The person sitting next to you (with the baseball cap over his eyes) missed a few classes and has no idea in the world how to do most of this exam. He assumes that you know more than he does and may copy the stuff you have on your paper even if it doesn't seem to make any sense.

The risk is that your stuff may really **not** make any sense, and there is also the risk of being caught by the alert, eagle-eyed professor. However, with current policy, the most degrading outcome allowed would be an F in the exam, so if he gets caught cheating, then he will flunk the exam, but still has a 10% chance of passing the course. He could also drop the course discreetly and tell his parents that the instructor was an incorrigible pompous buffoon. (This is a recognized frequent problem with professors)   If he drops soon, he can get half his money back. Suppose the probability that you know what you are doing is 70%, and The probability of him being caught is only 40% if the answers are correct. The probability of him being caught is higher if you don't know what you are doing and both papers have the same exact nonsense written on them.

If he cheats without detection and copies anything sensible from your paper, then he would increase his chances of passing the course from 20% to 80%. Copying anything would improve his probability of passing the course. If he passes the course, he avoids paying to try again next semester. The tree captures all this.

He will decide whether or not to cheat based on this tree with COSTS of lost fees for various outcomes.

Costs
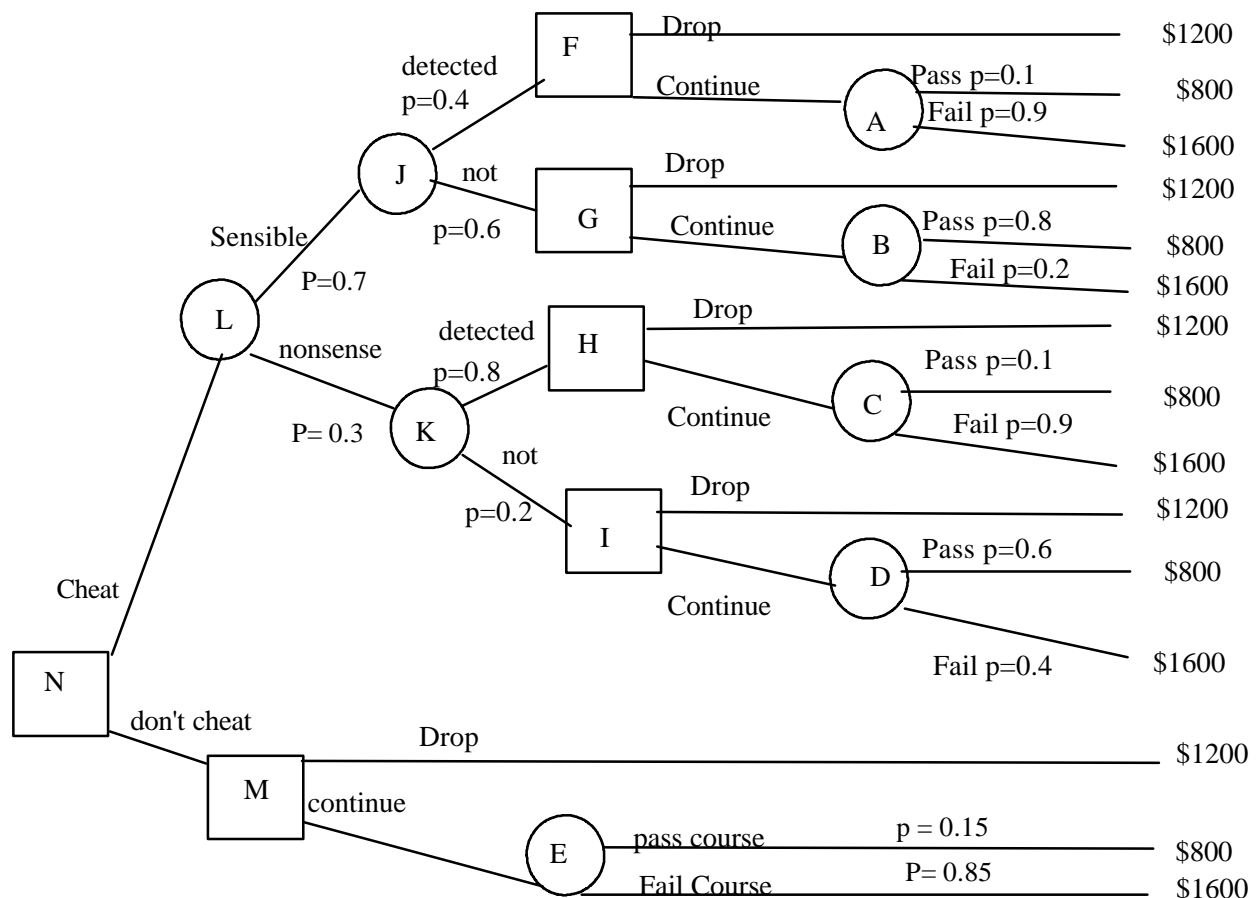
a)   Calculate expected costs for each alternative. Show decisions and expected monetary values at branch points. Put the numbers in the boxes and circles   If he only cares about expected costs, would he cheat or not?

b) What are two things that could be changed in this model to reduce the incentive to cheat on exams?

1)

2)

My **Grandmother** is watching you.
Do not Cheat!