Solutions

2.1

- $0.4 \times 30 + 0.35 \times 12 + 0.25 \times (-8) = 12 + 4.2 - 2 = 14.2$k.

2.2

- With perfect information act only on boom and steady: $12 + 4.2 = 16.2$k.
- EVPI $= 16.2 - 14.2 = 2.0$k.

2.3

- Staged: $12 + 4.2 + 0.25 \times (-4) - 5 = 10.2$k.
- Unstaged alternative: $15 - 12 = 3.0$k. Staging wins by 7.2 - the tail again.

2.4

- The study at 4k exceeds the 2.0k EVPI ceiling: unbuyable at any quality.

2.5

- Any pre-committed rule with a number and a date: e.g. pilot sign-ups below 60% of forecast by week 3 lapses the option.