

Appendix. Questionnaire

Frame dependence section of questionnaire

Before you continue, note the following:

Some of the scenarios below may seem very similar, but there are important *small differences*.

Please consider each question separately.

There are no right or wrong answers to these questions – the purpose of the survey is to investigate decision-making processes based on your choices.

Question 1

A car manufacturer has experienced economic setbacks. Three plants may have to be closed and 6,000 employees laid off. The vice-president of production has developed two plans. Which plan would you choose?

- The plan that will result in the loss of two of the three plants and 4,000 jobs.
- The plan that has a 2/3 (66.67%) probability of resulting in the loss of all three plants and all 6,000 jobs, but there is a 1/3 (33.33%) probability of losing no plants and no jobs.

Question 2

A car manufacturer experienced economic setbacks. Three plants may have to be closed and 6,000 employees laid off. The vice-president of production has developed two plans. Which plan would you choose?

- The plan that will save one of the three plants and 2,000 jobs.
- The plan that has a 1/3 (33.33%) probability of saving all three plants and all 6,000 jobs, but has a 2/3 (66.67%) probability of saving no plants and no jobs.

Questions 3 and 4

As the CEO of CHARLIE Corporation you must decide whether your firm should acquire SIERRA Limited.

If you make a bid for the company, you face the following pair of concurrent decisions, because it is rumoured that you may be the target for acquisition by another firm.

Examine both decisions, then indicate your preferred options, bearing in mind that the decisions regarding Question 3 and Question 4 *must be made at the same time*.

Question 3: Choose between:

- A certain increase of \$240m in CHARLIE's value.

- A 25% chance of increasing CHARLIE's value by \$1bn and a 75% chance of gaining nothing.

Question 4: Choose between:

- A certain loss of \$750m in CHARLIE's value.
- A 75% chance of losing \$1bn in CHARLIE's value and a 25% chance of staying as you currently are.

Question 5

Your company is currently insured against 70% of the possible occurrences of Event 1 and 80% of the possible occurrences of Event 2. As the probability of each event occurring and the expected loss from each event is the same, the insurance premium to fully cover Event 1 is the same as the insurance premium to fully cover Event 2.

Choose between the following (assuming that you can only afford one increase):

- *Increase* coverage for Event 1 from 70 to 90% at an *additional* premium cost of \$2,450 per month.
- *Increase* coverage for Event 2 from 80 to 100% (*full coverage*) at an *additional* premium cost of \$2,500.

Question 6

Which of the following options would you prefer?

- A 25% chance of increasing the value of your company by \$60m.
- A 20% chance of increasing the value of your company by \$90m.

Question 7

You are the CEO of LIMA Corporation. You must decide whether your firm should acquire FOXTROT Limited.

- There is a 75% chance that FOXTROT will resist your take-over bid, resulting in failure to acquire FOXTROT.
- There is a 25% chance that your take-over bid will be successful.

If there is no resistance, depending on the amount of your bid, you may be able to increase LIMA's total value by choosing between the two options below. You have to choose between the two options before you know the outcome of your bid. Which option would you choose?

- A certain increase of \$60m.
- An 80% chance of a \$90m increase.

Question 8

As the CEO of a company, you have signed a contract and have paid \$10,000 to an entertainment company, MAMBO Limited (“MAMBO”), to host a staff function. After

paying over the \$10,000, you are informed that MAMBO has been declared bankrupt and will not be able honour its contract with you. You are unlikely to get any of your money back.

Would you contract another company to host the staff function that you wanted originally, provided that you are still in a position to cancel the staff function?

- Yes. I would pay another \$10,000.
- No. I would not pay another \$10,000.

Question 9

As the CEO of a company, you have approached an entertainment company, NANO Limited, to host a staff function. Before you sign the final contract with NANO, you hear that your firm has lost \$10 000 in the last quarter due to the unforeseeable bankruptcy of one of your customers, BRAVO Consolidated (an event unrelated to the staff function).

Would you still sign the contract with NANO and pay the \$10,000 for the staff function, provided that you are still in the position to cancel the staff function?

- Yes. I would still sign the contract.
- No. I would not sign the contract.

Question 10

Your company owns a seaside holiday house. The house is made available to executives and their families on a rotating basis and is leased to the public when it is not being used by the executives.

- A good rental income is earned on the house when it is leased to the public, as the house is a sought-after property in its area.
- The current average value of properties in this particular seaside area is \$120,000, with a standard deviation of around \$20,000.

Based only on the information provided, what is the minimum price at which you think your company should consider *selling* the property?

- <\$70,000
- \$70,000–\$90,000
- \$90,001–\$110,000
- \$110,001–\$130,000
- \$130,001–\$150,000
- \$150,001–\$170,000
- \$170,001–\$190,000
- >\$190,000

Question 11

Your company is considering *buying* a seaside holiday house. The house will be made available to the executives and their families on a rotating basis and will be leased to the public when it is not being used by the executives.

- A good rental income can be earned on the house when it is leased to the public, as the house is a sought-after property in its area.
- The current average value of properties in this particular seaside area is \$120,000, with a standard deviation of around \$20,000.

Based only on the information provided, what is the maximum price at which you think that your company should *acquire* the property?

- <\$70,000
- \$70,000–\$90,000
- \$90,001–\$110,000
- \$110,001–\$130,000
- \$130,001–\$150,000
- \$150,001–\$170,000
- \$170,001–\$190,000
- >\$190,000