Ex 1

	Restoration costs	Probability		
Scenario A	200,000	55%		
Scenario B	275,000	45%		
Total			200,000	as most likely outcome (FV)
			99,435	PV

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

Ex 2

Total number of goods sold   1000 units

	Probability	Repair costs (u	Number of retur	Weighted outcome
No defect	75%	0	0	-
Minor defect	20%	100	200	20,000
Major defect	5%	400	50	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 (FV)
			810,000	as weighted average approach
			748,891	PV of provision based on weighted average approac

(B)	Claim	Probability		
Scenario A	100,000	25%		
Scenario B	300,000	50%		
Scenario C	500,000	25%		
Total			300,000	as most likely outcome (FV)

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

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