P1.2   Your Personal Indifferent Selling Price or Certainty Equivalent for the deal = $75. This is what the deal is worth to you if you keep it.

If you pay $X for the perfect information, you will finally have $100 − $X.

At the point of indifference between buying and not buying the information:

$$100 - X = 75 \implies X = \$25.$$

Note that this value is only an approximation, and is exact only under some conditions which you will learn in Chapters 4 and 6.

P1.3   I.   His personal indifferent buying price =$46   <u>Not necessarily true</u>

II.   His personal indifferent selling price = $46   <u>Not necessarily true</u>

III.   His personal indifferent buying price ≥ $46   <u>True</u>

IV.   His personal indifferent buying price ≤ $46   <u>Not necessarily true</u>

P1.4 (**I.**)   Clarity of Action

P1.5 (**II.**)   If the manager refuses to give her a refund she should leave, since she prefers not to be there.