Quiz # 8
Chapter 11
Suggested Answers
Group 3
Econometrics 06216

Name_____

- Choose the most correct answer
- You have 5 minutes to solve out this quiz

1. When we have Autoregressive Disturbances, we can said that:
   a. OLS is unbiased and it is BLUE
   b. OLS is unbiased but it isn´t BLUE
   c. OLS is biased and it is BLUE
   d. OLS is biased but it is not BLUE

2. To correct a model with autocorrelation problems:
   a. You employ OLS.
   b. You employ FGLS.
   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. If the Durbin-Watson statistic for the model $Y_t = \beta_1 X_{1t} + \beta_2 X_{2t} + \varepsilon_t$, where $X_{2t} = Y_{t-1}$, is DW=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

4. If you have a model whose disturbances are correlated, the OLS based t-statistics and F-statistics are:
   a. No longer valid
   b. Misleading
   c. Reliable
   d. Ambiguous
   e. a. and b. are correct.
   f. None of the above

5. If you have the next model: $Y_t = \beta_0 + \beta_1 X_t + \varepsilon_t$, and it has first order serial correlation, when you use FGLS to correct it, you'll have:
   a. A slope that depend of ρ
   b. An intercept that depend of ρ
   c. A model that remains not being BLUE.
   d. All of the above.
   e. None of the above.