Quiz # 12
Chapter 19
Suggested Answers
Group 3
Econometrics 06216

Name_____

- Choose the most correct answer
- You have 5 minutes to solve out this quiz

1. The linear probability model, for having a binary dependent variable, violates one of the Gauss-Markov Assumptions. Which of the assumptions is violated:
   a. $Var\ (\varepsilon_i) = \sigma^2$
   b. $E(\varepsilon_j \varepsilon_j) = 0$
   c. $E(\varepsilon_i) = 0$
   d. All of the above.

2. A Probit model implies a:
   a. Normal distribution
   b. Chi squared distribution.
   c. T-distribution.
   d. All of the above.

3. About the linear probability model, you may agree that:
   a. It is realistic and accurate that the probability always increases in a constant proportion.
   b. It is the best option to estimate probability of success.
   c. It follows an F-distribution.
   d. None of the above.

4. A latent variable is:
   a. A dummy dependent variable.
   b. A variable we cannot observe.
   c. Generalized Least Squares
   d. A discrete dependent variable used in a maximum likelihood model.

5. Which of the following are situations where we would be inclined to use logit or probit models?
   a. Predicting the likelihood that a house will be burgled using a sample of 480 households over 12-month period.
   b. Analyzing how many Olympic medals have been won by different nations in the last 10 Olympics.
   c. The Colombian consumption function using aggregate national data for 1970-2009.
   d. None of the above.