

Basic Statistics

for Business & Economics

Douglas A. Lind
William G. Marchal
Samuel A. Wathen

fifth edition



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*To Jane, my wife and best friend, and to our sons and their wives,
Mike (Sue), Steve (Kathryn), and Mark (Sarah).
Douglas A. Lind*

*To Andrea, my children, and our first grandchild, Elizabeth Anne.
William G. Marchal*

*To my wonderful family: Isaac, Hannah, and Barb.
Samuel A. Wathen*

A Note to the Student

We have tried to make this material “no more difficult than it needs to be.” By that we mean we always keep the explanations practical without oversimplifying. We have used examples similar to those you will encounter in the business world or that you encounter in everyday life. When you have completed this book, you will understand how to apply statistical tools to help make business decisions. In addition, you will find that many of the topics and methods you learn can be used in other courses in your business education, and that they are consistent with what you encounter in other quantitative or statistics electives.

There is more data available to a business than there has been in previous years. People who can interpret data and convert it into useful information are not so easy to find. If you thoughtfully work through this text, you will be well prepared to contribute to the success and development of your company. Remember, as one of the authors read recently in a fortune cookie, “None of the secrets of success will work unless you do.”

Learning Aids

We have designed the text to assist you in taking this course without the anxiety often associated with statistics. These learning aids are all intended to help you in your study.

Objectives Each chapter begins with a set of learning objectives. They are designed to provide focus for the chapter and to motivate learning. These objectives indicate what you should be able to do after completing the chapter. We include a photo that ties these chapter objectives to one of the exercises within the chapter.

Introduction At the start of each chapter, we review the important concepts of the previous chapter(s) and describe how they link to what the current chapter will cover.

Definitions Definitions of new terms or terms unique to the study of statistics are set apart from the text and highlighted. This allows for easy reference and review.

Formulas Whenever a formula is used for the first time, it is boxed and numbered for easy reference. In addition, a formula card that summarizes the key formulas is bound into the text. This can be removed and carried for quick reference as you do homework or review for exams.

Margin Notes There are concise notes in the margin. Each emphasizes the key concept being presented immediately adjacent to it.

Examples/Solutions We include numerous examples with solutions. These are designed to show you immediately, in detail, how the concepts can be applied to business situations.

Statistics in Action Statistics in Action articles are scattered throughout the text, usually about two per chapter. They provide unique and interesting applications and historical insights into statistics.

Self-Reviews Self-reviews are interspersed throughout the chapter and each is closely patterned after the preceding **Example/Solution**. They will help you

monitor your progress and provide immediate reinforcement for that particular technique. The answers and methods of solution are located at the end of the chapter.

Exercises We include exercises within the chapter, after the **Self-Reviews**, and at the end of the chapter. The answers and method of solution for all odd-numbered exercises are at the end of the book. For most exercises with more than 20 observations, the data are on the CD-ROM in the text.

Chapter Outline As a summary, each chapter includes a chapter outline. This learning aid provides an opportunity to review material, particularly vocabulary, and to review the formulas.

Web Exercises Almost all chapters have references to the Internet for companies, government organizations, and university data sets. These sites contain interesting and relevant information to enhance the exercises at the end of the chapters.

Dataset Exercises In most chapters, the last four exercises refer to four large business data sets. A complete listing of the data is available in the back of the text and on the CD-ROM included with the text.

Supplements

The **Student CD**, packaged free with all copies of the text, features self-graded practice quizzes, software tutorials, PowerPoint slides, the data files (in MINITAB and Excel formats) for the end-of-chapter data and for exercises having 20 or more data values. Also included on the CD is an Internet link to the text website and to the websites listed in the Web exercises in the text. **MegaStat** and **Visual Statistics** are included. MegaStat provides software that enhances the power of Excel in statistical analysis. Visual Statistics is a software program designed for interactive experimentation and visualization.

A comprehensive **Study Guide**, written by Professor Walter Lange of The University of Toledo, is organized much like the textbook. Each chapter includes objectives, a brief summary of the chapter, problems and their solution, self-review exercises, and assignment problems.

The Online Learning Center includes online content for assistance and reference. The site provides chapter objectives, a summary, glossary of key terms, solved problems, downloadable data files, practice quizzes, PowerPoint, web links and much more. Visit the text website at <http://www.mhhe.com/lindbasics5e>.

ALEKS for Business Statistics (Assessment and Learning in Knowledge Spaces) is an artificial intelligence based system that acts much like a human tutor and can provide individualized assessment, practice, and learning. By assessing your knowledge, ALEKS focuses clearly on what you are ready to learn next and helps you master the course content more quickly and clearly. You can visit ALEKS at www.business.aleks.com.

Douglas A. Lind
William G. Marchal
Samuel A. Wathen

Preface

The objective of *Basic Statistics for Business and Economics* is to provide students majoring in management, marketing, finance, accounting, economics, and other fields of business administration with an introductory survey of the many applications of descriptive and inferential statistics. While we focus on business applications, we also use many problems and examples that are student oriented and do not require previous courses.

When Professor Robert Mason wrote the first edition of this series of texts in 1967 locating relevant business data was difficult. That has changed! Today locating data is not difficult. The number of items you purchase at the grocery store is automatically recorded at the checkout counter. Phone companies track the time of our calls, the length of calls, and the number of the person called. Credit card companies maintain information on the number, time and date, and amount of our purchases. Medical devices automatically monitor our heart rate, blood pressure, and temperature. A large amount of business information is recorded and reported almost instantly. *CNN*, *USA Today*, and *MSNBC*, for example, all have websites where you can track stock prices with a delay of less than twenty minutes.

Today, skills are needed to deal with the large volume of numerical information. First, we need to be critical consumers of information presented by others. Second, we need to be able to reduce large amounts of information into a concise and meaningful form to enable us to make effective interpretations, judgments, and decisions.

All students have calculators and most have either personal computers or access to personal computers in a campus lab. Statistical software, such as Microsoft Excel and MINITAB, is available on these computers. The commands necessary to achieve the software results are available in a special section at the end of each chapter. We use screen captures within the chapters, so the student becomes familiar with the nature of the software output. Because of the availability of computers and software it is no longer necessary to dwell on calculations. We have replaced many of the calculation examples with interpretative ones, to assist the student in understanding and interpreting the statistical results. In addition we now place more emphasis on the conceptual nature of the statistical topics. While making these changes, we have not moved away from presenting, as best we can, the key concepts, along with supporting examples.

The fifth edition of *Basic Statistics for Business and Economics* is the product of many people: students, colleagues, reviewers, and the staff at McGraw-Hill/Irwin. We thank them all. We wish to express our sincere gratitude to the reviewers:

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Their suggestions and thorough review of the previous edition and the manuscript of this edition make this a better text.

Special thanks go to a number of people. Dr. Jacquelynne Mclellan of Frostburg University and Lawrence Moore reviewed the manuscript and checked exercises for accuracy. Professor Walter Lange, of the University of Toledo, prepared the study guide. Dr. Temoleon Rousos checked the study guide for accuracy. Dr. Samuel Wathen, of Coastal Carolina University, prepared the test bank. Professor Joyce Keller, of St. Edward's University, prepared the PowerPoint Presentation. Ms. Denise Heban and the authors prepared the Instructor's Manual.

We also wish to thank the staff at McGraw-Hill/Irwin. This includes Richard T. Hercher, Jr., Executive Editor; Christina Sanders, Developmental Editor; Douglas Reiner, Marketing Manager; James Labeots, Project Manager, and others we do not know personally, but who made valuable contributions.

Brief Contents

1	What Is Statistics?	1
2	Describing Data: Frequency Distributions and Graphic Presentation	23
3	Describing Data: Numerical Measures	57
4	Describing Data: Displaying and Exploring Data	93
5	A Survey of Probability Concepts	120
6	Discrete Probability Distributions	150
7	Continuous Probability Distributions	185
8	Sampling Methods and the Central Limit Theorem	211
9	Estimation and Confidence Intervals	245
10	One-Sample Tests of Hypothesis	276
11	Two-Sample Tests of Hypothesis	312
12	Analysis of Variance	344
13	Linear Regression and Correlation	374
14	Multiple Regression and Correlation Analysis	421
15	Chi-Square Applications	464
	Appendixes	488
	Answers to Odd-Numbered Chapter Exercises	525
	Photo Credits	552
	Index	553

CD Chapters

- Statistical Quality Control
- Time Series and Forecasting

Chapter

1 What Is Statistics? 1

- Introduction 2
- Why Study Statistics? 2
- What Is Meant by Statistics? 4
- Types of Statistics 6
 - Descriptive Statistics 6
 - Inferential Statistics 7
- Types of Variables 9
- Levels of Measurement 9
 - Nominal-Level Data 10
 - Ordinal-Level Data 11
 - Interval-Level Data 12
 - Ratio-Level Data 12
- Exercises 14
- Statistics, Graphics, and Ethics 15
 - Misleading Statistics 15
 - Association Does Not Necessarily Imply Causation 15
 - Graphs Can Be Misleading 16
 - Become a Better Consumer and a Better Producer of Information 17
 - Ethics 17
- Software Applications 18
- Chapter Outline 19
- Chapter Exercises 19
- exercises.com 20
- Dataset Exercises 21
- Answers to Self-Review 22

Chapter

2 Describing Data: Frequency Distributions and Graphic Presentation 23

- Introduction 24
- Constructing a Frequency Distribution 25
 - Class Intervals and Class Midpoints 29
- A Software Example 29

- Relative Frequency Distribution 30
- Exercises 31
- Graphic Presentation of a Frequency Distribution 32
 - Histogram 32
 - Frequency Polygon 34
- Exercises 37
- Cumulative Frequency Distributions 38
- Exercises 41
- Other Graphic Presentations of Data 42
 - Line Graphs 42
 - Bar Charts 43
 - Pie Charts 44
- Exercises 46
- Chapter Outline 47
- Chapter Exercises 48
- exercises.com 53
- Dataset Exercises 53
- Software Commands 54
- Answers to Self-Review 56

Chapter

3 Describing Data: Numerical Measures 57

- Introduction 58
- The Population Mean 59
- The Sample Mean 60
- Properties of the Arithmetic Mean 61
- Exercises 62
- The Weighted Mean 63
- Exercises 64
- The Median 64
- The Mode 65
- Exercises 67
- Software Solution 68
- The Relative Positions of the Mean, Median, and Mode 68
- Exercises 70

The Geometric Mean	71
Exercises	72
Why Study Dispersion?	73
Measures of Dispersion	74
Range	74
Mean Deviation	75
Exercises	76
Variance and Standard Deviation	77
Exercises	79
Software Solution	80
Exercises	81
Interpretation and Uses of the Standard Deviation	82
Chebyshev's Theorem	82
The Empirical Rule	83
Exercises	84
Chapter Outline	84
Pronunciation Key	86
Chapter Exercises	86
exercises.com	89
Dataset Exercises	90
Software Commands	90
Answers to Self-Review	92

Chapter

4 Describing Data: Displaying and Exploring Data 93

Introduction	94
Dot Plots	94
Exercises	96
Quartiles, Deciles, and Percentiles	97
Exercises	100
Box Plots	100
Exercises	102
Skewness	103
Exercises	107
Describing the Relationship between Two Variables	107
Exercises	110
Chapter Outline	112
Pronunciation Key	112
Chapter Exercises	112
exercises.com	116
Dataset Exercises	116
Software Commands	117
Answers to Self-Review	119

Chapter

5 A Survey of Probability Concepts 120

Introduction	121
What Is a Probability?	122
Approaches to Assigning Probabilities	124
Classical Probability	124
Empirical Probability	125
Subjective Probability	126
Exercises	127
Some Rules for Computing Probabilities	128
Rules of Addition	128
Exercises	133
Rules of Multiplication	134
Contingency Tables	137
Tree Diagrams	139
Exercises	141
Principles of Counting	142
The Multiplication Formula	142
The Permutation Formula	143
The Combination Formula	145
Exercises	146
Chapter Outline	147
Pronunciation Key	148
Chapter Exercises	148
exercises.com	152
Dataset Exercises	152
Software Commands	153
Answers to Self-Review	154

Chapter

6 Discrete Probability Distributions 156

Introduction	157
What Is a Probability Distribution?	157
Random Variables	159
Discrete Random Variable	159
Continuous Random Variable	160
The Mean, Variance, and Standard Deviation of a Probability Distribution	160
Mean	160
Variance and Standard Distribution	161
Exercises	163
Binomial Probability Distribution	164

How Is a Binomial Probability Distribution Computed	165
Binomial Probability Tables	167
Exercises	170
Cumulative Binomial Probability Distributions	172
Exercises	173
Poisson Probability Distribution	174
Exercises	177
Chapter Outline	177
Chapter Exercises	178
Dataset Exercises	182
Software Commands	182
Answers to Self-Review	184

Chapter

7 Continuous Probability Distributions 185

Introduction	186
The Family of Uniform Distributions	186
Exercises	189
The Family of Normal Probability Distributions	190
The Standard Normal Distribution	193
The Empirical Rule	195
Exercises	196
Finding Areas under the Normal Curve	197
Exercises	199
Exercises	202
Exercises	204
Chapter Outline	204
Chapter Exercises	205
Dataset Exercises	208
Software Commands	209
Answers to Self-Review	210

Chapter

8 Sampling Methods and the Central Limit Theorem 211

Introduction	212
Sampling Methods	212
Reasons to Sample	212
Simple Random Sampling	213

Systematic Random Sampling	216
Stratified Random Sampling	216
Cluster Sampling	217
Exercises	218
Sampling "Error"	220
Sampling Distribution of the Sample Mean	222
Exercises	225
The Central Limit Theorem	226
Exercises	232
Using the Sampling Distribution of the Sample Mean	233
Exercises	237
Chapter Outline	237
Pronunciation Key	238
Chapter Exercises	238
exercises.com	242
Dataset Exercises	243
Software Commands	243
Answers to Self-Review	244

Chapter

9 Estimation and Confidence Intervals 245

Introduction	246
Point Estimates and Confidence Intervals	246
Known σ or a Large Sample	246
A Computer Simulation	251
Exercises	253
Unknown Population Standard Deviation and a Small Sample	254
Exercises	260
A Confidence Interval for a Proportion	260
Exercises	263
Finite-Population Correction Factor	263
Exercises	264
Choosing an Appropriate Sample Size	265
Exercises	267
Chapter Outline	268
Pronunciation Key	269
Chapter Exercises	269
exercises.com	272
Dataset Exercises	273
Software Commands	273
Answers to Self-Review	275

Chapter

**10 One-Sample Tests
of Hypothesis 276**

Introduction 277

What Is a Hypothesis? 277

What Is Hypothesis Testing? 278

Five-Step Procedure for Testing a
Hypothesis 278Step 1: State the Null Hypothesis (H_0) and
the Alternate Hypothesis (H_1) 278

Step 2: Select a Level of Significance 279

Step 3: Select the Test Statistic 279

Step 4: Formulate the Decision Rule 281

Step 5: Make a Decision 282

One-Tailed and Two-Tailed Tests of
Significance 283Testing for a Population Mean with a Known
Population Standard Deviation 284

A Two-Tailed Test 284

A One-Tailed Test 288

 p -Value in Hypothesis Testing 288Testing for a Population Mean: Large Sample,
Population Standard Deviation Unknown 290

Exercises 291

Tests Concerning Proportions 292

Exercises 295

Testing for a Population Mean: Small Sample,
Population Standard Deviation Unknown 295

Exercises 300

A Software Solution 301

Exercises 303

Chapter Outline 304

Pronunciation Key 305

Chapter Exercises 305

exercises.com 309

Dataset Exercises 309

Software Commands 310

Answers to Self-Review 311

Exercises 318

Two-Sample Tests about Proportions 319

Exercises 321

Comparing Population Means with Small
Samples 323

Exercises 326

Two-Sample Tests of Hypothesis: Dependent
Samples 327Comparing Dependent and Independent
Samples 331

Exercises 333

Chapter Outline 334

Pronunciation Key 335

Chapter Exercises 335

exercises.com 340

Dataset Exercises 341

Software Commands 341

Answers to Self-Review 342

Chapter

12 Analysis of Variance 344

Introduction 345

The F Distribution 345

Comparing Two Population Variances 346

Exercises 349

ANOVA Assumptions 350

The ANOVA Test 352

Exercises 359

Inferences about Pairs of Treatment
Means 360

Exercises 362

Chapter Outline 364

Pronunciation Key 365

Chapter Exercises 365

exercises.com 370

Dataset Exercises 370

Software Commands 371

Answers to Self-Review 373

Chapter

**11 Two-Sample Tests
of Hypothesis 312**

Introduction 313

Two-Sample Tests of Hypothesis: Independent
Samples 313

Chapter

**13 Linear Regression
and Correlation 374**

Introduction 375

What Is Correlation Analysis? 375

The Coefficient of Correlation	377
The Coefficient of Determination	381
Correlation and Cause	382
Exercises	382
Testing the Significance of the Correlation Coefficient	384
Exercises	386
Regression Analysis	386
Least Squares Principle	386
Drawing the Line of Regression	389
Exercises	390
The Standard Error of Estimate	392
Assumptions Underlying Linear Regression	395
Exercises	396
Confidence and Prediction Intervals	396
Exercises	400
More on the Coefficient of Determination	400
Exercises	403
The Relationships among the Coefficient of Correlation, the Coefficient of Determination, and the Standard Error of Estimate	403
Transforming Data	405
Exercises	407
Chapter Outline	408
Pronunciation Key	410
Chapter Exercises	410
exercises.com	417
Dataset Exercises	417
Software Commands	418
Answers to Self-Review	420

Chapter

14 Multiple Regression and Correlation Analysis 421

Introduction	422
Multiple Regression Analysis	422
Inferences in Multiple Linear Regression	423
Exercises	426
Multiple Standard Error of Estimate	428
Assumptions about Multiple Regression and Correlation	429
The ANOVA Table	430

Exercises	432
Evaluating the Regression Equation	432
Using a Scatter Diagram	432
Correlation Matrix	433
Global Test: Testing the Multiple Regression Model	434
Evaluating Individual Regression Coefficients	436
Qualitative Independent Variables	439
Exercises	441
Analysis of Residuals	442
Chapter Outline	447
Pronunciation Key	448
Chapter Exercises	448
exercises.com	459
Dataset Exercises	460
Software Commands	461
Answers to Self-Review	463

Chapter

15 Chi-Square Applications 464

Introduction	464
Goodness-of-Fit Test: Equal Expected Frequencies	465
Exercises	470
Goodness-of-Fit Test: Unequal Expected Frequencies	471
Limitations of Chi-Square	473
Exercises	475
Contingency Table Analysis	746
Exercises	450
Chapter Outline	481
Pronunciation Key	481
Chapter Exercises	482
exercises.com	484
Dataset Exercises	485
Software Commands	486
Answers to Self-Review	487

CD Chapters

- Statistical Quality Control
- Time Series and Forecasting

Appendixes

Appendixes A–I Tables

Binomial Probability Distribution	489
Critical Values of Chi-Square	494
Poisson Distribution	495
Areas under the Normal Curve	496
Table of Random Numbers	497
Student's t Distribution	498
Critical Values of the F Distribution	499
Wilcoxon T Values	501
Factors for Control Charts	502

Appendixes J–N Datasets

Real Estate	503
Major League Baseball	506

Wages and Wage Earners	508
CIA International Economic and Demographic Data	512
Whitner Autoplex	515

Appendix O

Getting Started with Megastat	516
-------------------------------	-----

Appendix P

Visual Statistics	520
-------------------	-----

Answers to Odd-Numbered Exercises	525
-----------------------------------	-----

Photo Credits	552
---------------	-----

Index	553
-------	-----

What Is Statistics?



High speed conveyor belts and state-of-the-art technology efficiently move merchandise through Wal-Mart's distribution centers to keep its nearly 3,000 stores in stock. In 2004, the five largest American companies, ranked by sales were Wal-Mart, BP, Exxon Mobil, General Motors, and Ford Motor Company. (See Goal 5 and Statistics in Action box, page 4.)

GOALS

When you have completed this chapter you will be able to:

- 1** Understand why we study statistics.
- 2** Explain what is meant by *descriptive statistics* and *inferential statistics*.
- 3** Distinguish between a *qualitative variable* and a *quantitative variable*.
- 4** Distinguish between a *discrete variable* and a *continuous variable*.
- 5** Distinguish among the *nominal*, *ordinal*, *interval*, and *ratio* levels of measurement.
- 6** Define the terms *mutually exclusive* and *exhaustive*.