

Quiz # 6
Chapter 6
Suggested Answers
Econometrics 06216

Name _____

- Choose the **MOST CORRECT** answer
 - You have 5 minutes to solve out this quiz
1. Which of the following regressions have dummy variables that demonstrate differences in the **Y** value *ceteris paribus*.
 - a. $Y_i = \alpha_0 + D\alpha_1 X_1 + \varepsilon_i$
 - b. $Y_i = \alpha_0 + D\alpha_1 X_1 + \alpha_2 X_1 + \varepsilon_i$
 - c. $Y_i = \alpha_0 + \alpha_1 D X_1 + \alpha_2 X_2 + \varepsilon_i$
 - d. All of the above.
 - e. **None of the above.**
 2. The expected value of a dummy variable is:
 - a. 0
 - b. 1
 - c. Some number greater than 0.
 - d. There is no expected value.
 - e. **None of the above.**
 3. Which one of the next problems you **can't** solve with dummy variables.
 - a. Difference in econometrics' score, between man and woman.
 - b. Difference in the behavior of financial market according to the hour and day.
 - c. Difference in the preference of blacks and Caucasian for some kind of desserts.
 - d. **All of the above can be solved.**
 - e. None of the above can be solved.
 4. In the next model, where D is a dummy variable that takes the value of 1 if it's a boy, and 0 if it's a girl. X is the money they have to buy their lunch in school, and Y is the amount of money they spend buying candies. α_1 is:

$$Y_i = \alpha_0 + D\alpha_1 X_1 + \alpha_2 X_1 + \varepsilon_i$$

- a. **The amount of extra money spent by a boy in comparison with a girl, for each dollar extra in his money to have lunch.**
 - b. The amount of extra money spent by a girl in comparison with a boy, for each dollar extra in her money to have lunch.
 - c. The amount of money that a boy spent in candies.
 - d. The amount of money that a boy spent in candies.
 - e. None of the above
5. In the next regression, where D is a dummy variable: $Y_i = \alpha_0 + \alpha_1 D + \alpha_2 X_1 + \varepsilon_i$.
 - a. The dummy modifies the slope of the regression line.
 - b. The dummy modifies the intercept with axis X of the regression line.
 - c. The dummy doesn't modify the graphic of the regression line.
 - d. The dummy rotates some degrees the regression line.
 - e. **None of the above.**