probability 174
 - General Addition Rule 174

- 4.2 Conditional Probability 178**
 - Computing Conditional Probabilities 178
 - Decision Trees 179
 - Independence 181
 - Multiplication Rules 182
 - Marginal Probability Using the General Multiplication Rule 183
- 4.3 Ethical Issues and Probability 185**
- 4.4 Bayes' Theorem 186**
- CONSIDER THIS: Divine Providence and Spam 188**
- 4.5 Counting Rules 189**
- USING STATISTICS: Possibilities at M&R Electronics World, Revisited 192**
- SUMMARY 193**
- REFERENCES 193**
- KEY EQUATIONS 193**
- KEY TERMS 194**
- CHECKING YOUR UNDERSTANDING 194**
- CHAPTER REVIEW PROBLEMS 194**
- CASES FOR CHAPTER 4 196**
 - Digital Case 196
 - CardioGood Fitness 196
 - The Choice Is Yours Follow-Up 196
 - Clear Mountain State Student Survey 196
- CHAPTER 4 EXCEL GUIDE 197**
 - EG4.1 Basic Probability Concepts 197
 - EG4.4 Bayes' Theorem 197
 - EG4.5 Counting Rules 197
- CHAPTER 4 JMP**
 - JG4.4 Bayes' Theorem 198
- CHAPTER 4 MINITAB GUIDE 198**
 - MG4.5 Counting Rules 198

5 Discrete Probability Distributions 199

- USING STATISTICS: Events of Interest at Ricknel Home Centers 199**
- 5.1 The Probability Distribution for a Discrete Variable 200**
 - Expected Value of a Discrete Variable 200
 - Variance and Standard Deviation of a Discrete Variable 201
- 5.2 Binomial Distribution 204**
 - EXHIBIT: Properties of the Binomial Distribution 204**
 - Histograms for Discrete Variables 207
 - Summary Measures for the Binomial Distribution 208
- 5.3 Poisson Distribution 211**
- 5.4 Covariance of a Probability Distribution and Its Application in Finance 214**
- 5.5 Hypergeometric Distribution (online) 214**
- 5.6 Using the Poisson Distribution to Approximate the Binomial Distribution (online) 214**
- USING STATISTICS: Events of Interest . . . , Revisited 215**
- SUMMARY 215**
- REFERENCES 215**

KEY EQUATIONS 215

KEY TERMS 216

CHECKING YOUR UNDERSTANDING 216

CHAPTER REVIEW PROBLEMS 216

CASES FOR CHAPTER 5 218

- Managing Ashland MultiComm Services 218
- Digital Case 218

CHAPTER 5 EXCEL GUIDE 219

- EG5.1 The Probability Distribution for a Discrete Variable 219
- EG5.2 Binomial Distribution 219
- EG5.3 Poisson Distribution 219

CHAPTER 5 JMP GUIDE 220

- JG5.1 The Probability Distribution for a Discrete Variable 220
- JG5.2 Binomial Distribution 220
- JG5.3 Poisson Distribution 221

CHAPTER 5 MINITAB GUIDE 221

- MG5.1 The Probability Distribution for a Discrete Variable 221
- MG5.2 Binomial Distribution 222
- MG5.3 Poisson Distribution 222

6 The Normal Distribution and Other Continuous Distributions 223

USING STATISTICS: Normal Load Times at MyTVLab 223

6.1 Continuous Probability Distributions 224

6.2 The Normal Distribution 224

- EXHIBIT: Normal Distribution Important Theoretical Properties 225
 - Role of the Mean and the Standard Deviation 226
 - Calculating Normal Probabilities 227
- VISUAL EXPLORATIONS: Exploring the Normal Distribution 231
- Finding X Values 232

CONSIDER THIS: What Is Normal? 235

6.3 Evaluating Normality 237

- Comparing Data Characteristics to Theoretical Properties 237
- Constructing the Normal Probability Plot 238

6.4 The Uniform Distribution 241

6.5 The Exponential Distribution (online) 243

6.6 The Normal Approximation to the Binomial Distribution (online) 243

USING STATISTICS: Normal Load Times..., Revisited 243

SUMMARY 243

REFERENCES 244

KEY EQUATIONS 244

KEY TERMS 244

CHECKING YOUR UNDERSTANDING 245

CHAPTER REVIEW PROBLEMS 245

CASES FOR CHAPTER 6 246

- Managing Ashland MultiComm Services 246
- CardioGood Fitness 247
- More Descriptive Choices Follow-up 247
- Clear Mountain State Student Survey 247
- Digital Case 247

CHAPTER 6 EXCEL GUIDE 248

- EG6.2 The Normal Distribution 248
- EG6.3 Evaluating Normality 248

CHAPTER 6 JMP GUIDE 249

- JG6.2 The Normal Distribution 249
- JG6.3 Evaluating Normality 249

CHAPTER 6 MINITAB GUIDE 250

- MG6.2 The Normal Distribution 250
- MG6.3 Evaluating Normality 250

7 Sampling Distributions 252

USING STATISTICS: Sampling Oxford Cereals 252

7.1 Sampling Distributions 253

7.2 Sampling Distribution of the Mean 253

- The Unbiased Property of the Sample Mean 253
- Standard Error of the Mean 255
- Sampling from Normally Distributed Populations 256
- Sampling from Non-normally Distributed Populations—The Central Limit Theorem 259

EXHIBIT: Normality and the Sampling Distribution of the Mean 260

- VISUAL EXPLORATIONS: Exploring Sampling Distributions 263

7.3 Sampling Distribution of the Proportion 264

7.4 Sampling from Finite Populations (online) 267

USING STATISTICS: Sampling Oxford Cereals, Revisited 267

SUMMARY 268

REFERENCES 268

KEY EQUATIONS 268

KEY TERMS 268

CHECKING YOUR UNDERSTANDING 269

CHAPTER REVIEW PROBLEMS 269

CASES FOR CHAPTER 7 270

- Managing Ashland MultiComm Services 270
- Digital Case 271

CHAPTER 7 EXCEL GUIDE 272

- EG7.2 Sampling Distribution of the Mean 272

CHAPTER 7 JMP GUIDE 273

- JG7.2 Sampling Distribution of the Mean 273

CHAPTER 7 MINITAB GUIDE 274

- MG7.2 Sampling Distribution of the Mean 274

8 Confidence Interval Estimation 275

USING STATISTICS: Getting Estimates at Ricknel Home Centers 275

- 8.1** Confidence Interval Estimate for the Mean (σ Known) 276
 - Sampling Error 277
 - Can You Ever Know the Population Standard Deviation? 280
- 8.2** Confidence Interval Estimate for the Mean (σ Unknown) 281
 - Student's t Distribution 282
 - The Concept of Degrees of Freedom 282
 - Properties of the t Distribution 282
 - The Confidence Interval Statement 284
- 8.3** Confidence Interval Estimate for the Proportion 289
- 8.4** Determining Sample Size 292
 - Sample Size Determination for the Mean 292
 - Sample Size Determination for the Proportion 294
- 8.5** Confidence Interval Estimation and Ethical Issues 297
- 8.6** Application of Confidence Interval Estimation in Auditing (*online*) 297
- 8.7** Estimation and Sample Size Estimation for Finite Populations (*online*) 298
- 8.8** Bootstrapping (*online*) 298

USING STATISTICS: Getting Estimates, Revisited 298

SUMMARY 298

REFERENCES 299

KEY EQUATIONS 299

KEY TERMS 299

CHECKING YOUR UNDERSTANDING 299

CHAPTER REVIEW PROBLEMS 300

CASES FOR CHAPTER 8 302

- Managing Ashland MultiComm Services 302
- Digital Case 303
- Sure Value Convenience Stores 304
- CardioGood Fitness 304
- More Descriptive Choices Follow-Up 304
- Clear Mountain State Student Survey 304

CHAPTER 8 EXCEL GUIDE 304

- EG8.1 Confidence Interval Estimate for the Mean (σ Known) 304
- EG8.2 Confidence Interval Estimate for the Mean (σ Unknown) 305
- EG8.3 Confidence Interval Estimate for the Proportion 305
- EG8.4 Determining Sample Size 305

CHAPTER 8 JMP GUIDE 306

- JG8.1 Confidence Interval Estimate for the Mean (σ Known) 306
- JG8.2 Confidence Interval Estimate for the Mean (σ Unknown) 307
- JG8.3 Confidence Interval Estimate for the Proportion 307
- JG8.4 Determining Sample Size 307

CHAPTER 8 MINITAB GUIDE 308

- MG8.1 Confidence Interval Estimate for the Mean (σ Known) 308
- MG8.2 Confidence Interval Estimate for the Mean (σ Unknown) 309

MG8.3 Confidence Interval Estimate for the Proportion 309

MG8.4 Determining Sample Size 309

9 Fundamentals of Hypothesis Testing: One-Sample Tests 311

USING STATISTICS: Significant Testing at Oxford Cereals 311

- 9.1** Fundamentals of Hypothesis Testing 312
 - EXHIBIT:** Fundamental Hypothesis Testing Concepts 313
 - The Critical Value of the Test Statistic 313
 - Regions of Rejection and Nonrejection 314
 - Risks in Decision Making Using Hypothesis Testing 314
 - Z Test for the Mean (σ Known) 316
 - Hypothesis Testing Using the Critical Value Approach 317
 - EXHIBIT:** The Critical Value Approach to Hypothesis Testing 318
 - Hypothesis Testing Using the p -Value Approach 320
 - EXHIBIT:** The p -Value Approach to Hypothesis Testing 321
 - A Connection Between Confidence Interval Estimation and Hypothesis Testing 322
 - Can You Ever Know the Population Standard Deviation? 323
- 9.2** t Test of Hypothesis for the Mean (σ Unknown) 324
 - The Critical Value Approach 325
 - p -Value Approach 326
 - Checking the Normality Assumption 327
- 9.3** One-Tail Tests 330
 - The Critical Value Approach 330
 - The p -Value Approach 331
 - EXHIBIT:** The Null and Alternative Hypotheses in One-Tail Tests 333
- 9.4** Z Test of Hypothesis for the Proportion 334
 - The Critical Value Approach 335
 - The p -Value Approach 336
- 9.5** Potential Hypothesis-Testing Pitfalls and Ethical Issues 338
 - EXHIBIT:** Questions for the Planning Stage of Hypothesis Testing 338
 - Statistical Significance Versus Practical Significance 338
 - Statistical *Insignificance* Versus Importance 339
 - Reporting of Findings 339
 - Ethical Issues 339
- 9.6** Power of the Test (*online*) 339

USING STATISTICS: Significant Testing Revisited 340

SUMMARY 340

REFERENCES 340

KEY EQUATIONS 341

KEY TERMS 341

CHECKING YOUR UNDERSTANDING 341

CHAPTER REVIEW PROBLEMS 341

CASES FOR CHAPTER 9 343

- Managing Ashland MultiComm Services 343
- Digital Case 343
- Sure Value Convenience Stores 344

CHAPTER 9 EXCEL GUIDE 345

- EG9.1 Fundamentals of Hypothesis Testing 345
- EG9.2 t Test Of Hypothesis for The Mean (σ Unknown) 345
- EG9.3 One-Tail Tests 346
- EG9.4 Z Test Of Hypothesis For The Proportion 346

CHAPTER 9 JMP GUIDE 347

- JG9.1 Fundamentals of Hypothesis Testing 347
- JG9.2 t Test of Hypothesis for the Mean (σ Unknown) 347
- JG9.3 One-Tail Tests 348
- JG9.4 Z Test Of Hypothesis For The Proportion 348

CHAPTER 9 MINITAB GUIDE 348

- MG9.1 Fundamentals of Hypothesis Testing 348
- MG9.2 t Test Of Hypothesis for The Mean (σ Unknown) 349
- MG9.3 One-Tail Tests 349
- MG9.4 Z Test Of Hypothesis for The Proportion 349

10 Two-Sample Tests 351

USING STATISTICS: Differing Means for Selling Streaming Media Players at Arlington's? 351

- 10.1** Comparing the Means of Two Independent Populations 352
 - Pooled-Variance t Test for the Difference Between Two Means Assuming Equal Variances 352
 - Evaluating the Normality Assumption 355
 - Confidence Interval Estimate for the Difference Between Two Means 357
 - Separate-Variance t Test for the Difference Between Two Means, Assuming Unequal Variances 358
- 10.2** Comparing the Means of Two Related Populations 361
 - Paired t Test 362
 - Confidence Interval Estimate for the Mean Difference 367
- 10.3** Comparing the Proportions of Two Independent Populations 369
 - Z Test for the Difference Between Two Proportions 369
 - Confidence Interval Estimate for the Difference Between Two Proportions 374
- 10.4** F Test for the Ratio of Two Variances 376
- 10.5** Effect Size (online) 380

USING STATISTICS: Differing Means for Selling ... , Revisited 381

SUMMARY 381

REFERENCES 382

KEY EQUATIONS 382

KEY TERMS 383

CHECKING YOUR UNDERSTANDING 383

CHAPTER REVIEW PROBLEMS 383

CASES FOR CHAPTER 10 385

- Managing Ashland MultiComm Services 385
- Digital Case 386
- Sure Value Convenience Stores 386
- CardioGood Fitness 386
- More Descriptive Choices Follow-Up 386
- Clear Mountain State Student Survey 387

CHAPTER 10 EXCEL GUIDE 388

- EG10.1 Comparing The Means of Two Independent Populations 388
- EG10.2 Comparing The Means of Two Related Populations 390
- EG10.3 Comparing The Proportions of Two Independent Populations 391
- EG10.4 F Test For The Ratio of Two Variances 392

CHAPTER 10 JMP GUIDE 393

- JG10.1 Comparing The Means of Two Independent Populations 393
- JG10.2 Comparing The Means of Two Related Populations 394
- JG10.3 Comparing The Proportions of Two Independent Populations 394
- JG10.4 F Test For The Ratio of Two Variances 394

CHAPTER 10 MINITAB GUIDE 395

- MG10.1 Comparing The Means of Two Independent Populations 395
- MG10.2 Comparing The Means of Two Related Populations 396
- MG10.3 Comparing The Proportions of Two Independent Populations 396
- MG10.4 F Test For The Ratio of Two Variances 397

11 Analysis of Variance 398

USING STATISTICS: The Means to Find Differences at Arlington's 398

- 11.1** The Completely Randomized Design: One-Way ANOVA 399
 - Analyzing Variation in One-Way ANOVA 400
 - F Test for Differences Among More Than Two Means 402
 - One-Way ANOVA F Test Assumptions 407
 - Levene Test for Homogeneity of Variance 407
 - Multiple Comparisons: The Tukey-Kramer Procedure 409
 - The Analysis of Means (ANOM) 411
- 11.2** The Factorial Design: Two-Way ANOVA 414
 - Factor and Interaction Effects 415
 - Testing for Factor and Interaction Effects 416
 - Multiple Comparisons: The Tukey Procedure 420
 - Visualizing Interaction Effects: The Cell Means Plot 421
 - Interpreting Interaction Effects 422
- 11.3** The Randomized Block Design (online) 426
- 11.4** Fixed Effects, Random Effects, and Mixed Effects Models (online) 426

USING STATISTICS: The Means to Find Differences at Arlington's Revisited 426

SUMMARY 426

REFERENCES 427

KEY EQUATIONS 427

KEY TERMS 428

CHECKING YOUR UNDERSTANDING 428

CHAPTER REVIEW PROBLEMS 428

CASES FOR CHAPTER 11 430

- Managing Ashland MultiComm Services 430
- Digital Case 431
- Sure Value Convenience Stores 431
- CardioGood Fitness 431
- More Descriptive Choices Follow-Up 431
- Clear Mountain State Student Survey 431

CHAPTER 11 EXCEL GUIDE 432

- EG11.1 The Completely Randomized Design: One-Way ANOVA 432
- EG11.2 The Factorial Design: Two-Way Anova 434

CHAPTER 11 JMP GUIDE 435

- JG11.1 The Completely Randomized Design: One-Way ANOVA 435
- JG11.2 The Factorial Design: Two-Way Anova 436

CHAPTER 11 MINITAB GUIDE 437

- MG11.1 The Completely Randomized Design: One-Way ANOVA 437
- MG11.2 The Factorial Design: Two-Way Anova 438

12 Chi-Square and Nonparametric Tests 440

USING STATISTICS: Avoiding Guesswork About Resort Guests 440

- 12.1** Chi-Square Test for the Difference Between Two Proportions 441
- 12.2** Chi-Square Test for Differences Among More Than Two Proportions 448
 - The Marascuilo Procedure 451
 - The Analysis of Proportions (ANOP) 453
- 12.3** Chi-Square Test of Independence 454
- 12.4** Wilcoxon Rank Sum Test for Two Independent Populations 460
- 12.5** Kruskal-Wallis Rank Test for the One-Way ANOVA 466
 - Assumptions of the Kruskal-Wallis Rank Test 469
- 12.6** McNemar Test for the Difference Between Two Proportions (Related Samples) (*online*) 470
- 12.7** Chi-Square Test for the Variance or Standard Deviation (*online*) 470
- 12.8** Wilcoxon Signed Ranks Test for Two Related Populations (*online*) 471
- 12.9** Friedman Rank Test for the Randomized Block Design (*online*) 471

USING STATISTICS: Avoiding Guesswork..., Revisited 471

SUMMARY 471

REFERENCES 472

KEY EQUATIONS 472

KEY TERMS 473

CHECKING YOUR UNDERSTANDING 473

CHAPTER REVIEW PROBLEMS 473

CASES FOR CHAPTER 12 475

- Managing Ashland MultiComm Services 475
- Digital Case 476
- Sure Value Convenience Stores 476
- CardioGood Fitness 476
- More Descriptive Choices Follow-Up 477
- Clear Mountain State Student Survey 477

CHAPTER 12 EXCEL GUIDE 478

- EG12.1 Chi-Square Test for the Difference Between Two Proportions 478
- EG12.2 Chi-Square Test for Differences Among More Than Two Proportions 478

- EG12.3 Chi-Square Test of Independence 479

- EG12.4 Wilcoxon Rank Sum Test: A Nonparametric Method for Two Independent Populations 479

- EG12.5 Kruskal-Wallis Rank Test: A Nonparametric Method for the One-Way ANOVA 480

CHAPTER 12 JMP GUIDE 481

- JG12.1 Chi-Square Test for the Difference Between Two Proportions 481
- JG12.2 Chi-Square Test for Difference Among More Than Two Proportions 481
- JG12.3 Chi-Square Test Of Independence 481
- JG12.4 Wilcoxon Rank Sum Test For Two Independent Populations 481
- JG12.5 Kruskal-Wallis Rank Test For The One-Way Anova 482

CHAPTER 12 MINITAB GUIDE 482

- MG12.1 Chi-Square Test for The Difference Between Two Proportions 482
- MG12.2 Chi-Square Test for Differences Among More Than Two Proportions 483
- MG12.3 Chi-Square Test of Independence 483
- MG12.4 Wilcoxon Rank Sum Test: A Nonparametric Method for Two Independent Populations 483
- MG12.5 Kruskal-Wallis Rank Test: A Nonparametric Method for The One-Way ANOVA 483

13 Simple Linear Regression 484

USING STATISTICS: Knowing Customers at Sunflowers Apparel 484

- Preliminary Analysis 485

13.1 Simple Linear Regression Models 486

13.2 Determining the Simple Linear Regression Equation 487

- The Least-Squares Method 487
- Predictions in Regression Analysis: Interpolation Versus Extrapolation 490
- Computing the Y Intercept, b_0 and the Slope, b_1 491
- VISUAL EXPLORATIONS: Exploring Simple Linear Regression Coefficients 493

13.3 Measures of Variation 495

- Computing the Sum of Squares 495
- The Coefficient of Determination 496
- Standard Error of the Estimate 498

13.4 Assumptions of Regression 500

13.5 Residual Analysis 500

- Evaluating the Assumptions 500

13.6 Measuring Autocorrelation: The Durbin-Watson Statistic 504

- Residual Plots to Detect Autocorrelation 504
- The Durbin-Watson Statistic 505

13.7 Inferences About the Slope and Correlation Coefficient 508

- t Test for the Slope 508
- F Test for the Slope 509
- Confidence Interval Estimate for the Slope 511
- t Test for the Correlation Coefficient 511

13.8	Estimation of Mean Values and Prediction of Individual Values	514
	The Confidence Interval Estimate for the Mean Response	515
	The Prediction Interval for an Individual Response	516
13.9	Potential Pitfalls in Regression	518
	EXHIBIT: Seven Steps for Avoiding the Potential Pitfalls	518
	USING STATISTICS: Knowing Customers..., Revisited	520
	SUMMARY	521
	REFERENCES	522
	KEY EQUATIONS	522
	KEY TERMS	523
	CHECKING YOUR UNDERSTANDING	523
	CHAPTER REVIEW PROBLEMS	524
	CASES FOR CHAPTER 13	527
	Managing Ashland MultiComm Services	527
	Digital Case	527
	Brynne Packaging	528
	CHAPTER 13 EXCEL GUIDE	529
	EG13.2 Determining the Simple Linear Regression Equation	529
	EG13.3 Measures of Variation	530
	EG13.4 Assumptions of Regression	530
	EG13.5 Residual Analysis	530
	EG13.6 Measuring Autocorrelation: the Durbin-Watson Statistic	531
	EG13.7 Inferences about the Slope and Correlation Coefficient	531
	EG13.8 Estimation of Mean Values and Prediction of Individual Values	531
	CHAPTER 13 JMP GUIDE	532
	JG13.2 Determining The Simple Linear Regression Equation	532
	JG13.3 Measures Of Variation	532
	JG13.4 Assumptions Of Regression	532
	JG13.5 Residual Analysis	532
	JG13.6 Measuring Autocorrelation: The Durbin-Watson Statistic	532
	JG13.7 Inferences About The Slope And Correlation Coefficient	532
	JG13.8 Estimation Of Mean Values And Prediction Of Individual Values	533
	CHAPTER 13 MINITAB GUIDE	534
	MG13.2 Determining The Simple Linear Regression Equation	534
	MG13.3 Measures Of Variation	535
	MG13.4 Assumptions Of Regression	535
	MG13.5 Residual Analysis	535
	MG13.6 Measuring Autocorrelation: The Durbin-Watson Statistic	535
	MG13.7 Inferences about The Slope and Correlation Coefficient	535
	MG13.8 Estimation of Mean Values and Prediction of Individual Values	535

14 Introduction to Multiple Regression 536

USING STATISTICS: The Multiple Effects of OmniPower Bars 536

14.1	Developing a Multiple Regression Model	537
	Interpreting the Regression Coefficients	538
	Predicting the Dependent Variable Y	540
14.2	r^2 , Adjusted r^2 , and the Overall F Test	542
	Coefficient of Multiple Determination	542
	Adjusted r^2	543
	Test for the Significance of the Overall Multiple Regression Model	543

14.3	Multiple Regression Residual Analysis	546
14.4	Inferences About the Population Regression Coefficients	547
	Tests of Hypothesis	548
	Confidence Interval Estimation	549
14.5	Testing Portions of the Multiple Regression Model	551
	Coefficients of Partial Determination	555
14.6	Using Dummy Variables and Interaction Terms	557
	Interactions	560
14.7	Logistic Regression	569
14.8	Influence Analysis (<i>online</i>)	575
	USING STATISTICS: The Multiple Effects..., Revisited	575
	SUMMARY	575
	REFERENCES	577
	KEY EQUATIONS	577
	KEY TERMS	578
	CHECKING YOUR UNDERSTANDING	578
	CHAPTER REVIEW PROBLEMS	578
	CASES FOR CHAPTER 14	581
	Managing Ashland MultiComm Services	581
	Digital Case	581

CHAPTER 14 EXCEL GUIDE 582

EG14.1	Developing a Multiple Regression Model	582
EG14.2	r^2 , Adjusted r^2 , and the Overall F Test	583
EG14.3	Multiple Regression Residual Analysis	583
EG14.4	Inferences about the Population Regression Coefficients	584
EG14.5	Testing Portions of the Multiple Regression Model	584
EG14.6	Using Dummy Variables and Interaction Terms	584
EG14.7	Logistic Regression	585

CHAPTER 14 JMP GUIDE 585

JG14.1	Developing a Multiple Regression Model	585
JG14.1	r^2 , Adjusted r^2 , and the Overall F Test Measures of Variation	586
JG14.3	Multiple Regression Residual Analysis	586
JG14.4	Inferences About the Population	586
JG14.5	Testing Portions of the Multiple Regression Model	587
JG14.6	Using Dummy Variables and Interaction Terms	587
JG14.7	Logistic Regression	587

CHAPTER 14 MINITAB GUIDE 588

MG14.1	Developing a Multiple Regression Model	588
MG14.2	r^2 , Adjusted r^2 , and the Overall F Test	589
MG14.3	Multiple Regression Residual Analysis	589
MG14.3	Inferences About the Population Regression Coefficients	589
MG14.5	Testing Portions of the Multiple Regression Model	589
MG14.6	Using Dummy Variables and Interaction Terms in Regression Models	589
MG14.7	Logistic Regression	590
MG14.8	Influence Analysis	591

15 Multiple Regression Model Building 592

USING STATISTICS: Valuing Parsimony at WSTA-TV 592

15.1	Quadratic Regression Model	593
	Finding the Regression Coefficients and Predicting Y	594
	Testing for the Significance of the Quadratic Model	596

Testing the Quadratic Effect	597
The Coefficient of Multiple Determination	599
15.2 Using Transformations in Regression Models	601
The Square-Root Transformation	601
The Log Transformation	603
15.3 Collinearity	605
15.4 Model Building	607
EXHIBIT: Successful Model Building	607
The Stepwise Regression Approach to Model Building	609
The Best Subsets Approach to Model Building	610
Model Validation	613
15.5 Pitfalls in Multiple Regression and Ethical Issues	615
Pitfalls in Multiple Regression	615
Ethical Issues	616
USING STATISTICS: Valuing Parsimony ..., Revised	616
SUMMARY	617
REFERENCES	618
KEY EQUATIONS	618
KEY TERMS	618
CHECKING YOUR UNDERSTANDING	618
CHAPTER REVIEW PROBLEMS	618
CASES FOR CHAPTER 15	620
The Mountain States Potato Company	620
Sure Value Convenience Stores	621
Digital Case	621
The Craybill Instrumentation Company Case	621
More Descriptive Choices Follow-Up	622
CHAPTER 15 EXCEL GUIDE	623
EG15.1 The Quadratic Regression Model	623
EG15.2 Using Transformations in Regression Models	623
EG15.3 Collinearity	624
EG15.4 Model Building	624
CHAPTER 15 JMP GUIDE	625
JG15.1 The Quadratic Regression Model	625
JG15.2 Using Transformations in Regression Models	625
JG15.3 Collinearity	625
JG15.4 Model Building	625
CHAPTER 15 MINITAB GUIDE	626
MG15.1 The Quadratic Regression Model	626
MG15.2 Using Transformations in Regression Models	627
MG15.3 Collinearity	627
MG15.4 Model Building	627

16 Time-Series Forecasting 629

USING STATISTICS: Is the ByYourDoor Service Trending?	629
16.1 Time Series Component Factors	630
16.2 Smoothing an Annual Time Series	632
Moving Averages	633
Exponential Smoothing	635
16.3 Least-Squares Trend Fitting and Forecasting	637
The Linear Trend Model	637
The Quadratic Trend Model	639
The Exponential Trend Model	640
Model Selection Using First, Second, and Percentage Differences	642

EXHIBIT: Model Selection Using First, Second, and Percentage Differences	642
16.4 Autoregressive Modeling for Trend Fitting and Forecasting	647
Selecting an Appropriate Autoregressive Model	648
Determining the Appropriateness of a Selected Model	649
EXHIBIT: Autoregressive Modeling Steps	651
16.5 Choosing an Appropriate Forecasting Model	655
Residual Analysis	655
The Magnitude of the Residuals Through Squared or Absolute Differences	656
The Principle of Parsimony	657
A Comparison of Four Forecasting Methods	657
16.6 Time-Series Forecasting of Seasonal Data	659
Least-Squares Forecasting with Monthly or Quarterly Data	659
16.7 Index Numbers (<i>online</i>)	665
CONSIDER THIS: Let the Model User Beware	665
USING STATISTICS: Is the ByYourDoor ..., Revised	665
SUMMARY	665
REFERENCES	666
KEY EQUATIONS	666
KEY TERMS	667
CHECKING YOUR UNDERSTANDING	668
CHAPTER REVIEW PROBLEMS	668
CASES FOR CHAPTER 16	669
Managing Ashland MultiComm Services	669
Digital Case	669

CHAPTER 16 EXCEL GUIDE 670

EG16.2 Smoothing an Annual Time Series	670
EG16.3 Least-Squares Trend Fitting and Forecasting	671
EG16.4 Autoregressive Modeling for Trend Fitting and Forecasting	671
EG16.5 Choosing An Appropriate Forecasting Model	672
EG16.6 Time-Series Forecasting Of Seasonal Data	672

CHAPTER 16 JMP GUIDE 673

JG16.2 Smoothing an Annual Time Series	673
JG16.3 Least-Squares Trend Fitting and Forecasting	674
JG16.4 Autoregressive Modeling for Trend Fitting and Forecasting	674
JG16.5 Choosing an Appropriate Forecasting Model	675
JG16.6 Time-Series Forecasting of Seasonal Data	675

CHAPTER 16 MINITAB GUIDE 675

MG16.2 Smoothing an Annual Time Series	675
MG16.3 Least-Squares Trend Fitting and Forecasting	676
MG16.4 Autoregressive Modeling for Trend Fitting and Forecasting	677
MG16.5 Choosing an Appropriate Forecasting Model	677
MG16.6 Time-Series Forecasting of Seasonal Data	677

17 Business Analytics 678

USING STATISTICS: Back to Arlingtons for the Future	678
17.1 Business Analytics Categories	679
Inferential Statistics and Predictive Analytics	680
Supervised and Unsupervised Methods	680
CONSIDER THIS: What's My Major if I Want to be a Data Miner?	681

- 17.2** Descriptive Analytics 682
 - Dashboards 682
 - Data Dimensionality and Descriptive Analytics 683
- 17.3** Predictive Analytics for Prediction 684
- 17.4** Predictive Analytics for Classification 687
- 17.5** Predictive Analytics for Clustering 688
- 17.6** Predictive Analytics for Association 691
 - Multidimensional scaling (MDS) 692
- 17.7** Text Analytics 693
- 17.8** Prescriptive Analytics 694
- USING STATISTICS:** Back to Arlingtons..., Revisited 695
- REFERENCES** 695
- KEY EQUATIONS** 696
- KEY TERMS** 696
- CHECKING YOUR UNDERSTANDING** 696
- CHAPTER REVIEW PROBLEMS** 696

CASES FOR CHAPTER 17 698

- The Mountain States Potato Company 698
- The Craybill Instrumentation Company 698

CHAPTER 17 SOFTWARE GUIDE 699

- Introduction 699
- SG17.2 Descriptive Analytics 699
- SG17.3 Predictive Analytics for Prediction 701
- SG17.4 Predictive Analytics for Classification 701
- SG17.5 Predictive Analytics for Clustering 702
- SG17.6 Predictive Analytics for Association 702

18 Getting Ready to Analyze Data in the Future 704

USING STATISTICS: Mounting Future Analyses 704

- 18.1** Analyzing Numerical Variables 705
 - EXHIBIT:** Questions to Ask When Analyzing Numerical Variables 705
 - Describe the Characteristics of a Numerical Variable? 705
 - Reach Conclusions About the Population Mean or the Standard Deviation? 705
 - Determine Whether the Mean and/or Standard Deviation Differs Depending on the Group? 706
 - Determine Which Factors Affect the Value of a Variable? 706
 - Predict the Value of a Variable Based on the Values of Other Variables? 707
 - Classify or Associate Items 707
 - Determine Whether the Values of a Variable Are Stable Over Time? 707
- 18.2** Analyzing Categorical Variables 707
 - EXHIBIT:** Questions to Ask When Analyzing Categorical Variables 707
 - Describe the Proportion of Items of Interest in Each Category? 707
 - Reach Conclusions About the Proportion of Items of Interest? 708
 - Determine Whether the Proportion of Items of Interest Differs Depending on the Group? 708

- Predict the Proportion of Items of Interest Based on the Values of Other Variables? 708
- Classify or Associate Items 708
- Determine Whether the Proportion of Items of Interest Is Stable Over Time? 708

USING STATISTICS: The Future to Be Visited 709**CHAPTER REVIEW PROBLEMS 709**

19 Statistical Applications in Quality Management (online) 19-1

USING STATISTICS: Finding Quality at the Beachcomber 19-1

- 19.1** The Theory of Control Charts 19-2
- 19.2** Control Chart for the Proportion: The p Chart 19-4
- 19.3** The Red Bead Experiment: Understanding Process Variability 19-10
- 19.4** Control Chart for an Area of Opportunity: The c Chart 19-12
- 19.5** Control Charts for the Range and the Mean 19-15
 - The R Chart 19-16
 - The \bar{X} Chart 19-18
- 19.6** Process Capability 19-15
 - Customer Satisfaction and Specification Limits 19-21
 - Capability Indices 19-23
 - CPL , CPU , and C_{pk} 19-24
- 19.7** Total Quality Management 19-26
- 19.8** Six Sigma 19-28
 - The DMAIC Model 19-29
 - Roles in a Six Sigma Organization 19-30
 - Lean Six Sigma 19-30

USING STATISTICS: Finding Quality at the Beachcomber, Revisited 19-31**SUMMARY 19-31****REFERENCES 19-32****KEY EQUATIONS 19-32****KEY TERMS 19-33****CHAPTER REVIEW PROBLEMS 19-34****CASES FOR CHAPTER 19 19-36**

- The Harnswell Sewing Machine Company Case 19-36
- Managing Ashland Multicomm Services 19-38

CHAPTER 19 EXCEL GUIDE 19-39

- EG19.2 Control Chart for the Proportion: The p Chart 19-39
- EG19.4 Control Chart for an Area of Opportunity: The c Chart 19-40
- EG19.5 Control Charts for the Range and the Mean 19-41
- EG19.6 Process Capability 19-42

CHAPTER 19 JMP GUIDE 19-43

- JG19.2 Control Chart for the Proportion: The p Chart 19-43
- JG19.4 Control Chart for an Area of Opportunity: The c Chart 19-44
- JG19.5 Control Charts for the Range and the Mean 19-45
- JG19.6 Process Capability 19-46

CHAPTER 19 MINITAB GUIDE 19-47

- MG19.2 Control Chart for the Proportion: The p Chart 19-48
- MG19.4 Control Chart for an Area of Opportunity:
The c Chart 19-49
- MG19.5 Control Charts for the Range and the Mean 19-50
- MG19.6 Process Capability 19-51

20 Decision Making (online) 20-1

USING STATISTICS: Reliable Decision Making 20-1

20.1 Payoff Tables and Decision Trees 20-2

20.2 Criteria for Decision Making 20-2

- Maximax Payoff 20-6
- Maximin Payoff 20-7
- Expected Monetary Value 20-7
- Expected Opportunity Loss 20-9
- Return-to-Risk Ratio 20-11

20.3 Decision Making with Sample Information 20-16

20.4 Utility 20-21

CONSIDER THIS: Risky Business 20-22

USING STATISTICS: Reliable Decision-Making, Revisited 20-22

SUMMARY 20-23

REFERENCES 20-23

KEY EQUATIONS 20-23

KEY TERMS 20-23

CHAPTER REVIEW PROBLEMS 20-23

CASES FOR CHAPTER 20 20-26

- Digital Case 20-26

CHAPTER 20 EXCEL GUIDE 20-27

- EG20.1 Payoff Tables and Decision Trees 20-27
- EG20.2 Criteria for Decision Making 20-27

Appendices 711

A. Basic Math Concepts and Symbols 712

- A.1 Operators 712
- A.2 Rules for Arithmetic Operations 712
- A.3 Rules for Algebra: Exponents and Square Roots 712
- A.4 Rules for Logarithms 713
- A.5 Summation Notation 714
- A.6 Greek Alphabet 717

B. Important Software Skills and Concepts 718

- B.1 Identifying the Software Version 718
- B.2 Formulas 718
- B.3 Excel Cell References 720
- B.4 Excel Worksheet Formatting 721
- B.5E Excel Chart Formatting 722
- B.5J JMP Chart Formatting 723
- B.5M Minitab Chart Formatting 724

- B.6 Creating Histograms for Discrete Probability
Distributions (Excel) 724

- B.7 Deleting the “Extra” Histogram Bar (Excel) 725

C. Online Resources 726

- C.1 About the Online Resources for This Book 726
- C.2 Data Files 726
- C.3 Files Integrated With Microsoft Excel 733
- C.4 Supplemental Files 733

D. Configuring Software 734

- D.1 Microsoft Excel Configuration 734
- D.2 JMP Configuration 736
- D.3 Minitab Configuration 736

E. Table 737

- E.1 Table of Random Numbers 737
- E.2 The Cumulative Standardized Normal
Distribution 739
- E.3 Critical Values of t 741
- E.4 Critical Values of χ^2 743
- E.5 Critical Values of F 744
- E.6 Lower and Upper Critical Values, T_1 , of the Wilcoxon
Rank Sum Test 748
- E.7 Critical Values of the Studentized Range, Q 749
- E.8 Critical Values, d_L and d_U , of the Durbin–Watson
Statistic, D (Critical Values Are One-Sided) 751
- E.9 Control Chart Factors 752
- E.10 The Standardized Normal Distribution 753

F. Useful Knowledge 754

- F.1 Keyboard Shortcuts 754
- F.2 Understanding the Nonstatistical Functions 754

G. Software FAQs 756

- G.1 Microsoft Excel FAQs 756
- G.2 PHStat FAQs 756
- G.3 JMP FAQs 757
- G.4 Minitab FAQs 757

H. All About PHStat 758

- H.1 What is PHStat? 758
- H.2 Obtaining and Setting Up PHStat 759
- H.3 Using PHStat 759
- H.4 PHStat Procedures, by Category 760

Self-Test Solutions and Answers to Selected Even-Numbered Problems 761

Index 793

Credits 805

Preface

As business statistics evolves and becomes an increasingly important part of one's business education, how business statistics gets taught and what gets taught becomes all the more important.

We, the authors, think about these issues as we seek ways to continuously improve the teaching of business statistics. We actively participate in Decision Sciences Institute (DSI), American Statistical Association (ASA), and Data, Analytics, and Statistics Instruction and Business (DASI) conferences. We use the ASA's Guidelines for Assessment and Instruction (GAISE) reports and combine them with our experiences teaching business statistics to a diverse student body at several universities.

When writing for introductory business statistics students, five principles guide us.

Help students see the relevance of statistics to their own careers by using examples from the functional areas that may become their areas of specialization. Students need to learn statistics in the context of the functional areas of business. We present each statistics topic in the context of areas such as accounting, finance, management, and marketing and explain the application of specific methods to business activities.

Emphasize interpretation and analysis of statistical results over calculation. We emphasize the interpretation of results, the evaluation of the assumptions, and the discussion of what should be done if the assumptions are violated. We believe that these activities are more important to students' futures and will serve them better than focusing on tedious manual calculations.

Give students ample practice in understanding how to apply statistics to business. We believe that both classroom examples and homework exercises should involve actual or realistic data, using small and large sets of data, to the extent possible.

Familiarize students with the use of data analysis software. We integrate using Microsoft Excel, JMP, and Minitab into all statistics topics to illustrate how software can assist the business decision making process. (Using software in this way also supports our second point about emphasizing interpretation over calculation).

Provide clear instructions to students that facilitate their use of data analysis software. We believe that providing such instructions assists learning and minimizes the chance that the software will distract from the learning of statistical concepts.

What's New in This Edition?

This fourteenth edition of *Basic Business Statistics* features many passages rewritten in a more concise style that emphasize definitions as the foundation for understanding statistical concepts. In addition to changes that readers of past editions have come to expect, such as new examples and Using Statistics case scenarios and an extensive number of new end-of-section or end-of-chapter problems, the edition debuts:

- **A First Things First Chapter** that builds on the previous edition's novel Important Things to Learn First Chapter by using real-world examples to illustrate how developments such as the increasing use of business analytics and "big data" have made knowing and understanding statistics that much more critical. This chapter is available as complimentary online download, allowing students to get a head start on learning.

- **JMP Guides** that provide detailed, hands-on instructions for using JMP to illustrate the concepts that this book teaches. JMP provides a starting point for continuing studies in business statistics and business analytics and features visualizations that are easy to construct and that summarize data in innovative ways. The JMP Guides join the Excel and Minitab Guides, themselves updated to reflect the most recent editions of those programs.
- **Tabular Summaries** that state hypothesis test and regression example results along with the conclusions that those results support now appear in Chapters 9 through 15.
- **An All-New Business Analytics Chapter (Chapter 17)** that makes extensive use of JMP and Minitab to illustrate predictive analytics for prediction, classification, clustering, and association as well as explaining what text analytics does and how descriptive and prescriptive analytics relate to predictive analytics. This chapter benefits from the insights the coauthors have gained from teaching and lecturing on business analytics as well as research the coauthors have done for a companion title on business analytics forthcoming for Fall 2018.

Continuing Features that Readers Have Come to Expect

This edition of *Basic Business Statistics* continues to incorporate a number of distinctive features that has led to its wide adoption over the previous editions. Table 1 summaries these carry-over features:

TABLE 1 Distinctive Features Continued in the Fourteenth Edition

Feature	Details
Using Statistics Business Scenarios	A Using Statistics scenario that highlights how statistics is used in a business functional area begins each chapter. Each scenario provides an applied context for learning in its chapter. End-of-chapter “Revisited” sections reinforces the statistical methods that a chapter discusses and apply those methods to the questions raised in the scenario. <i>In this edition, seven chapters have new or revised Using Statistics scenarios.</i>
Emphasis on Data Analysis and Interpretation of Results	<i>Basic Business Statistics</i> was among the first business statistics textbooks to focus on interpretation of the results of a statistical method and not on the mathematics of a method. This tradition continues, now supplemented by JMP results complimenting the Excel and Minitab results of recent prior editions.
Software Integration	Software instructions in this book feature chapter examples and were personally written by the authors, who collectively have over one hundred years experience teaching the application of software to business. Software usage also features templates and applications developed by the authors that minimize the frustration of using software while maximizing statistical learning
Opportunities for Additional Learning	Student Tips, LearnMore bubbles, and Consider This features extend student-paced learning by reinforcing important points or examining side issues or answering questions that arise while studying business statistics such as “What is so ‘normal’ about the normal distribution?”
Highly Tailorable Context	With an extensive library of separate online topics, sections, and even two full chapters, instructors can combine these materials and the opportunities for additional learning to meet their curricular needs.
Software Flexibility	With modularized software instructions, instructors and students can switch among Excel, Excel with PHStat, JMP, and Minitab as they use this book, taking advantage of the strengths of each program to enhance learning.

TABLE 1 Distinctive Features Continued in the Fourteenth Edition (continued)

Feature	Details
End-of-Section and End-of-Chapter Reinforcements	“Exhibits” summarize key processes throughout the book. “Key Terms” provides an index to the definitions of the important vocabulary of a chapter. “Learning the Basics” questions test the basic concepts of a chapter. “Applying the Concepts” problems test the learner’s ability to apply those problems to business problems. For the more quantitatively-minded, “Key Equations” list the boxed number equations that appear in a chapter.
Innovative Cases	End-of-chapter cases include a case that continues through many chapters as well as “Digital Cases” that require students to examine business documents and other information sources to sift through various claims and discover the data most relevant to a business case problem as well as common misuses of statistical information. (Instructional tips for these cases and solutions to the Digital Cases are included in the Instructor’s Solutions Manual.)
Answers to Even-Numbered Problems	An appendix provides additional self-study opportunities by provides answers to the “Self-Test” problems and most of the even-numbered problems in this book.
Unique Excel Integration	Many textbooks feature Microsoft Excel, but <i>Basic Business Statistics</i> comes from the authors who originated both the Excel Guide workbooks that illustrate model solutions, developed Visual Explorations that demonstrate selected basic concepts, and designed and implemented PHStat, the Pearson statistical add-in for Excel that places the focus on statistical learning. (See Appendix H for a complete summary of PHStat.)

Chapter-by-Chapter Changes Made for This Edition

Because the authors believe in continuous quality improvement, every chapter of *Basic Business Statistics* contains changes to enhance, update, or just freshen this book. Table 2 provides a chapter-by-chapter summary of these changes.

TABLE 2
Chapter-by-Chapter
Change Matrix

Chapter	Using Statistics Changed	JMP Guide	Problems Changed	Selected Chapter Changes
FTF	•	•	n.a.	Think Differently About Statistics Starting Point for Learning Statistics
1	•	•	40%	Data Cleaning Other Data Preprocessing Tasks
2		•	60%	Organizing a Mix of Variables Visualizing A Mix of Variables Filtering and Querying Data Reorganized categorical variables discussion. Expanded data visualization discussion. New samples of 379 retirement funds and 100 restaurant meal costs for examples.
3		•	50%	New samples of 379 retirement funds and 100 restaurant meal costs for examples. Updated NBA team values data set.

Chapter	Using Statistics Changed	JMP Guide	Problems Changed	Selected Chapter Changes
4		•	43%	Basic Probability Concepts rewritten. Bayes' theorem example moved online
5		•	60%	Section 5.1 and Binomial Distribution revised. Covariance of a Probability Distribution and The Hypergeometric Distribution moved online.
6	•	•	33%	Normal Distribution rewritten. The Exponential Distribution moved online.
7		•	47%	Sampling Distribution of the Proportion rewritten.
8		•	40%	Confidence Interval Estimate for the Mean revised. Revised "Managing Ashland MultiComm Services" continuing case.
9		•	20%	Chapter introduction revised. Section 9.1 rewritten. New Section 9.4 example.
10	•	•	45%	New Effect Size (online). Using Statistics scenario linked to Chapter 11 and 17. New paired t test and the difference between two proportions examples.
11	•	•	20%	New Using Statistics scenario data. The Randomized Block Design moved online.
12		•	42%	Extensive use of new tabular summaries. Revised "Managing Ashland MultiComm Services" continuing case.
13		•	46%	Chapter introduction revised. Section 13.2 revised.
14		•	30%	Section 14.1 revised. Section 14.3 reorganized and revised. New dummy variable example. Influence Analysis moved online.
15		•	37%	Using Transformations in Regression Models rewritten and expanded. Model Building rewritten
16	•	•	67%	Chapter introduction reorganized and revised. All-new chapter examples.
17	•		42%	All-new chapter. Predictive analytics discussion expanded Uses JMP and Minitab extensively.
18			47%	

Serious About Writing Improvements

Ever review a textbook that reads the same as an edition from years ago? Or read a preface that claims writing improvements but offers no evidence? Among the writing improvements in this edition of *Basic Business Statistics*, the authors have turned to tabular summaries to guide readers to reaching conclusions and making decisions based on statistical information. The authors believe that this writing improvement, which appears in Chapters 9 through 15, not only adds clarity to the purpose of the statistical method being discussed but better illustrates the role of statistics in business decision-making processes. Judge for yourself using the sample from Chapter 10 Example 10.1.

Previously, part of the solution to Example 10.1 was presented as:

You do not reject the null hypothesis because $t_{STAT} = -1.6341 > -1.7341$. The p -value (as computed in Figure 10.5) is 0.0598. This p -value indicates that the probability that $t_{STAT} < -1.6341$ is equal to 0.0598. In other words, if the population means are equal, the probability that the sample mean delivery time for the local pizza restaurant is at least 2.18 minutes faster than the national chain is 0.0598. Because the p -value is greater than $\alpha = 0.05$, there is insufficient evidence to reject the null hypothesis. Based on these results, there is insufficient evidence for the local pizza restaurant to make the advertising claim that it has a faster delivery time.

In this edition, we present the equivalent solution (on page 357):

Table 10.4 summarizes the results of the pooled-variance t test for the pizza delivery data using the calculation above (*not shown in this sample*) and Figure 10.5 results. Based on the conclusions, local branch of the national chain and a local pizza restaurant have similar delivery times. Therefore, as part of the last step of the DCOVA framework, you and your friends exclude delivery time as a decision criteria when choosing from which store to order pizza.

TABLE 10.4
Pooled-variance t test summary for the delivery times for the two pizza restaurants

Result	Conclusions
The $t_{STAT} = -1.6341$ is greater than -1.7341 .	1. Do not reject the null hypothesis H_0 .
The t test p -value = 0.0598 is greater than the level of significance, $\alpha = 0.05$.	2. Conclude that insufficient evidence exists that the mean delivery time is lower for the local restaurant than for the branch of the national chain.
	3. There is a probability of 0.0598 that $t_{STAT} < -1.6341$.

A Note of Thanks

Creating a new edition of a textbook is a team effort, and we thank our Pearson Education editorial, marketing, and production teammates: Suzanna Bainbridge, Dana Bettez, Kaylee Carlson, Deirdre Lynch, Stephanie Green, and Morgan Danna. Special thanks to the recently-retired Sherry Berg for her design and production oversight in helping to get this edition under-way. (Her contributions will be missed!) And we would be remiss not to note the continuing work of Joe Vetere to prepare our screen shot illustrations and the efforts of Julie Kidd of SPi Global to ensure that this edition meets the highest standard of book production quality that is possible.

We also thank Alan Chesen of Wright State University for his diligence in being the accuracy checker for this edition and thank the following people whose comments helped us improve this edition: Mohammad Ahmadi, University of Tennessee-Chattanooga; Sung Ahn,

Washington State University; Kelly Alvey, Old Dominion University; Al Batten, University of Colorado-Colorado Springs; Alan Chesen, Wright State University; Gail Hafer, St. Louis Community College-Meramec; Chun Jin, Central Connecticut State University; Benjamin Lev, Drexel University; Lilian Prince, Kent State University; Bharatendra Rai, University of Massachusetts Dartmouth; Ahmad Vakil, St. John's University (NYC); and Shiro Withanachchi, Queens College (CUNY).

We thank the RAND Corporation and the American Society for Testing and Materials for their kind permission to publish various tables in Appendix E, and to the American Statistical Association for its permission to publish diagrams from the *American Statistician*. Finally, we would like to thank our families for their patience, understanding, love, and assistance in making this book a reality.

Contact Us!

Please email us at **authors@davidlevinestatistics.com** or tweet us @**BusStatBooks** with your questions about the contents of this book. Please include the hashtag #BBS14 in your tweet or in the subject line of your email. We also welcome suggestions you may have for a future edition of this book. And while we have strived to make this book as error-free as possible, we also appreciate those who share with us any perceived problems or errors that they encounter.

If you need assistance using software, please contact your academic support person or Pearson Support at **support.pearson.com/getsupport/**. They have the resources to resolve and walk you through a solution to many technical issues in a way we do not.

As you use this book, be sure to make use of the "Resources for Success" that Pearson Education supplies for this book (described on the following pages). We also invite you to visit **bbs14.davidlevinestatistics.com** (bit.ly/2xwQoBT), where we may post additional information or new content as necessary.

Mark L. Berenson
David M. Levine
Kathryn A. Szabat
David F. Stephan

Get the Most Out of MyLab Statistics

MyLab™ Statistics is the leading online homework, tutorial, and assessment program for teaching and learning statistics, built around Pearson's best-selling content. MyLab Statistics helps students and instructors improve results; it provides engaging experiences and personalized learning for each student so learning can happen in any environment. Plus, it offers flexible and time-saving course management features to allow instructors to easily manage their classes while remaining in complete control, regardless of course format.

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- Using proven, field-tested technology, auto-graded Excel Projects allow instructors to seamlessly integrate Microsoft® Excel® content into their course without having to manually grade spreadsheets. Students have the opportunity to practice important statistical skills in Excel, helping them to master key concepts and gain proficiency with the program.

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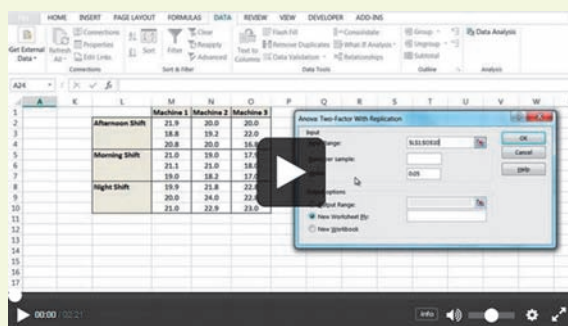
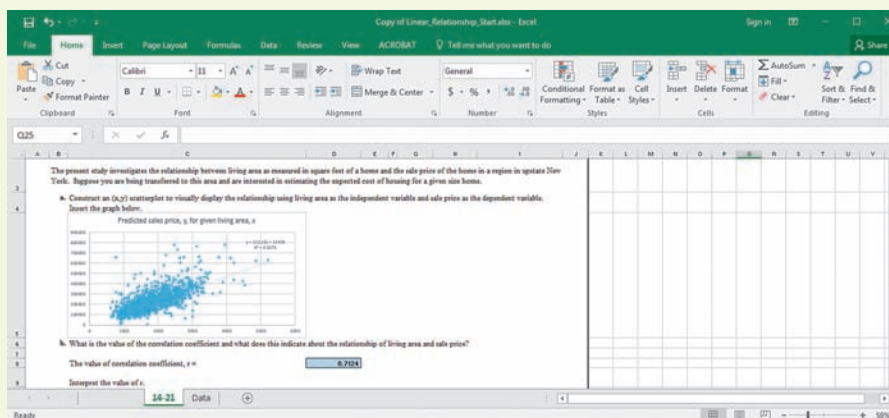
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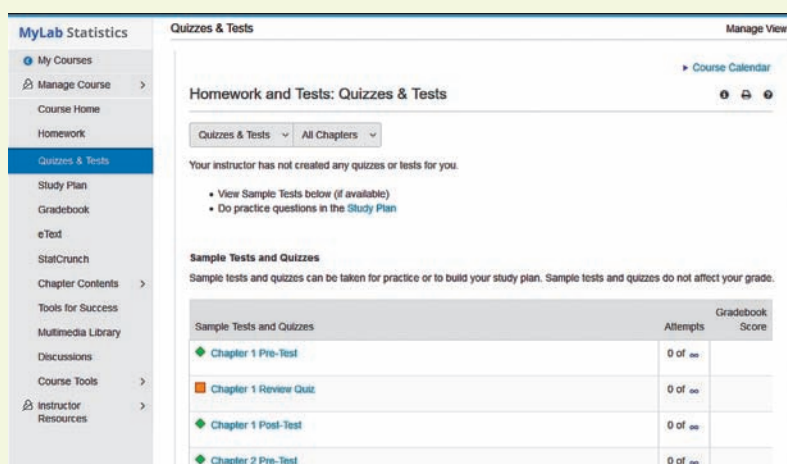


Tutorials and Study Cards for Statistical Software

Tutorials provide brief video walkthroughs and step-by-step instructional study cards on common statistical procedures such as confidence interval estimation, ANOVA, regression, and hypothesis testing. Tutorials and study cards are supplied for Excel 2013 and 2016, Excel with PHStat, JMP, and Minitab.

Diverse Question Libraries

Build homework assignments, quizzes, and tests to support your course learning outcomes. From Getting Ready (GR) questions to the Conceptual Question Library (CQL), we have your assessment needs covered from the mechanics to the critical understanding of Statistics. The exercise libraries include technology-led instruction, including new Excel-based exercises, and learning aids to reinforce your students' success.



The screenshot shows the MyLab Statistics interface. The 'Quizzes & Tests' section is active, displaying a list of sample tests and quizzes. The table below summarizes the available tests and quizzes.

Sample Tests and Quizzes	Attempts	Gradebook Score
Chapter 1 Pre-Test	0 of ∞	
Chapter 1 Review Quiz	0 of ∞	
Chapter 1 Post-Test	0 of ∞	
Chapter 2 Pre-Test	0 of ∞	

pearson.com/mylab/statistics

Resources for Success

Instructor Resources

Instructor's Solutions Manual, by Alan Chesen, Wright State University, presents solutions for end-of-section and end-of-chapter problems and answers to case questions, and provides teaching tips for each chapter. The Instructor's Solutions Manual is available for download at **www.Pearson.com** or in MyLab Statistics.

Lecture PowerPoint Presentations, by Patrick Schur, Miami University (Ohio), are available for each chapter. These presentations provide instructors with individual lecture notes to accompany the text. The slides include many of the figures and tables from the textbook. Instructors can use these lecture notes as is or customize them in Microsoft PowerPoint. The PowerPoint presentations are available for download at **www.Pearson.com** or in MyLab Statistics.

Test Bank, contains true/false, multiple-choice, fill-in, and problem-solving questions based on the definitions, concepts, and ideas developed in each chapter of the text. The Test Bank is available for download at **www.Pearson.com** or in MyLab Statistics.

TestGen® (www.pearsoned.com/testgen) enables instructors to build, edit, print, and administer tests using a computerized bank of questions developed to cover all the objectives of the text. TestGen is algorithmically based, allowing instructors to create multiple but equivalent versions of the same question or test with the click of a button. Instructors can also modify test bank questions or add new questions. The software and test bank are available for download from Pearson Education's online catalog.

Student Resources

Student's Solutions Manual, by Alan Chesen, Wright State University, provides detailed solutions to virtually all the even-numbered exercises and worked-out solutions to the self-test problems. (ISBN-13: 978-0-13-468504-5)

Online resources complement and extend the study of business statistics and support the content of this book. These resources include **data files** for in-chapter examples and problems, **templates and model solutions**, and **optional topics and chapters**. (See Appendix C for a complete description of the online resources.)

PHStat helps create Excel worksheet solutions to statistical problems. PHStat uses Excel building blocks to create worksheet solutions. These worksheet solutions illustrate Excel techniques and students can examine them to gain new Excel skills. Additionally, many solutions are what-if templates in which the effects of changing data on the results can be explored. Such templates are fully reusable on any computer on which Excel has been installed. PHStat requires an access code and separate download for use. PHStat access codes can be bundled with this textbook using ISBN-13: 978-0-13-468497-0.

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