Risk Quiz

What are your attitudes toward these risky situations? Knowledge of your risk attitudes can be helpful in understanding both your feelings in certain situations and why you make particular decisions. There are no right or wrong answers; answer according to your own preference.

1. Imagine yourself on your way to a ball game with a pair of tickets for which you have paid $30. After parking your car, you realize that you have lost the tickets. The box office has two tickets for sale for $30. Would you buy the tickets?
   a. yes   b. no

2. Imagine yourself on your way to a ballgame. You intend to spend $30 for the tickets at the box office. After parking your car, you realize you have lost $30. However, you still have enough cash to purchase the tickets. Would you buy the tickets to the game?
   a. yes   b. no

3. Imagine you are given the choice between two options. The first is a sure gain of $700. The second is a risky prospect that offers a 75 percent chance of winning $1,000 and a 25 percent chance of winning nothing. Which option would you select?
   a. a sure gain of $700
   b. a 75 percent chance of winning $1,000 and a 25 percent chance of winning nothing

4. Imagine you are given the choice between two options. The first is a sure loss of $700. The second is a risky prospect that offers a 75 percent chance of losing $1,000 and a 25 percent chance of losing nothing. Which option would you select?
   a. a sure loss of $700
   b. a 75 percent chance of losing $1,000 and a 25 percent chance of losing nothing
5. Imagine the U.S. preparing for the outbreak of a rare Asian disease which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed. If the first program is adopted, estimates are that 375 people will die. If the second program is adopted, there is a 1/3 probability that nobody will die and a 2/3 probability that 600 people will die. Which program would you select?

   a. a sure loss of 375 lives
   b. a 1/3 probability of nobody dying and a 2/3 probability of 600 people dying

6. Imagine you have been offered a choice between: (a) winning a sure cash prize and (b) a risky option with a 50 percent chance of winning $100 and a 50 percent chance of winning nothing. How big would the sure cash prize have to be to make the prize just as attractive as the risky option for you?

   a. $30    e. $50
   b. $35    f. $55
   c. $40    g. $60
   d. $45    h. $65

7. Consider a situation in which you face a 50 percent chance of losing $100 and a 50 percent chance of winning a cash prize. What is the smallest cash prize that would make this risky option acceptable to you?

   a. $50     e. $150
   b. $75     f. $175
   c. $100    g. $200 or more
   d. $125

8. How many state lottery tickets do you buy each week, on the average?

   a. none     c. two
   b. one      d. three or more

9. Imagine you are about to buy a tie for $10. The salesman tells you that the tie you want to buy is on sale for $5 at the other branch of the store. It would cost you 20 minutes effort to buy the tie at the other store. Would you make the trip to the other store?

   a. yes       b. no
10. Imagine you are about to purchase a new car. The dealer offers to sell you the car for $11,505 without the radio you want (radio A) and $11,595 with the radio you want (radio B). You can go to a stereo shop and have Radio B installed for $75 but it will require an hour of your effort. Which would you do?

   a. Buy the car equipped with radio B for $11,595

   b. Buy the car for $11,505 and have radio B installed at a stereo shop for $75.

11. Paul has an investment in money market funds. During the past year, he could have invested this money in the stock market, and he would have been $25,000 ahead. Unfortunately, Paul retained his money market funds. Dave had an investment in the stock market. But last year he sold all his shares and invested in money market funds. His investment is now worth $25,000 less than it would have been if the stock had been retained. Who feels worse?

   a. Paul   b. Dave