NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS
2021_2 EXAMINATION

COURSE TITLE: APPLIED ECONOMETRICS II
COURSE CODE: ECO 454
UNITS: 2
TIME ALLOWED: 2 HOURS

INSTRUCTION: ANSWER QUESTION ONE (1) AND ANY OTHER TWO (2) QUESTIONS.

QUESTION ONE

    a) List and explain the stages of econometric research. **(10 marks)**
    b) What are the sources of deviations in parameter model estimation? **(10 marks)**
    c) State the assumption in terms of the relationship between the error term U and the explanatory variable X. **(10 marks)**

QUESTION TWO

Using mathematical notations, develop a simple econometric model and identify the followings.
    a) Dependent and independent variables
    b) The intercept or constant
    c) The coefficient of the regression model
    d) The error term and what it stands for

                                                  (20 marks)

QUESTION THREE

    a) Explain any three (3) relevance of forecasting in econometric analysis.

                                                  (10 marks)
b) Given a population regression model $Y = 46 + 0.6X$. If the value of the independent variable is 100 units while the value of the intercept decreases by 50%, what is the value of the dependent variable? **(10 marks)**

QUESTION FOUR

    a) Explain the concept of instrumental variable **(5 marks)**
    b) State the assumption and properties of instrumental of variable **(15 marks)**