

MS3227: PROBABILITY THEORY IN DECISION MAKING

Effective Term

Semester A 2023/24

Part I Course Overview

Course Title

Probability Theory in Decision Making

Subject Code

MS - Management Sciences

Course Number

3227

Academic Unit

Management Sciences (MS)

College/School

College of Business (CB)

Course Duration

One Semester

Credit Units

3

Level

B1, B2, B3, B4 - Bachelor's Degree

Medium of Instruction

English

Medium of Assessment

English

Prerequisites

Nil

Precursors

CB2200 Business Statistics

Equivalent Courses

Nil

Exclusive Courses

Nil

Part II Course Details

Abstract

This course aims to introduce students to various topics in probability and uncertainty that they will encounter in business studies, and to help students in developing probabilistic thinking in business applications. In addition to the introduction of basic concepts, topics are illustrated with examples in the business context.

Course Intended Learning Outcomes (CILOs)

CILOs		Weighting (if app.)	DEC-A1	DEC-A2	DEC-A3
1	Explain and apply concepts of basic probability, including conditional probability, Bayes Theorem, and the notion of independence of two or more events.	35		x	
2	Describe and apply the concepts of discrete and continuous random variables and probability distributions, including Bernoulli, binomial, geometric, Poisson, uniform, normal, and exponential.	35		x	
3	Interpret and apply limiting theorems, including strong and weak laws of large number, and central limit theorem	20		x	
4	Select appropriate probability concepts and notion to model and analyse real-life business problems, interpret the results and give recommendations for business decision making.	10	x	x	

A1: Attitude

Develop an attitude of discovery/innovation/creativity, as demonstrated by students possessing a strong sense of curiosity, asking questions actively, challenging assumptions or engaging in inquiry together with teachers.

A2: Ability

Develop the ability/skill needed to discover/innovate/create, as demonstrated by students possessing critical thinking skills to assess ideas, acquiring research skills, synthesizing knowledge across disciplines or applying academic knowledge to real-life problems.

A3: Accomplishments

Demonstrate accomplishment of discovery/innovation/creativity through producing /constructing creative works/new artefacts, effective solutions to real-life problems or new processes.

Teaching and Learning Activities (TLAs)

TLAs		Brief Description	CILO No.	Hours/week (if applicable)
1	Lectures	<p>Lectures: Background knowledge, definition and concepts are explained.</p> <p>Business applications: Business applications that illustrate the use of probability concepts in the real world are discussed.</p>	1, 2, 3, 4	
2	Tutorials	<p>Exercises: Students discuss their responses to exercises that are designed to enhance their understanding of probability concepts within a real world context. They are required to interpret the results and give recommendations.</p> <p>Class Discussion: Students work in small groups to discuss how to apply probability notion and concepts in modelling and analysis of real-world business problems.</p>	1, 2, 4	

Assessment Tasks / Activities (ATs)

ATs		CILO No.	Weighting (%)	Remarks (e.g. Parameter for GenAI use)
1	<p>Test</p> <p>The test will assess the students' understanding of the probability concepts and theory, and ability to apply concepts to business decision makings.</p>	1, 2, 4	20	

2	Assignments Individual assignments to enhance students' ability to identify relevant probability concepts to analyse and solve business decision makings.	2, 3, 4	30	
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Continuous Assessment (%)

50

Examination (%)

50

Examination Duration (Hours)

3

Additional Information for ATs

Written Examination

The examination will assess the students' ability to select and apply the probability concepts and methods to solve business problems and to interpret the implications of probability concepts in real-world decision making.

Assessment Rubrics (AR)**Assessment Task**

Test

Criterion

1.1 ABILITY to DEFINE the probability terminologies.

1.2 ABILITY to SELECT and APPLY different probability methods to business decision makings.

Excellent (A+, A, A-)

High

Good (B+, B, B-)

Significant

Fair (C+, C, C-)

Moderate

Marginal (D)

Basic

Failure (F)

Not even reaching marginal levels

Assessment Task

Assignments

Criterion

2.1 ABILITY to IDENTIFY a set of relevant probability concepts to real-world problems.

2.2 ABILITY to APPLY the relevant probability concepts to ANALYSE business problems.

Excellent (A+, A, A-)

High

Good (B+, B, B-)

Significant

Fair (C+, C, C-)

Moderate

Marginal (D)

Basic

Failure (F)

Not even reaching marginal levels

Assessment Task

Written Examination

Criterion

3.1 ABILITY to SELECT and APPLY different probability methods to business decision makings.

3.2 ABILITY to INTERPRET the implications of probability concepts in business decision making.

Excellent (A+, A, A-)

High

Good (B+, B, B-)

Significant

Fair (C+, C, C-)

Moderate

Marginal (D)

Basic

Failure (F)

Not even reaching marginal levels

Part III Other Information

Keyword Syllabus

Elements of Probability

Introduction to integration and differentiation, set theory, sample space, events, expectation, independence, conditional probability, multiplication law, Bayes theorem, etc.

Important probability distributions

Discrete and continuous probability distributions and their modeling being used in business applications. Applications in business context, including quality control, customer satisfaction, queueing models, service system management, and simulation.

Joint probability distributions

Joint probability distribution and models with dependent random variables in business applications. Applications in business context, including resource pooling, portfolio selection, finance, etc.

Limiting Theorems

Basic concepts of convergence, strong and weak law of large numbers, central limit theorem. Applications in business context, including insurance and risk control in stock market.

Stochastic Processes

Models of stochastic processes in business applications. Applications in business context, including inventory management and risk control in loan management.

Reading List**Compulsory Readings**

Title	
1	Mario Lefebvre. Basic Probability Theory with Applications. Springer.

Additional Readings

Title	
1	Ghahramani, S. Fundamentals of Probability. Prentice Hall.
2	Sheldon Ross. A First Course in Probability. Pearson.