

14.4: Model Assumptions

→ Model: $y = \beta_0 + \beta_1 x + \varepsilon$

→ Assumptions:

1. $E(\varepsilon) = 0$

2. $\text{Var}(\varepsilon) = \sigma^2$ (constant) for all x .

3. All values of ε are indep.

4. All values of ε are Normal. \rightarrow testing.