

99. Solution: C

We use the relationships $\text{Var}(aX + b) = a^2 \text{Var}(X)$, $\text{Cov}(aX, bY) = ab \text{Cov}(X, Y)$, and $\text{Var}(X + Y) = \text{Var}(X) + \text{Var}(Y) + 2 \text{Cov}(X, Y)$. First we observe $17,000 = \text{Var}(X + Y) = 5000 + 10,000 + 2 \text{Cov}(X, Y)$, and so $\text{Cov}(X, Y) = 1000$.

We want to find $\text{Var}[(X + 100) + 1.1Y] = \text{Var}[(X + 1.1Y) + 100]$
 $= \text{Var}[X + 1.1Y] = \text{Var} X + \text{Var}[(1.1)Y] + 2 \text{Cov}(X, 1.1Y)$
 $= \text{Var} X + (1.1)^2 \text{Var} Y + 2(1.1) \text{Cov}(X, Y) = 5000 + 12,100 + 2200 = 19,300.$