Central limit theorem

Statement

Let $x_1, x_2, \ldots, x_n$ are n independent identically distributed random variables with same mean μ and standard deviation σ and if $\bar{x} = \frac{1}{n}\sum_{i=1}^{n} x_i$, then the variate $z = \frac{\bar{X}-\mu}{\sigma/\sqrt{n}}$ has a distribution that approaches the standard normal distribution an $n \to \infty$ provided the MGF of x_i exist.

Proof:

MGF of z about origin is $M_X(t) = E(e^{tz})$

$$= E\left[e^{t\left(\frac{\bar{X}-\mu}{\sigma/\sqrt{n}}\right)}\right]$$

$$= E\left[e^{\frac{\sqrt{n}t}{\sigma}(\bar{X}-\mu)}\right]$$

$$= E\left[e^{\frac{\bar{X}\sqrt{n}t}{\sigma}} e^{-\frac{\mu\sqrt{n}t}{\sigma}}\right]$$

$$= e^{-\frac{\mu\sqrt{n}t}{\sigma}} E\left[e^{\frac{\bar{X}\sqrt{n}t}{\sigma}}\right]$$

$$= e^{-\frac{\mu\sqrt{n}t}{\sigma}} E\left[e^{\frac{\sqrt{n}t}{\sigma}\frac{1}{n}(x_1 + x_2 + \ldots + x_n)}\right]$$

$$= e^{-\frac{\mu\sqrt{n}t}{\sigma}} E\left(e^{\frac{tx_1}{\sigma\sqrt{n}}}\right) E\left(e^{\frac{tx_2}{\sigma\sqrt{n}}}\right) \ldots E\left(e^{\frac{tx_n}{\sigma\sqrt{n}}}\right)$$

$$= e^{-\frac{\mu\sqrt{n}t}{\sigma}} \left\{M_X\left(\frac{t}{\sigma\sqrt{n}}\right)\right\}^n$$

Taking log on both sides

$$logM_z(t) = loge^{-\frac{\mu\sqrt{n}t}{\sigma}} + log\left\{M_X\left(\frac{t}{\sigma\sqrt{n}}\right)\right\}^n$$

$$= \frac{-\mu t\sqrt{n}}{\sigma} + nlogM_X\left(\frac{t}{\sigma\sqrt{n}}\right)$$

$$= \frac{-\mu t\sqrt{n}}{\sigma} + nlogE\left(e^{\frac{tX}{\sigma\sqrt{n}}}\right)$$

$$= \frac{-\mu t\sqrt{n}}{\sigma} + nlog\left[E\left(1 + \frac{\frac{tx}{\sigma\sqrt{n}}}{1!} + \frac{\left(\frac{tx}{\sigma\sqrt{n}}\right)^2}{2!} + \ldots\right)\right] \quad \mu$$

$$= \frac{-\mu t\sqrt{n}}{\sigma} + nlog\left[E\left(1 + \frac{tx}{\sigma\sqrt{n}} + \frac{1}{2!}\frac{t^2x^2}{\sigma^2 n} + \ldots\right)\right]$$

$$= \frac{-\mu t\sqrt{n}}{\sigma} + nlog\left[1 + \frac{tx}{\sigma\sqrt{n}}E(x) + \frac{1}{2!}\frac{t^2x^2}{\sigma^2 n}E(x^2) + \ldots\right]$$

$$= \frac{-\mu t\sqrt{n}}{\sigma} + nlog\left[1 + \frac{tx}{\sigma\sqrt{n}}\mu_1{}' + \frac{1}{2!}\frac{t^2x^2}{\sigma^2 n}\mu_2{}' + \ldots\right]$$

$$= \frac{-\mu t\sqrt{n}}{\sigma} + n\left[\left(\frac{tx}{\sigma\sqrt{n}}\mu_1' + \frac{1}{2!}\frac{t^2x^2}{\sigma^2 n}\mu_2' + \ldots\right) - \frac{1}{2}\left(\frac{tx}{\sigma\sqrt{n}}\mu_1' + \frac{1}{2!}\frac{t^2x^2}{\sigma^2 n}\mu_2' + \ldots\right)^2 + \ldots\right]$$

$= \frac{-\mu t\sqrt{n}}{\sigma} + \frac{\mu_1' t\sqrt{n}}{\sigma} + \frac{\mu_2' t^2}{2!\sigma} + \ldots - \frac{(\mu_1')^2 t^2}{2\sigma^2}$ + terms containing "n" in the denominator

Put $\mu = \mu_1'$

$= \frac{-\mu_1' t\sqrt{n}}{\sigma} + \frac{\mu_1' t\sqrt{n}}{\sigma} + \frac{\mu_2' t^2}{2!\sigma} + \ldots - \frac{(\mu_1')^2 t^2}{2\sigma^2}$ + terms containing "n" in the denominator

$= \frac{t^2}{2\sigma^2}(\mu_2' - (\mu_1')^2)$ + terms containing "n" in the denominator

$= \frac{t^2}{2\sigma^2}\sigma^2$ + terms containing "n" in the denominator

$logM_z(t) = \frac{t^2}{2}$ + terms containing "n" in the denominator

Letting $n \to \infty$, $logM_z(t) = \frac{t^2}{2}$

$\Rightarrow M_z(t) = e^{\frac{t^2}{2}}$ = MGF of $N(0,1)$

Hence z follows standard normal distribution as $n \to \infty$

Standard Normal Distribution

Let $z = \frac{X-\mu}{\sigma}$, z follows normal distribution with mean 0 and variance 1, then z follows standard normal distribution.

Problems on Central limit theorem

1. If $X_1, X_2, \dots, X_n$ are Poisson variables with parameter $\lambda = 2$, use central limit theorem to estimate $P(120 < S_n < 160)$ where $S_n = X_1 + X_2 + \dots + X_n$ and $n = 75$

Solution:

To find mean and variance

Given mean = 2

Variance = 2

(For Poisson distribution Mean = variance = λ

To find $n\mu$ and $n\sigma^2$

$n\mu = 75 \times 2 = 150$

$n\sigma^2 = 75 \times 2 = 150$

$\sigma\sqrt{n} = \sqrt{150}$

Application of central limit theorem

$S_n \sim N(n\mu, \sigma\sqrt{n})$

$\sim N(150, \sqrt{150})$

To find $P(120 < S_n < 160)$

Let $z = \frac{S_n - n\mu}{\sigma\sqrt{n}}$

$= \frac{S_n - 150}{\sqrt{150}}$

If $S_n = 120$

$z = \frac{120-150}{\sqrt{150}} = -2.45$

If $S_n = 160$

$z = \frac{160-150}{\sqrt{150}} = 0.85$

$P(120 < S_n < 160) = P\left(\frac{S_n-150}{\sqrt{150}} \le z \le \frac{S_n+150}{\sqrt{150}}\right)$

$= P(-2.45 \le z \le 0.85)$

$= P(-2.45 \le z \le 0) + P(0 \le z \le 0.85)$

$$= 0.4927 + 0.2939 = 0.7866$$

2. Let $X_1, X_2, \ldots, X_n$ be independent identically distributed random variable variables with mean = 2 and variance = ¼ . Find $P(192 < X_1 + X_2 + \ldots + X_n < 210)$

Solution:

To find mean and variance

Given mean = 2

Variance = ¼ , $n = 4$

To find $n\mu$ and $n\sigma^2$

$n\mu = 100 \times 2 = 200$

$n\sigma^2 = 100 \times 1/4 = 25$

$\sigma\sqrt{n} = 5$

Application of central limit theorem

$S_n \sim N(n\mu, \sigma\sqrt{n}) \sim N(200, 5)$

To find $P(192 < S_n < 210)$

Let $z = \frac{S_n - n\mu}{\sigma\sqrt{n}}$

$$= \frac{S_n - 200}{5}$$

If $S_n = 192$

$$z = \frac{192-200}{5} = -1.6$$

If $S_n = 210$

$$z = \frac{210-200}{5} = 2$$

$$P(192 < S_n < 210) = P\left(\frac{S_n-200}{5} \leq z \leq \frac{S_n+200}{5}\right)$$

$$= P(-1.6 \leq z \leq 2)$$

$$= P(-1.6 \leq z \leq 0) + P(0 \leq z \leq 2)$$

$$= 0.4452 + 0.4772 = 0.9224$$

3. The resistors $r_1, r_2,\ r_3$ and r_4 are independent random variables and is uniform in the interval $(450, 550)$. Using the central limit theorem, find $P(1900 < r_1 +\ r_2 + r_3 + r_4 < 2100)$

Solution:

To find mean and variance

A random variable X is said to have uniform distribution on the interval (a, b) if its probability density function is given by

$f(x) = \frac{1}{b-a}, a < x < b$

Mean $= \frac{a+b}{2}$, Variance $= \frac{(b-a)^2}{12}$

Mean $= \frac{450+550}{2} = 500$

Variance $= \frac{(550-450)^2}{12} = 833.33, n = 4$

To find $n\mu$ and $n\sigma^2$

$n\mu = 4 \times 500 = 2000$

$n\sigma^2 = 4 \times 833.33 = 25$

$\sigma\sqrt{n} = 2\sqrt{833.33} = 57.73$

Application of central limit theorem

$S_n \sim N(n\mu, \sigma\sqrt{n})$

$\sim N(200, 57.73)$

To find $P(1900 < S_n < 2100)$

Let $z = \frac{S_n - n\mu}{\sigma\sqrt{n}}$

$= \frac{S_n - 2000}{57.73}$

If $S_n = 1900$

$z = \frac{1900-2000}{57.73} = -1.73$

If $S_n = 2100$

$z = \frac{2100-2000}{57.73} = 1.73$

$P(1900 < S_n < 2100) = P\left(\frac{S_n - 2000}{57.73} \le z \le \frac{S_n + 2000}{57.73}\right)$

$= P(-1.73 \le z \le 1.73)$

$= P(-1.73 \le z \le 0) + P(0 \le z \le 1.73)$

$= 2 \times P(0 \le z \le 1.73)$

$= 2 \times 0.4582 = 0.9164$

4. If $x_i, i = 1, 2, \ldots, 50$ are independent random variables each having a Poisson distribution with parameter $\lambda = 0.03$ and $S_n = X_1 + X_2 + \ldots + X_n$ evaluate $P(S_n \geq 3)$

Solution:

To find mean and variance

Given mean = 0.03

Variance = 0.03 , $n = 4$

To find $n\mu$ and $n\sigma^2$

$$n\mu = 50 \times 0.03 = 1.5$$

$$n\sigma^2 = 50 \times 0.03 = 1.5$$

$$\sigma\sqrt{n} = \sqrt{1.5}$$

Application of central limit theorem

$$S_n \sim N(n\mu, \sigma\sqrt{n})$$

$$\sim N(1.5, \sqrt{1.5})$$

To find $P(S_n \geq 3)$

Let $z = \frac{S_n - n\mu}{\sigma\sqrt{n}}$

$= \frac{S_n - 1.5}{\sqrt{1.5}}$

If $S_n = 3$

$z = \frac{3-1.5}{\sqrt{1.5}} = \sqrt{1.5}$

$P(S_n \geq 3) = P\left(z \geq \sqrt{1.5}\right)$

$= P(z \geq 1.23)$

$= 0.5 - P(z < 1.23)$

$= 0.1112$

5. A coin is tossed 300 times. What is the probability that heads will appear more than 140 times and less than 150 times.

Solution:

To find mean and variance

Let P be the probability of getting head in a single trial.

$p = \frac{1}{2}, q = 1 - \frac{1}{2} = \frac{1}{2}$

Here $n = 300$

To find np and npq

mean $= np = 300 \times \frac{1}{2} = 150$

Variance $= npp = 300 \times \frac{1}{2} \times \frac{1}{2} = 75$

To find $P(140 < S_n < 150)$

Let $z = \frac{X-\mu}{\sigma}$

$$= \frac{X-150}{\sqrt{75}}$$

If $X = 140$

$$z = \frac{140-150}{\sqrt{75}} = -1.15$$

If $X = 150$

$$z = \frac{150-150}{\sqrt{75}} = 0$$

$$P(140 < X < 50) = P\left(\frac{X-150}{\sqrt{75}} \leq z \leq \frac{X+150}{\sqrt{75}}\right)$$

$$= P(-1.15 \leq z \leq 0)$$

$$= P(0 \leq z \leq 1.15)$$

$$= 0.3749$$