Quiz # 8
Chapter 11

Name______________________________

- Choose the **MOST CORRECT** answer
- You have 5 minutes to solve out this quiz

1. You shouldn't use the Durbin Watson test if:
   a. The regression has the lagged value of the dependent variable as regressor.
   b. There is a lagged independent variable.
   c. The intercept is different from zero.
   d. All of the above
   e. None of the above.

2. To correct a model with autocorrelation problems:
   a. You employ FGLS.
   b. You employ OLS.
   c. You substract the proportion of past errors, that influences actual error, making no modification to the other variables.
   d. None of the above

3. Assume you have time series regression model and you know that the explanatory variables are growing over time. You find out that the p-value of the global significance test is 0.009. In presence of serial correlation, you can affirm that:
   a. The p-value is a misleading indicator.
   b. At least one of the coefficients associated with the slopes is statistically significant.
   c. There is evidence to reject the null hypothesis.
   d. b and c are correct.
   e. None of the above.

4. The Durbin-Watson statistic of the model: $Y_t = \beta_1 X_t + \beta_2 X_{t-1} + \varepsilon_t$ is 1.5, you may suggest that:
   a. Probably there is positive serial correlation.
   b. Durbin-Watson test is not reliable for this model.
   c. Probably there is negative serial correlation.
   d. None of the above.

5. In presence of first-order autoregressive disturbances, you can affirm that:
   a. The Durbin-Watson test becomes inefficient.
   b. The correlation between two adjacent disturbances is always positive.
   c. The correlation between two not adjacent disturbances is smaller than the correlation between adjacent disturbances.
   d. None of the above.