

Quiz # 3
Chapter 6 and 7
Suggested Answers
Econometrics 06216

Name _____

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- Choose the **MOST CORRECT** answer
 - You have 5 minutes to solve out this quiz
1. Suppose that you have estimated a demand function of Pop-tarts, to prove that this demand is elastic to the price you run a:
 - a. **Right tailed significance test.**
 - b. Left tailed significance test.^o
 - c. Two-tailed significance test.
 - d. None of the above.
 2. A weak test means:
 - a. A test that is unlikely to accept.
 - b. **A test that is unlikely to reject.**
 - c. A test that is powerful enough.
 - d. None of the above
 3. Suppose that you add an explanatory variable to certain model and you find out that the adjusted R^2 decrease, you can affirm that:
 - a. **The added variable is not lowering enough the sum of squared residuals to compensate the increase in k (number of explanators).**
 - b. The added variable is not increasing enough the sum of squared residuals to compensate the decrease in k (number of explanators).
 - c. The variable is not significant.
 - d. None the above.
 4. One of the following sentences is *not* true, choose the appropriate
 - a. When a regressor is added to a model, the adjusted R^2 can get lower
 - b. When a regressor is added to a model, the R^2 can not get lower
 - c. When a regressor is added to a model, the adjusted R^2 may get higher
 - d. **None of the above**
 5. The probability of a type II error is the probability:
 - a. Of rejecting a true null hypothesis.
 - b. **Of not rejecting a false null hypothesis.**
 - c. Of rejecting a false null hypothesis.
 - d. None of the above.