

Ex 1

	Restoration costs	Probability	Weighted outcome
Scenario A	200,000	55%	110,000
Scenario B	275,000	45%	123,750
Total			233,750 FV
			116,215 PV

Adjustment for uncertainty	5%
Risk-free rate	10%
Discount factor	15%

Ex 2

Total number of goods sold 1000 units

	Probability	Repair costs (Number of return)	Weighted outcome
No defect	75%	0	0
Minor defect	20%	100	20,000
Major defect	5%	400	20,000
Total warranty provision			40,000

Ex 3

(A)	Claim	Probability
Scenario A	2,000,000	30%
Scenario B	300,000	70%
Total		300,000 as most likely outcome

(B)	Claim	Probability
Scenario A	100,000	25%
Scenario B	300,000	50%
Scenario C	500,000	25%
Total		300,000 as weighted average
		277,367

(C)	Claim	Probability
Scenario A	-	75%
Scenario B	2,000,000	10%
Scenario C	300,000	15%
Total		- it is contingent liability