Wilf Csaplar Jr. Economics 350 Homework #5 Due 10/20

Do not write your name on the assignment. Write your name only on the back of this sheet of paper and staple your answers on the front of this sheet of paper. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. The spreadsheets will be turned in via an attachment to an e-mail sent to wcsaplar@bethanywv.edu. The only place your name should appear on the electronic file is on a page with nothing else on it. Failure to follow these directions will cost you 1 point on the assignment.

All of these questions refer to the spreadsheet "HW" on the Excel file "10-15.xls"

1) (35 points) Run a regression with purchases as a function of price, and income. Write the equation which results from your regression. Is this a good predictor of the purchases made? Explain your logic.

2) (35 points) Suppose the purchase are for ages 20 - 65. Add another column for the age of the person. Run a regression with purchases as a function of price, income, and age. Write the equation which results from your regression. Is this a good predictor of the purchases made? Explain your logic.

3) (10 points each) Use your answers to Questions #1 and #2, to answer these questions.
A) Which regression is the better regression? Explain your logic.
B) Is this a normal good? Explain your logic.
C) Using the equation you feel is best, how much do you predict a 25 year old person earning $40,000 would buy if the price was $10/unit? Explain your logic.