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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

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 3

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 4

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 5

Question Type: MultipleChoice

Which of the following is not a direct cause of autocorrelation or heteroskedasticity in the residuals of a regression model?

Options:

- A- A structural break in the dependent variable

- B-** A high positive correlation between two explanatory variables
- C-** The omission of a relevant explanatory variable
- D-** Using an inappropriate functional form in the model

Answer:

B

Question 6

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 7

Question Type: MultipleChoice

A linear regression gives the following output:

Figures in square brackets are estimated standard errors of the coefficient estimates. What is the value of the test statistic for the hypothesis that the coefficient of is zero against the alternative that is less than zero?

Options:

A- 0.125

B- 2.5

C- -1.25

D- -2.5

Answer:

D

Question 8

Question Type: MultipleChoice

A linear regression gives the following output:

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

What is the value of the test statistic for the hypothesis that the coefficient of is less than 1?

Options:

A- 0.32

B- 0.64

C- 0.96

D- 1.92

Answer:

B

Question 9

Question Type: MultipleChoice

A simple linear regression is based on 100 data points. The total sum of squares is 1.5 and the correlation between the dependent and explanatory variables is 0.5. What is the explained sum of squares?

Options:

A- 0.75

B- 1.125

C- 0.3333

D- 0.375

Answer:

D

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