Quiz #7

Econometría 06216

Nombre: _____

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INSTRUCCIONES:

- Escoja la opción más adecuada.
- Usted cuenta con 5 minutos para resolver este quiz

1. Which of the following are true?
   a. having rejected the null of homoscedasticity at the 10% level you should now check the specification of your model and the properties of your data to see if these are causing the problem.
   b. having rejected the null of homoscedasticity at the 5% level you should now check the specification of your model and the properties of your data to see if these are causing the problem.
   c. a) and b) are correct.
   d. None of the above

Answer (c)

2. Suppose that the variance of the error term is given by $\sigma_i^2 = \sigma^2 Z_i^{-1/2}$. Therefore the weight given to each observation employing the Weighted Least Squares (WLS) will be:
   a. $Z_i^{1/2}$.
   b. $Z_i^{1/4}$.
   c. Z_i .
   d. $1/Z_i^{1/4}$.

Answer b).

3. State which of the following are true: A WLS/GLS adjustment for heteroscedasticity will have the following properties.
   a. there will be no intercept in the estimating equation.
   b. the R squared will go up.
   c. the F for the equation will go up.
   d. in general the 't' ratios and coefficients will be different from OLS.

Answer (d)

4. If some said " The equation has already been deflated by population to take account of country size so why are we dividing by population again in the form of its square root?" Which of the following is the most appropriate reply?:
   a. yes good point I will stick with the OLS estimates.
   b. The weighting is not a deflation for conceptual reasons, it is based on the hypothesis that the error variance rises with the size of the population.
   c. a) and b) are correct .

   d. None of the above.

Answer (b)

5. Heteroscedasticity in your data is a problem because:
   a. ordinary OLS assumes that the data are homoscedastic and calculates the point estimates of regression parameters accordingly.
   b. ordinary OLS assumes that the data are homoscedastic and calculates the standard error estimates of the parameters accordingly.
   c. it is contagious.
   d. it biases the parameter point estimates

Answer (b)