

Abstract

Expected utility theory was long considered as principles of human decision making. However, Kahneman and Tversky's prospect theory demonstrated and explained human irrational behavior in a descriptive way, some contradicted to expect utility theory. Human had different attitude and preference when they faced different probabilities of positive and negative outcomes. That was risk aversion for gains and risk seeking for losses of high probability but risk seeking for gains and risk aversion for losses of low probability (Kahneman & Tversky, 1992). This paper was aimed to use Kahneman and Tversky's prospect theory as a framework, and to revise the concept of risk aversion and risk seeking behavior, and to test how the probability and other factors affected decision making. The result was generally reflected the risk attitude of prospect theory. However, human decision making process was complex in reality. The simplicity of prospect theory might not truly reflected real life choice selection, especially in dynamic and interactive world.

*Keywords:* Decision making, expected utility, probability, risk aversion, risk seeking