

Ans 2

Decision modeling :- 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.

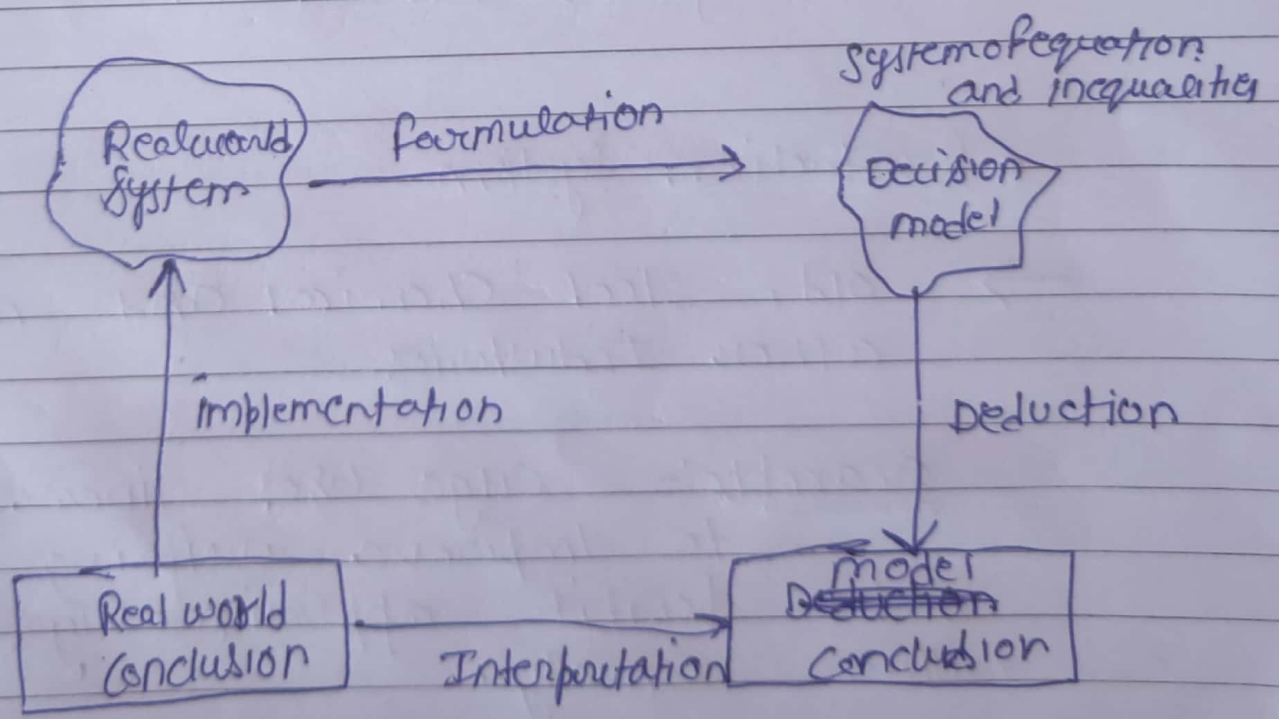


Fig. - Decision modeling process



Date \_\_\_\_\_

Page No. \_\_\_\_\_

## Application of decision model:-

### • Financial system:-

→ Portfolio optimization security  
(eg 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.