The Hashemite University

Department of Economics

Econometrics

Assignment 1

Q1 In Excel file you will find a file on energy consumption: energy consumption (C) and real income (Y) and energy price (P) for the years 1960 -1998

1- Graph the variables and make a good guessing of the relation among them

2- Using the data to estimate the model

$$C=B1+B2Y+B3P+U$$

3- test the significant of all the estimated parameters using t test and significant level of 0.05.

4- what are the interpretation of the estimated coefficients.

5- calculate income and price elasticity of demand.

6- test the hypothesis that income elasticity of demand is greater than 1 against the alternative less than 1.

7- Explain the values of R squared and adjusted R squared.

8-test the significant of all coefficients together

9- on Eviews generate the trend variable . Like this:

T=@trend. Re-estimate the model above by adding T .

 Discuss the following issues:

A- Is it necessary to add T and explain the estimated coefficient of T.

B- Which model you preferred (you should make a test)