

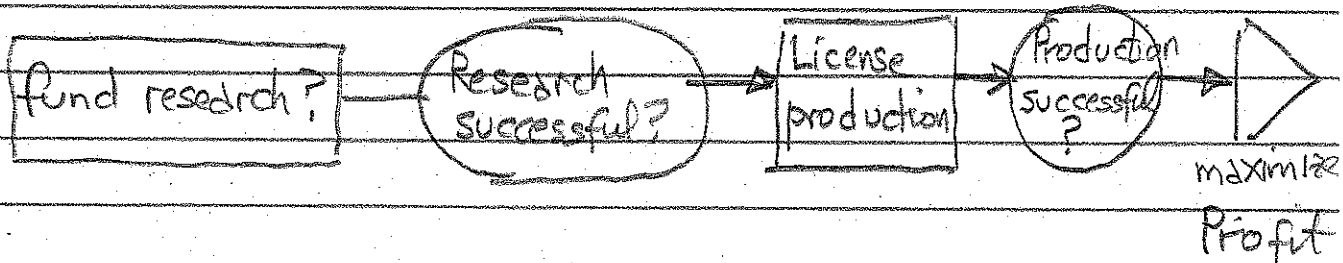
HW # 4Prob # 1 : R&D project at

Jackson Pharm.

Building-blocks for this problem =

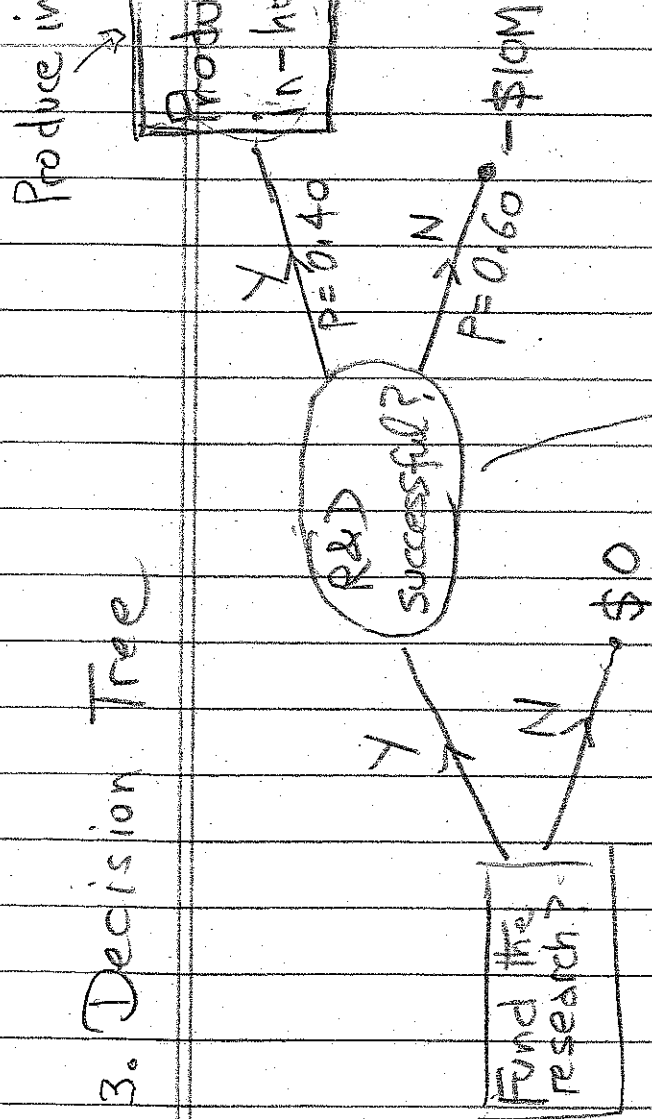
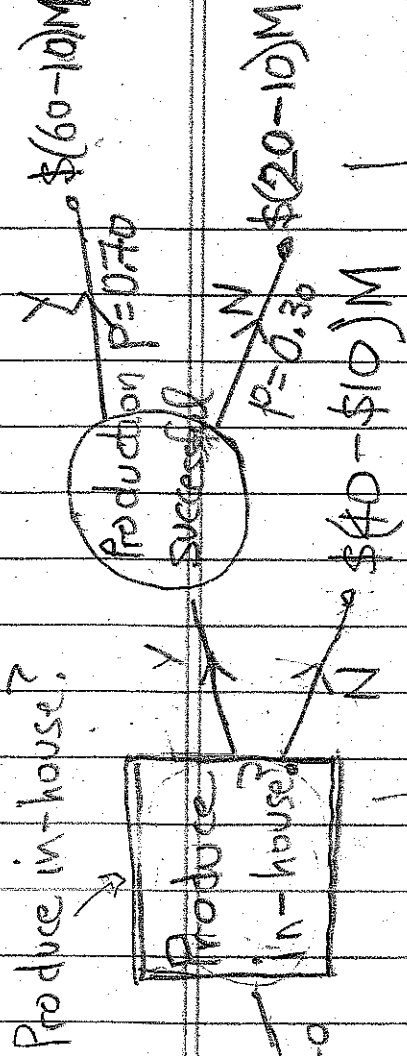
1.	Decisions <input type="checkbox"/>	Uncertain events <input type="radio"/>	Objective <input type="triangle-right"/>
- fund the research?	- Research successful?	Maximize <u>payoff</u>	expected m.v. expected profit
- license production?	- Production successful?		

2. Draw the influence diagram [ID]

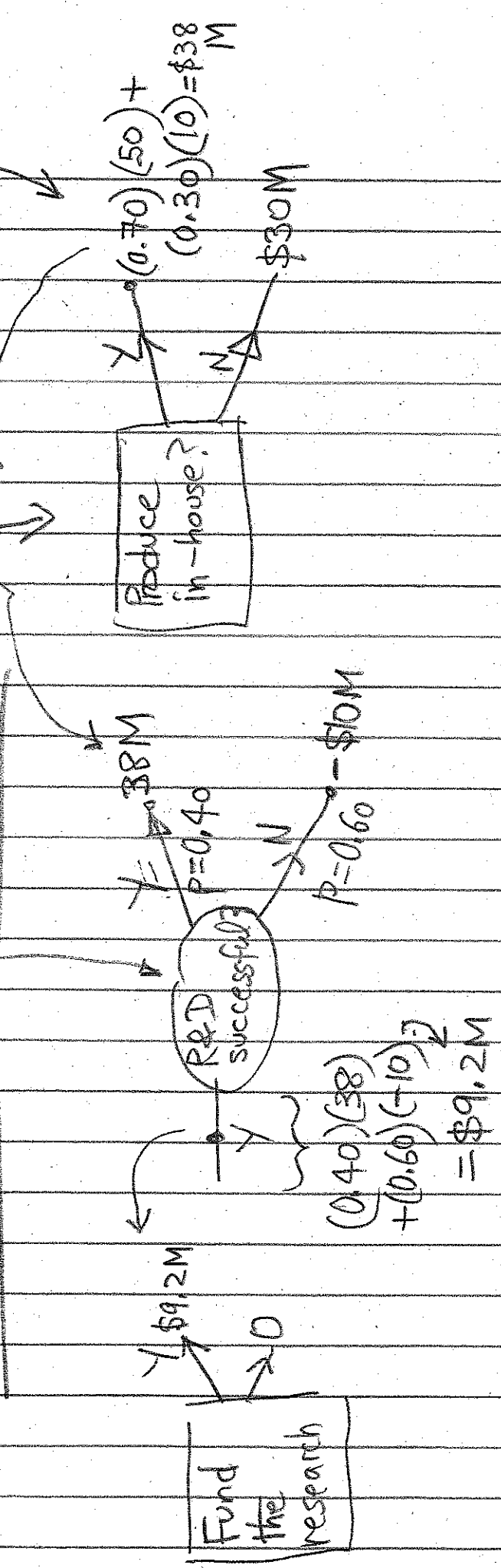


3. Combine steps 1 and 2 to draw the decision tree

3. Decision Tree



4. Fold back the decision tree



Prob 2:

- 2 Decisions

- invest in further R&D?

- ?

- 2 Uncertain events

- will compound X be effective?

- ?

- Objective Maximize Profit

Expected Profit = \$51.25M