



Ans 2

Decision modelling :- Decision modelling refers to the use of mathematic and scientific method to the determine an allocation of ~~scarc~~ scarce resources which improves or optimizes the performance of a system.

The term operations research and management science are also used to refer to decision modeling.

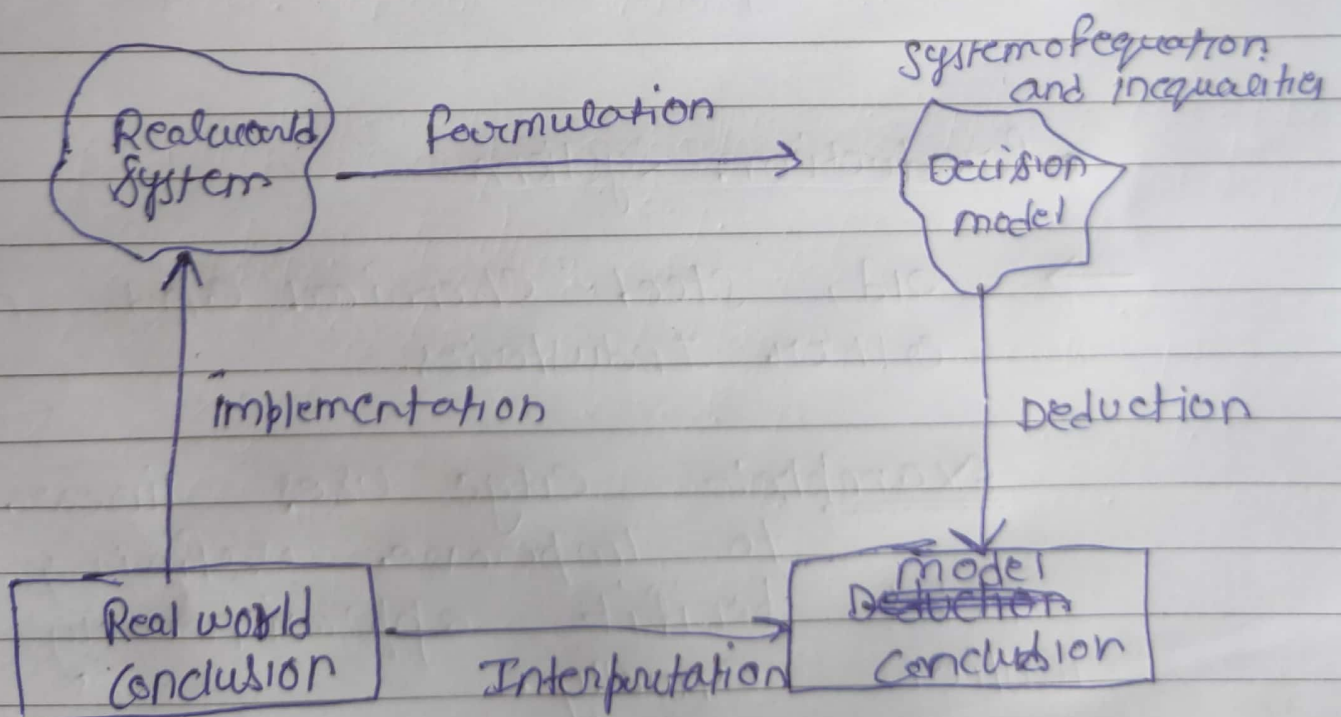


Fig. - Decision modeling process

## Application of decision model:-

### • Financial system:-

→ Portfolio optimization & security  
 (e.g. pricing option mortgage backed security,  
 cash flow matching.)

Example: Liberty view capital  
 management uses a spread  
 sheet optimization model

### • Production System

→ oil, steel chemical and many  
 other industries.

Example:- Citgo uses linear programming  
 to improve refining operation  
 total benefit approximately \$70  
 million annually.