Show your work for all problems.

1. Problem 1 on page 72 of the text.

2. Problem 5 on page 72 of the text.

3. Read the Freemark Abbey Winery case on pages 21-23 of the supplementary readings booklet. In the second-to-last paragraph, I interpret the text as stating that if the storm does not strike, there is 40% chance of getting $3.50/bottle wholesale, a 40% chance of getting $3.00/bottle wholesale, and a 20% chance of getting $2.50/bottle wholesale.

   (a) Assume that if the storm strikes but there is no botrytis mold, you will sell the wine for $2.00/bottle wholesale. From an expected monetary value standpoint, should you harvest before the storm or not? Show your work.

   (b) Should Freemark Abbey apply the expected value criterion to this decision, should they be risk averse, or should they be risk seeking? Answer in a brief paragraph supporting your conclusion.