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Question 1

Question Type: MultipleChoice

In statistical hypothesis tests, 'Type I error' refers to the situation in which...

Options:

- A- The null hypothesis is accepted when in fact it should have been rejected
- B- The null hypothesis is rejected when in fact it should have been accepted
- C- Both null hypothesis and alternative hypothesis are rejected
- D- Both null hypothesis and alternative hypothesis are accepted

Answer:

B

Question 2

Question Type: MultipleChoice

Simple linear regression involves one dependent variable, one independent variable and one error variable. In contrast, multiple linear regression uses...

Options:

- A-** One dependent variable, many independent variables, one error variable
- B-** Many dependent variables, one independent variable, one error variable
- C-** One dependent variable, one independent variable, many error variables
- D-** Many dependent variables, many independent variables, many error variables

Answer:

A

Question 3

Question Type: MultipleChoice

You are investigating the relationship between weather and stock market performance. To do this, you pick 100 stock market locations all over the world. For each location, you collect yesterday's mean temperature and humidity and yesterday's local index return. Performing a regression analysis on this data is an example of...

Options:

- A- Simple time-series regression
- B- Multiple time-series regression
- C- Simple cross-section regression
- D- Multiple cross-section regression

Answer:

D

Question 4

Question Type: MultipleChoice

Maximum likelihood estimation is a method for:

Options:

- A- Finding parameter estimates of a given density function
- B- Estimating the solution of a partial differential equation
- C- Solving a portfolio optimization problem
- D- Estimating the implied volatility of a simple European option

Answer:

A

Question 5

Question Type: MultipleChoice

You are given the following regressions of the first difference of the log of a commodity price on the lagged price and of the first difference of the log return on the lagged log return. Each regression is based on 100 data points and figures in square brackets denote the estimated standard errors of the coefficient estimates:

Which of the following hypotheses can be accepted based on these regressions at the 5% confidence level (corresponding to a critical value of the Dickey Fuller test statistic of -- 2.89)?

Options:

- A- The commodity prices are stationary
- B- The commodity returns are stationary
- C- The commodity returns are integrated of order 1
- D- None of the above

Answer:

D

Question 6

Question Type: MultipleChoice

Which of the following can induce a 'multicollinearity' problem in a regression model?

Options:

- A- A large negative correlation between the dependent variable and one of the explanatory variables
- B- A high positive correlation between the dependent variable and one of the explanatory variables
- C- A high positive correlation between two explanatory variables

D- The omission of a relevant explanatory variable

Answer:

C

Question 7

Question Type: MultipleChoice

A linear regression gives the following output:

Figures in square brackets are estimated standard errors of the coefficient estimates.

Which of the following is an approximate 95% confidence interval for the true value of the coefficient of ?

Options:

A- [0, 1.5]

B- [1, 2]

C- [0, 3]

D- None of the above

Answer:

C

Question 8

Question Type: MultipleChoice

You want to test the hypothesis that a population parameter of a regression model is zero. Your alternative hypothesis is that $\beta \neq 0$. Denote by $SD(\hat{\beta})$ the estimated standard deviation of $\hat{\beta}$, and by $MEAN(\hat{\beta})$ the estimated mean of $\hat{\beta}$. Which test statistic is appropriate, and what is its distribution?

Options:

A- test statistic = $SD(\hat{\beta})/MEAN(\hat{\beta})$, normal distribution

B- test statistic = $MEAN(\hat{\beta})/SD(\hat{\beta})$, normal distribution

C- test statistic = $SD(\hat{\beta})/MEAN(\hat{\beta})$, t distribution

D- test statistic = $MEAN(\hat{\beta})/SD(\hat{\beta})$, t distribution

Answer:

D

Question 9

Question Type: MultipleChoice

An option has value 10 when the underlying price is 99 and value 9.5 when the underlying price is 101. Approximate the value of the option delta using a first order central finite difference.

Options:

A- -4

B- 0.25

C- -0.5

D- -0.25

Answer:

D

Question 10

Question Type: MultipleChoice

The gradient of a function $f(x, y, z) = x + y^2 - x y z$ at the point $x = y = z = 1$ is

Options:

A- (0, 2, 1)

B- (0, 0, 0)

C- (1, 1, 1)

D- (0, 1, -1)

Answer:

D

Question 11

Question Type: MultipleChoice

The gradient of a smooth function is

Options:

- A- a vector that shows the direction of fastest change of a function
- B- matrix of second partial derivatives of a function
- C- infinite at a maximum point
- D- a matrix containing the function's second partial derivatives

Answer:

A

Question 12

Question Type: MultipleChoice

In a multiple linear regression, the significance of R^2 can be tested using which distribution?

Options:

A- Normal distribution

B- Student's t distribution

C- F-distribution

D- Binomial distribution

Answer:

C

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