

## Question #232

Key: B

The first step is to trend the year 1 data by 1.21 and the year 2 data by 1.1. The observations are now 24.2, 48.4, 60.5, 33, 44, 99, and 132.

The first two sample moments are 63.014 and 5262.64. The equations to solve are

$$63.014 = e^{\mu+0.5\sigma^2}; \quad 4.14336 = \mu + 0.5\sigma^2$$

$$5262.64 = e^{2\mu+2\sigma^2}; \quad 8.56839 = 2\mu + 2\sigma^2.$$

Taking four times the first equation and subtracting the second gives  $2\mu$  and therefore

$$\mu = \frac{4(4.14336) - 8.56839}{2} = 4.00.$$