

Lesson 27: Practice Problem Answers

On April 9th, 2006, USA Today published an article titled "CEO pay soars in 2005 as a select group break the \$100 million mark". What makes these handsomely compensated guys earn more money in one week than most of us do in our whole lifetimes? "CEO" is data for some US companies' CEO salary for 2004. (Data source: WRDS)

- a. Run a regression of salary on all the independent variables. Write the regression equation?
- b. Interpret the slope coefficient for Net Income?
- c. Does gender significantly affect the salary of CEO at 10% level? Why?
- d. How well does model fit the data?
- e. If we consider another model, do we need to drop any variable from this model?