

# Econometrics

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## A. Adjusted R-Squared

Adjusted R-squared,  $R_A^2$ , is computed

$$R_A^2 = 1 - \frac{e'}{(n - k)s_y^2}$$

where  $e$  is the vector of error/residual terms resulting from a model estimate,  $n$  is the number of observations,  $k$  equals the number of independent variables on the right hand side of the equation, and  $s_y^2$  is the unbiased variance estimate of the dependent variable.