## **CONTENTS**

Preface	xi
Acknowledgements	xii
1 Basic Probability Concepts	1
1.1 Introduction	1
1.2 Sets	i
1.3 Set notation	2
1.4 Set operations	4
1.5 Random experiments	5
1.6 Sample spaces	5
1.7 Events	6
1.8 Relative frequency	7
1.9 Degree of belief	9
1.10 Probability of an elementary event	9
1.11 Probability of an event	10
1.12 Compound events and their probabilities	11
1.13 Complementary events	12
1.14 Exhaustive and mutually exclusive events	12
1.15 Joint probability	12
1.16 Marginal probabilities and independence	14
1.17 Conditional probability	15
1.18 Conditional probability and independence	17
Exercises and applications	18
2 Probability Distributions	25
2.1 Random variables	25
2.2 Discrete probability distributions	26
2.3 Continuous probability distributions	27
2.4 Some general comments on continuous distributions	28
2.5 The relative frequency approach to probability	29
2.6 Expected value of a probability distribution	31
2./ Variance of a probability distribution	33
2.8 Some general comments on expected value and variance	34
2.9 Some general comments on distributions	35
2.10 Some general properties of random variables	36
Exercises and applications	37

	CONTENTS	
3 Probability Models	42	,
3.1 Bernoulli distribution	42	
3.2 Binomial distribution	42	
3.3 Some general comments on the binomial distribution	45	
3.4 Poisson distribution	47	
3.5 Poisson distribution as an approximation to the	71	
binomial distribution	50	
3.6 Exponential probability distribution	51	į.
3.7 Beta distribution	53	
3.8 Normal distribution	54	
3.9 Standard normal variable	56	
3.10 General normal distribution	56	
3.11 Normal curve as an approximation to the	50	
binomial distribution	60	
Exercises and applications	61	٠
4 Sampling and E. C.	0.	
4 Sampling and Estimation	69	
4.1 The value of sampling	69	
4.2 Simple random sampling	70	
4.3 Stratified random sampling	70	
4.4 Multi-stage sampling	72	
4.5 Cluster sampling	72	:
4.6 Systematic sampling	72	
4.7 Judgement and convenience sampling	72	
4.8 Sampling objectives	72	
4.9 Estimation of means	73	
4.10 Estimation of the mean: small samples	77	
4.11 Estimation of the difference between means: large sample	es 78	
4.12 Estimation of the difference between means: small sample	es 80	
4.13 Estimation of proportions	81	
4.14 Finite population correction Exercises and applications	82	
Exercises and applications	83	
5 Hypothesis Testing	89	
5.1 The logic of statistical hypothesis testing		
5.2 One-tail tests for population mean	89	
5.3 Simple and compound hypotheses	91	
5.4 Large and small sample tests	94	
5.5 Two-sample tests involving population means	95	
5.6 Tests involving population proportions	96	
3.7 Errors in hypothesis testing	101	
Exercises and applications	101	
	HIX	

CONTENTS	ix
6 Hypothesis Testing: Several Population Parameters	113
6.1 Contingency tables	113
6.2 Test for equality of several proportions	117
6.3 Analysis of variance	118
6.4 Sums of squares	123
6.5 Two-way ANOVA	124
Exercises and applications	126
7 Non-parametric Statistics	131
7.1 Introduction	131
7.2 One-sample tests	131
7.3 Tests with two matching samples	135
7.4 Tests with two independent samples	140
7.5 Test involving several independent samples	142
7.6 Other non-parametric tests	143
Exercises and applications	144
8 Regression and Correlation Analysis	147
8.1 Introduction	147
8.2 Simple linear regression	147
8.3 Sampling aspects of regression analysis	150
8.4 Prediction	152
8.5 Correlation	154
8.6 Capital asset pricing model (CAPM):	
a simple linear regression model	158
8.7 Extension of simple linear regression and correlation	160
8.8 Multiple regression	163
8.9 Tests of significance and goodness-of-fit	164
8.10 Normal equations and correlation: the two-variable case	165
8.11 Univariate multiple regression: some caveats	166
8.12 Some extensions to the model	167
Exercises and applications	168
9 Time Series	174
9.1 Basic models	174
9.2 Trends	178
9.3 Seasonals	182
9.4 Cycles	186
9.5 Index numbers	188
Exercises and applications	192

	CONTENTS
10 Multivariate Analysis: An Introduction	195
10.1 Introduction	105
10.2 Vectors and matrices	195 195
10.3 Matrix addition and subtraction	193
10.4 Matrix multiplication	197
10.5 Matrix inversion	
10.6 Matrix notation — illustrations	199
10.7 Multivariate distributions	201
10.8 Some multivariate results	203
10.9 Multiple regression	205
10.10 Capital markets and the use of index models	207
10.11 Arbitrage pricing theory	208
Exercises and applications	209
approactions	210
11 Multivariate Analysis: Further Techniques	214
11.1 Introduction	
	214
11.2 Estimation and hypothesis testing involving multivariate means	
11.3 Discriminant analysis	214
11.4 Discriminant functions	218
11.5 Principal component	219
11.5 Principal component analysis 11.6 Factor analysis	222
11.7 Multivariate structures	229
11.8 Multidimensional scaling	232
11.9 Ordinal scaling	233
11.10 Cluster analysis	237
Evergises and analysis	237
Exercises and applications	241
Appendices	243
Appendix 1: Areas of the standardised normal probability	0
distribution	
	244
Appendix 2: Random sampling numbers	245
Appendix 3: t-distribution	246
Appendix 4: Chi-square distribution	247
Appendix 5: F-distribution	
Bibliography	248
index	250
	254