

Quiz # 10
Chapter 19

Name: _____

- Choose the **MOST CORRECT** answer
 - You have 5 minutes to solve out this quiz
1. About a Logit/Probit model, we can affirm that:
 - a. its dependent variable is not binary.
 - b. its dependent variable could be either dummy or continuous.
 - c. **Could be estimated by MLE.**
 - d. None of the above
 2. A Probit model implies a:
 - a. Nominal distribution.
 - b. Chi squared distribution.
 - c. T-distribution.
 - d. **None of the above**
 3. 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. $E(\varepsilon_i \varepsilon_j) = 0$
 - c. $E(\varepsilon_i) = 0$.
 - d. All of the above.
 - e. None of the above.
 4. Suppose you have the model: $D_i = \beta_0 + \beta_1 X_i + \varepsilon_i$, where D is dummy variable. About the variance of the disturbances we can say:
 - a. $Var(\varepsilon_i) = D_i(1 - D_i)$
 - b. **$Var(\varepsilon_i) = E(D_i)(1 - E(D_i))$**
 - c. The OLS estimator of the variance is unbiased.
 - d. None of the above.
 5. State which of the following are true. A linear probability model is one which:
 - a. can be estimated by OLS.
 - b. has constant marginal probabilities.
 - c. might produce predictions of probabilities greater than 1 or less than 0.
 - d. **All of the above.**
 - e. None of the above.