# QSO 520 Module Seven Homework Questions

1. (P8-43) Jason Scott (see Problem 8-42) has decided to incorporate utility theory into his decision with his mortgage application. The following table describes Jason’s utility function:

|  |  |
| --- | --- |
| **Monetary Value** | **Utility** |
| -$4800 | 0.00 |
| -$2900 | 0.10 |
| -$2400 | 0.12 |
| -$1000 | 0.15 |
| -$500 | 0.19 |
| $0 | 0.21 |
| $1900 | 0.26 |
| $2400 | 0.30 |
| $4800 | 1.00 |

(a) How can you best describe Jason’s attitude toward risk? Justify your answer.

(b) Will the use of utilities affect Jason’s original decision in Problem 8-42?