

Answers to Exam on Topics from Chapters 2 through 12

The answers to the questions are obtainable straight from the book and hence only references are given.

1. Section 12.1 has the proof that errors are heteroscedastic . As shown in Chapter 8, such errors lead to inefficiency of estimators but unbiasedness and consistency still hold.
2. See the steps given in Page 530.
3. Even though the observed values of Y are 0 or 1, there is no guarantee that the predicted value (\hat{Y}_t) will lie within this interval. Since the model can generate values outside the interval 0-1, this method is not useful in practice.
4. See Section 12.2.
5. See Section 12.4.
6. See Section 12.3.