PROJECT 1.1

Simple Regression Analysis on Fuel Economy Data

Part 1 (R & Excel Analytics)

1. Introduction

You are provided with two datasets, "FE2010.csv" and "FE2011.csv". You are required to work on "FE2010.csv" only for any kind of experiment. The datasets contain different estimates of fuel economy for passenger cars and trucks. For each vehicle, various characteristics are recorded such as the engine displacement or number of cylinders. Along with these values, laboratory measurements are made for the city and highway fuel economy (FE) of the car. Analyze the data on the relationship between fuel economy and engine displacement. The training data consists of model year 2010 data and the test set is comprised of cars from 2011 that were not in the 2010 data set.

You are required to build a Regression Model for fuel economy (FE), by choosing a single input variable which is the best suitable for predicting FE. You will use 2010 dataset for this purpose. All your work will be validated on 2011 dataset.

2. Objective

The project aims to perform Simple Regression Analysis on Fuel Economy Data.

3. Prerequisites

N/A

4. Associated Data Files

Refer the assignment

5. Problem Statement

Below are the points which your final submission should answer:

Use Excel and Functions

- 1. Find the best input variable for predicting FE using suitable statistical test(s).
- 2. Fit a Simple Linear Regression Model using the selected input variable. Use the formulas discussed in the class to calculate the coefficients.
- 3. Observe the relationship between the Input variable and FE and analyze if they maintain a linear relationship using a suitable chart in Excel.
- 4. Use appropriate transformation of input variable if the relation above is not linear. Build the Regression model after transformation. Please ask the

course instructor for help in variable transformation, if you required so.

- 5. Calculate the MAPE (Mean Absolute percentage Error) and R2 of the model. Implement the model on the test data and find out the test accuracy as well. The formula and small note for the error calculation are given at the end of the document.
- **6.** Use a random sampling method to divide the dataset in to 3 parts. Use rand() function.
- a. Take 2 parts for modeling and 1 part for testing at a time randomly.
- b. Check the modeling Error statistics (as given in previous point 5) of the model and test on the 3rd part of the data for testing the error.
- c. Iterate this process 3 time to cover all possible selection of 2 parts for modeling and the 3rd part for testing. There are 3 possible combination in this way. So you would end up with creating 3 models on three different dataset.
- d. Calculate the average model accuracy (Use Error formulas from 5.) and average test accuracy. Judge if they are consistent and provide your comment on what you observe.
- e. Compute the Beta coefficients by taking average of the three models.
- f. Test the final Accuracy by implementing the model on 2011 dataset.

Use Excel Data Analysis tool

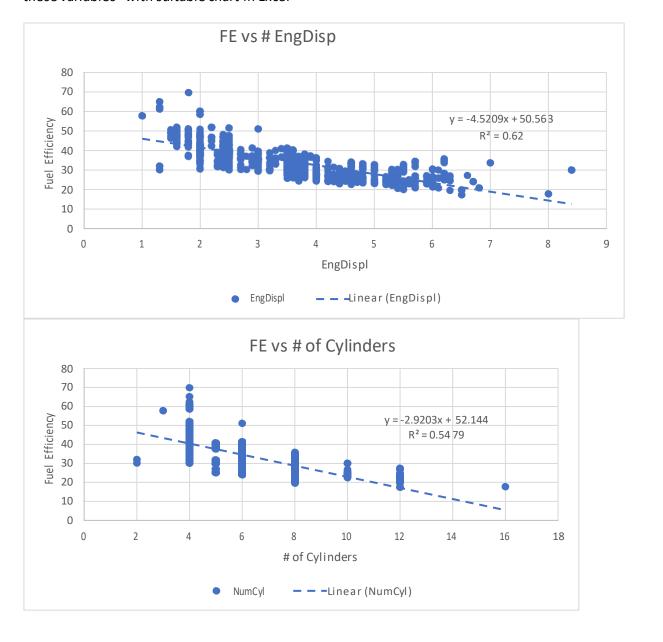
- 7. Use Data Analysis feature of Excel to bypass the co-efficient calculation formulas and compute the Regression Model directly.
- 8. You should be able to repeat all the points asked under "Use Excel" using Data Analysis tool. You may need to do the random sampling separately here as well.

APPROACH

FE 2010 data consists of many input variables and a response variable given as Fuel efficiency collected based on the various vehicle input data. For all these variables, correlation coefficient is found in excel and is found as given below

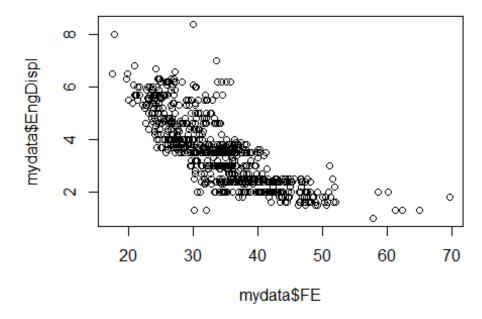
EngDispl	-0.79
Numcyl	-0.74
NumGears	-0.21
TransLockup	-0.27
TransCreeperGear	-0.07
IntakeValvePerCyl	0.28
ExhaustValvesPerCyl	0.34
VarValveTiming	0.12
VarValveLift	0.10

Based on the above findings EngDispl and Numcyl are having very good correlation and as per the problem statement we have plotted these variables with suitable chart in Excel



Based on this graph these two input variables appear to be linear. Further the whole data is analysed in R to find the Linear relationship

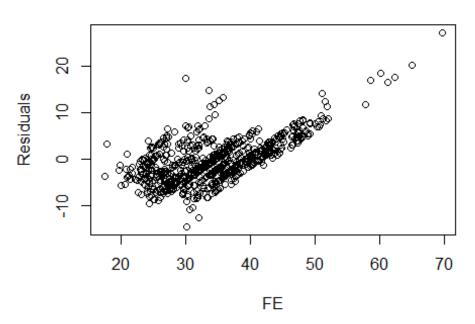
Use appropriate transformation of input variable if the relation above is not linear. Build the Regression model after transformation. Please ask the course instructor for help in variable transformation, if you required so.



```
cor(mydata$FE,mydata$EngDispl)
## [1] -0.7873938
cor(mydata$FE,mydata$VarValveLift)
## [1] 0.09621127
cor(mydata$FE,mydata$VarValveTiming)
## [1] 0.1249528
cor(mydata$FE,mydata$ExhaustValvesPerCyl)
## [1] 0.3356529
cor(mydata$FE,mydata$IntakeValvePerCyl)
## [1] 0.280344
cor(mydata$FE,mydata$TransCreeperGear)
## [1] -0.06962168
cor(mydata$FE,mydata$TransLockup)
## [1] -0.2719389
cor(mydata$FE,mydata$NumGears)
## [1] -0.2112849
cor(mydata$FE,mydata$NumCyl)
## [1] -0.740218
mod=lm(mydata$FE~mydata$EngDispl)
mod
##
## Call:
## lm(formula = mydata$FE ~ mydata$EngDispl)
```

```
##
## Coefficients:
      (Intercept) mydata$EngDispl
##
           50.563
                            -4.521
summary(mod)
##
## Call:
## lm(formula = mydata$FE ~ mydata$EngDispl)
##
## Residuals:
      Min
               1Q Median
                               3Q
                                     Max
## -14.486 -3.192 -0.365 2.671 27.215
##
## Coefficients:
                  Estimate Std. Error t value Pr(>|t|)
##
                 50.5632
                               0.3985 126.89 <2e-16 ***
## (Intercept)
## mydata$EngDispl -4.5209
                               0.1065 -42.46 <2e-16 ***
## ---
## Signif. codes: 0 '***' 0.001 '**' 0.05 '.' 0.1 ' ' 1
## Residual standard error: 4.624 on 1105 degrees of freedom
## Multiple R-squared: 0.62, Adjusted R-squared: 0.6196
## F-statistic: 1803 on 1 and 1105 DF, p-value: < 2.2e-16
#Assumption1 Linearity
plot(mydata$FE,mydata$error,xlab="FE",ylab="Residuals",main="Linearity")
```

Linearity



```
fit<-lm(FE~EngDispl+NumCyl+NumGears+TransLockup+TransCreeperGear+IntakeValvePerCyl+ExhaustValvesPerCyl+VarValveTimi
ng+VarValveLift, data=FE2010)
fit
##
## Call:
## lm(formula = FE ~ EngDispl + NumCyl + NumGears + TransLockup +
      TransCreeperGear + IntakeValvePerCyl + ExhaustValvesPerCyl +
##
      VarValveTiming + VarValveLift, data = FE2010)
##
##
## Coefficients:
           (Intercept)
                                   EngDispl
                                                          NumCy1
##
## Call:
                                    -3.8610
##
               54,3472
                                                         -0.4888
                                                TransCreeperGear
                                TransLockup
##
              NumGears
##
               -0.1725
                                    -1.4450
                                                         -0.9138
    IntakeValvePerCyl ExhaustValvesPerCyl
                                                  VarValveTiming
##
##
               -0.3737
                                                          1.6870
                                    -1.1105
          VarValveLift
##
##
                0.6235
## Coefficients:
                       Estimate Std. Error t value Pr(>|t|)
##
                                    1.0973 49.530 < 2e-16 ***
## (Intercept)
                        54.3472
                                    0.2805 -13.765 < 2e-16 ***
## EngDispl
                        -3.8610
## NumCyl
                        -0.4888
                                    0.1845 -2.649 0.00819 **
## NumGears
                                           -1.620 0.10555
                        -0.1725
                                    0.1065
## TransLockup
                        -1.4450
                                            -4.817 1.66e-06 ***
                                    0.3000
## TransCreeperGear
                        -0.9138
                                    0.6681
                                           -1.368 0.17167
## IntakeValvePerCyl
                        -0.3737
                                           -0.378 0.70566
                                    0.9892
## ExhaustValvesPerCyl -1.1105
                                           -1.157 0.24752
                                    0.9598
## VarValveTiming
                        1.6870
                                    0.3796
                                            4.444 9.71e-06 ***
## VarValveLift
                         0.6235
                                    0.3719
                                            1.676 0.09393 .
## ---
## Signif. codes: 0 '***' 0.001 '**' 0.05 '.' 0.1 ' ' 1
##
```

```
## Residual standard error: 4.489 on 1097 degrees of freedom
## Multiple R-squared: 0.6445, Adjusted R-squared: 0.6415
## F-statistic: 220.9 on 9 and 1097 DF, p-value: < 2.2e-16
vif(fit)
                                      NumCy1
##
               EngDispl
                                                         NumGears
               7.363137
                                    6.750388
                                                         1.214238
##
##
            TransLockup
                            TransCreeperGear
                                                IntakeValvePerCyl
##
               1.075253
                                    1.137623
                                                          6.693985
## ExhaustValvesPerCyl
                              VarValveTiming
                                                     VarValveLift
##
               7.073284
                                    1.153276
                                                         1.057688
vif(fit)>5
                                       NumCy1
                                                          NumGears
##
               EngDispl
##
                    TRUE
                                         TRUE
                                                              FALSE
            TransLockup
                            TransCreeperGear <a href="IntakeValvePerCyl">IntakeValvePerCyl</a>
##
                  FALSE
                                        FALSE
                                                               TRUE
##
## ExhaustValvesPerCyl
                              VarValveTiming
                                                     VarValveLift
                                        FALSE
                                                              FALSE
##
                    TRUE
```

Based on the above Vif(fit)>5 the yellow highlighter like EngDispl, Numcyl etc are better linearity and fit for further analysis in Excel

Excel Analysis

Calculate the MAPE (Mean Absolute percentage Error) and R2 of the model. Implement the model on the test data and find out the test accuracy as well.

The formula and small note for the error calculation are given at the end of the document.

One example (small part of excel data) for the data Numcyl is given below to show how we calculate MAPE values

For the entire 2010 data we have calculated Beta coefficient and the intercept from the scatter plot to predict the Fuel efficiency as given below in predicted Y

Beta coefficient calculation for 2010

	,			<u> </u>					
	FE	Engdisp	Numcyl	NumGears	TransLockup	TransCreeperGear	IntakeValvePerCyl	ExhaustValvesPerCyl	l VarV
std dev	7.498033	1.305905	1.900575	1.396624	0.466603	0.215506	0.353046	0.374035	0.381
Variance (VARA(B3:B1109))	56.22049	1.705388	3.60892	1.948796	0.217522	0.046401	0.124529	0.139776	0.145
Covariance (COVAR(A3:A1109,B3:B1109)		-7.70297	-10.539	-2.21056	-0.95055	-0.1124	0.741443	0.940497	0.357
Beta coeff by cal Formula=(covariance/variance)		-4.51685	-2.92026	-1.13432	-4.36989	-2.42232	5.953976	6.728613	2.453
Beta coeff by graph		(-)4.5209	(-)2.9203						

Excel Instructions:

There are four ways that you can calculate a Beta using Excel. The first is to use the "=slope" formula. In this formula, the X variable series is the return on the market and the Y variable series if the return on FE. This gives:

-5.0180

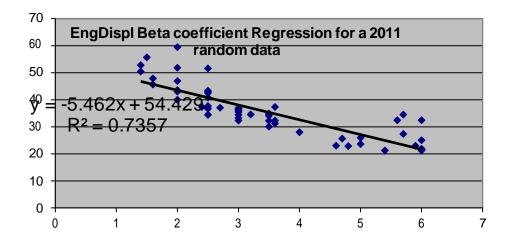
A second alternative is to calculate the Beta directly as the covariance between the two return series, divided by the variance of market returns. Using the summary statistics at the bottom of the page, this gives:

-5.4164

A third method is to use the full regression procedure in Excel. Go to "Tools" - "Data Analysis" - "Regression" and click OK. Again, enter the market return series as the X variable and the HD return series as the Y variable. When you click OK, you should get full regression output similar to that shown in the worksheet labelled "FERegr Output".

Finally, you can create a regression Beta in Excel using the chart functions. Remember that Beta is just the slope in a regression where EngDispl are on the X axis and FUEL EFICENCY (FE are on the Y axis.

To create this type of graph, highlight the two columns of data, with market returns on the left. After highlighting the return series, click on the chart wizard icon (or choose "Insert" - "Chart"). Under chart types, select "X-Y scatterplot" and click Next. Click Next twice more to get to step 4 of 4. In step 4, select "as new sheet" and click finish. When the new chart comes up, select the "Chart" tab at the top of the page, and then select "Add Trendline". Select the "Options" tab, and click the buttons for "display equation" and "display R square", then click OK. This should add both a regression line and a regression equation to your chart. The results should look similar to those shown in the worksheet labelled "FE Chart".



Based on the calculation of Beta coefficient as given above and with the intercept from the graph,

One example (small part of FE 2011 excel data) for the data Numcyl is given below to show how we calculate MAPE values

Х	Υ	Predicted Y				
		Predicted			Dis Y and their	
NumCyl	FE	FE	Error		mean	Square F
12	22.9258	17.1004	5.8254	33.93529	-11.80486408	139.3548
8	26.7678	28.7816	-2.0138	4.05539	-7.962864082	63.4072
8	24.301	28.7816	-4.4806	20.07578	-10.42966408	108.7779
10	24.3325	22.941	1.3915	1.936272	-10.39816408	108.1218
10	23.0667	22.941	0.1257	0.0158	-11.66396408	136.0481
6	32.8579	34.6222	-1.7643	3.112754	-1.872764082	3.507245
4	52.2	40.4628	11.7372	137.7619	17.46933592	305.1777
4	55.6446	40.4628	15.1818	230.4871	20.91393592	437.3927
8	26	28.7816	-2.7816	7.737299	-8.730664082	76.2245
12	25	17.1004	7.8996	62.40368	-9.730664082	94.68582
8	26.8	28.7816	-1.9816	3.926739	-7.930664082	62.89543

		ABS values of error/Actual
Abs v of error	Error 2	value
5.8254	33.93529	0.254098
2.0138	4.05539	0.075232
4.4806	20.07578	0.184379
1.3915	1.936272	0.057187
0.1257	0.0158	0.005449
1.7643	3.112754	0.053695
11.7372	137.7619	0.224851
15.1818	230.4871	0.272835
2.7816	7.737299	0.106985
7.8996	62.40368	0.315984
1.9816	3.926739	0.073940

No of rows is calculate $\frac{1}{100}$ in $\frac{1}{100}$ = COUNT(D3:D247) MSE is calculated (L248/C250)($\frac{1}{100}$ Error square/ $\frac{1}{100}$)

RMSE is the square root of MSE (SQRT(C253)

MAPE is calculated ((M248/C250)*100) M248 = sum of (ABS values of error/Actual value) and C 250 is the no row count ie 245

Given below is calculated from the prediction of FE using the input variable Numcyl beta coefficient and intercept. Similarly we have calculated the same with EngDispl variable

n 245 MAD 4.470793061

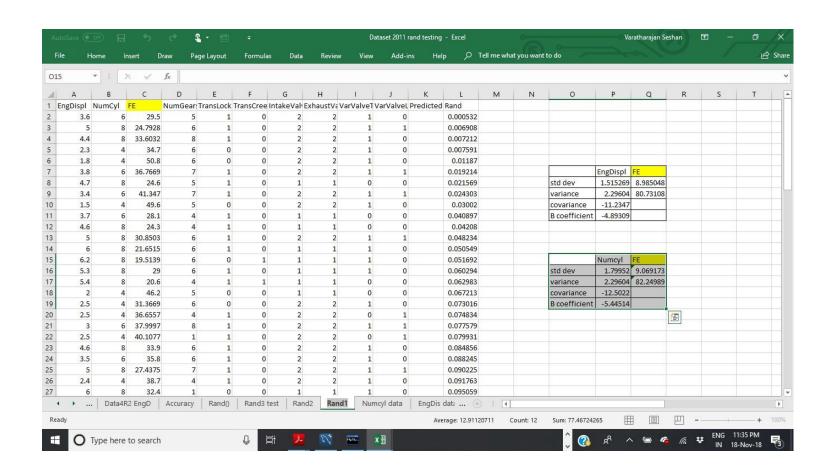
MSE	34.67015725	
RMSE	5.888136993	
		Mean absolute percentage
MAPE	13.37649118	error

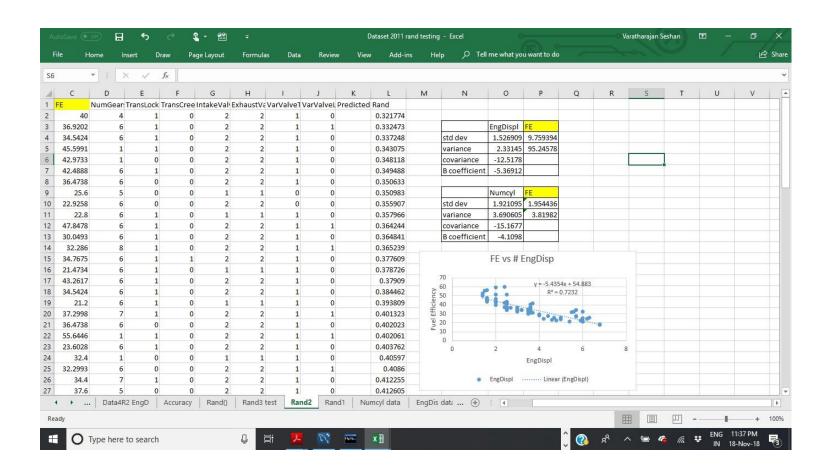
1 - (SUM(E3:E247)) sum of all values of Error square)/sum of Square of Dis Y and their mean would provide the R square by calculation.

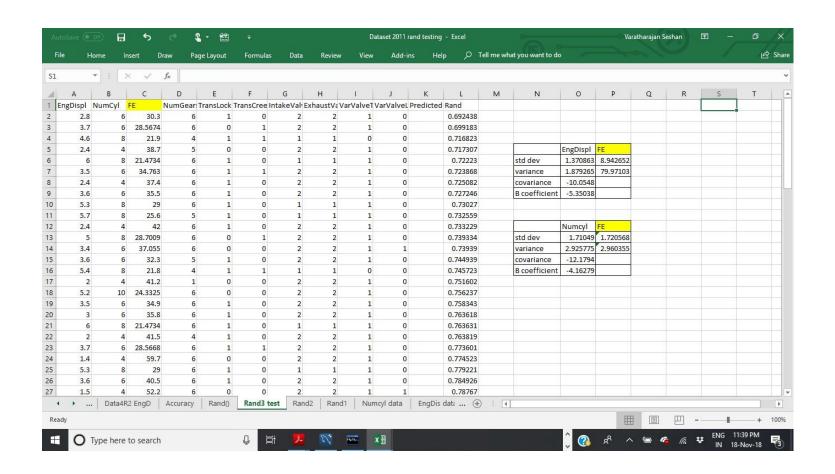
0.589277463 R 2 by calculation 1-(E248/G248) by graph 0.5479

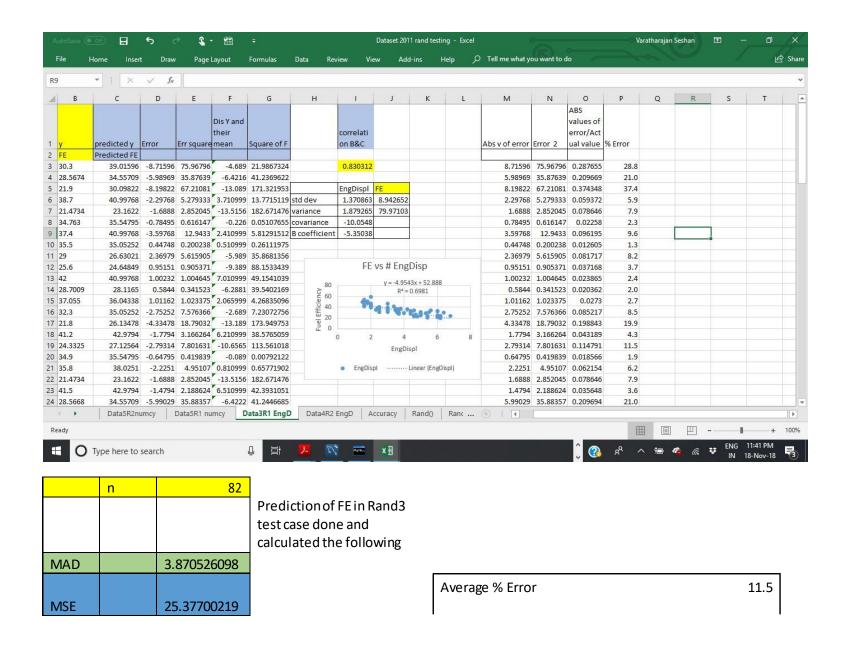
Use a random sampling method to divide the dataset in to 3 parts. Use rand() function.
FE 2011 data is divided into 3 sets using random function in Excellike Rand(), Rand1, Rand2 and Rand3 is used for testing based on these two data,

Hence Fe 2011 data is divided into 3 equal parts approximately 82 values in each



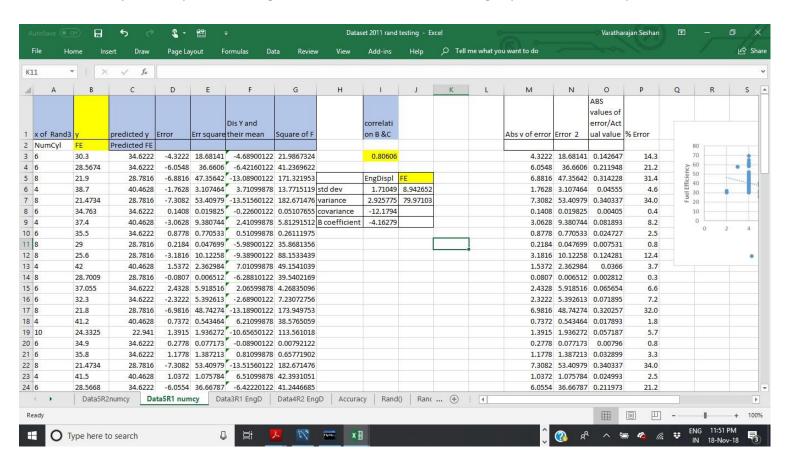






RMSE	5.03755915	
		Mean absolute percentage
MAPE	11.50998577	error
R square by ca	alculation	0.678755
As per plot	0.6981	

In the similar way we have predicted using Rand2 Beta coefficient values of EngDispl values and Numcyl values

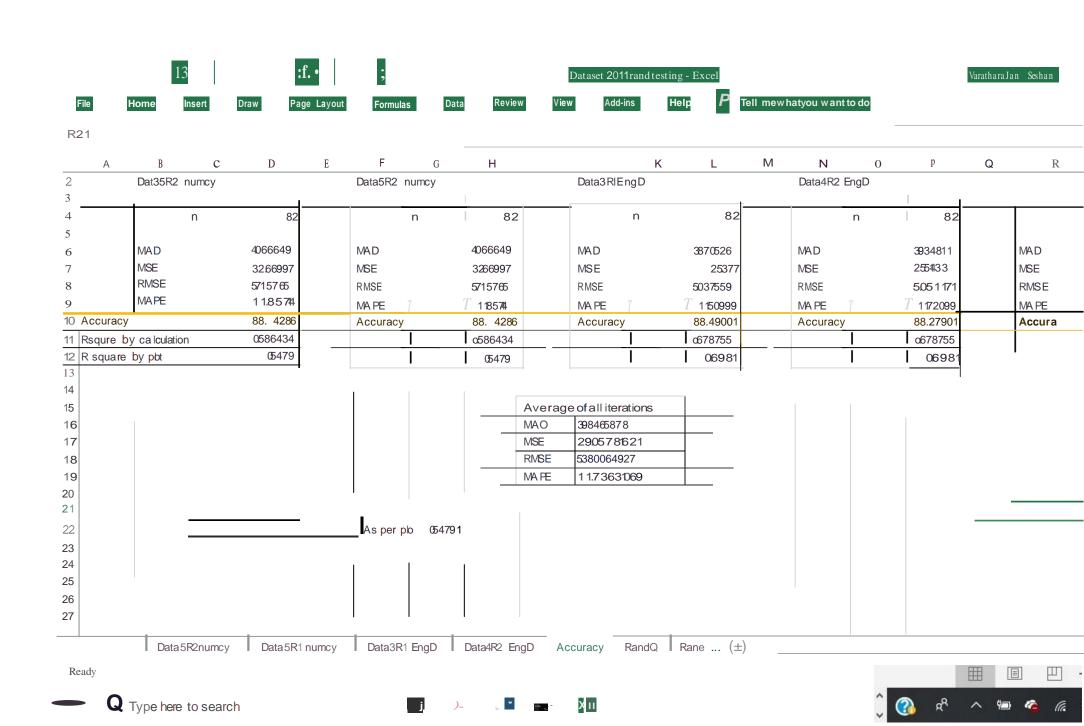


	n	82		
MAD		4.06664878		
MSE		32.66996772		
RMSE		5.715764841		
			Mean absolute percentage	
MAPE		11.8571359	error	

R square by calculation 0.58	5434	As per plot	0.5479
------------------------------	------	-------------	--------

- a. Take 2 parts for modeling and 1 part for testing at a time randomly.
- b. Check the modeling Error statistics (as given in previous point 5) of the model and test on the 3rd part of the data for testing the error.
- c. Iterate this process 3 time to cover all possible selection of 2 parts for modeling and the 3rd part for testing. There are 3 possible combination in this way. So you would end up with creating 3 models on three different dataset.
- d. Calculate the average model accuracy (Use Error formulas from 5.) and average test accuracy. Judge if they are consistent and provide your comment on what you observe.
- e. Compute the Beta coefficients by taking average of the three models.
- f. Test the final Accuracy by implementing the model on 2011 dataset.

For the requirement of iterations in the question the same is repeated with Rand 1 and Rand 2 variables and the consolidate finding is given below



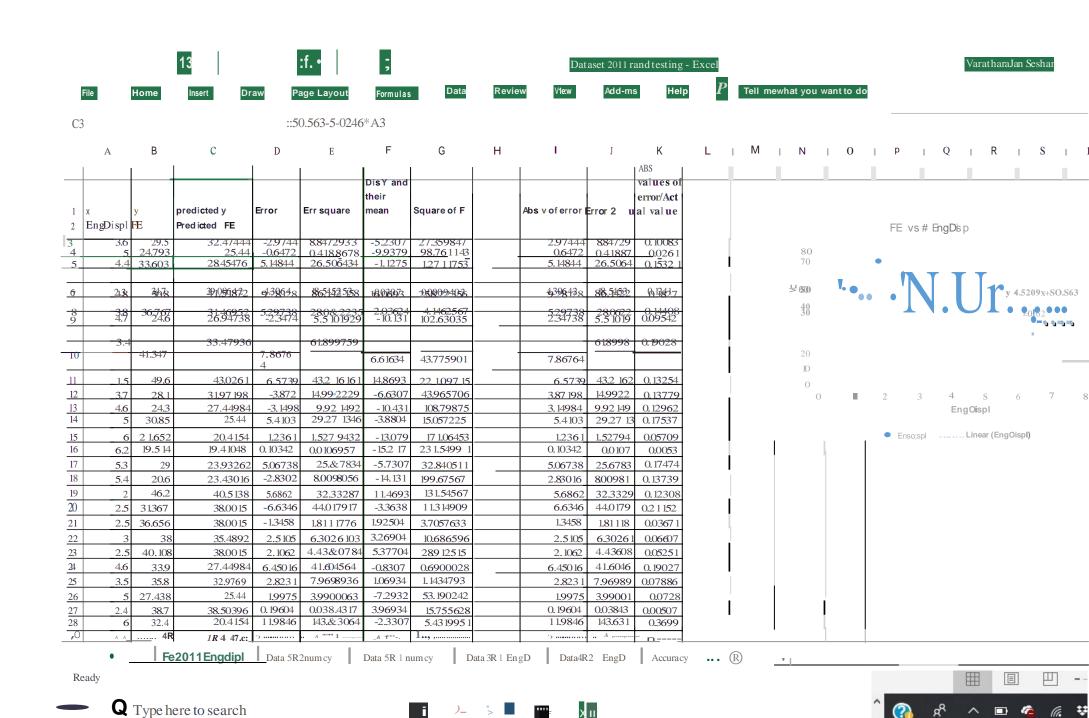
Based on the findings the MAPE values of all tests are found to be vey close though the test is done on various input variable and the accuracy is found to be around 88.3%

The average of the all the model of Engdispl Beta coefficient is given below and further the average Beta coefficient is applied and predicted the FE as given in the screenshot below. And the MAPE values and accuracy is calculated as per the requirement in the question (Test the final Accuracy by implementing the model on 2011 dataset.) and the same is given below. Relevant excel sheets are attached separated in the submission,

	Eng displ
	-4.8939
	-5.36912
	-5.35080
	-
Average	5.20460667

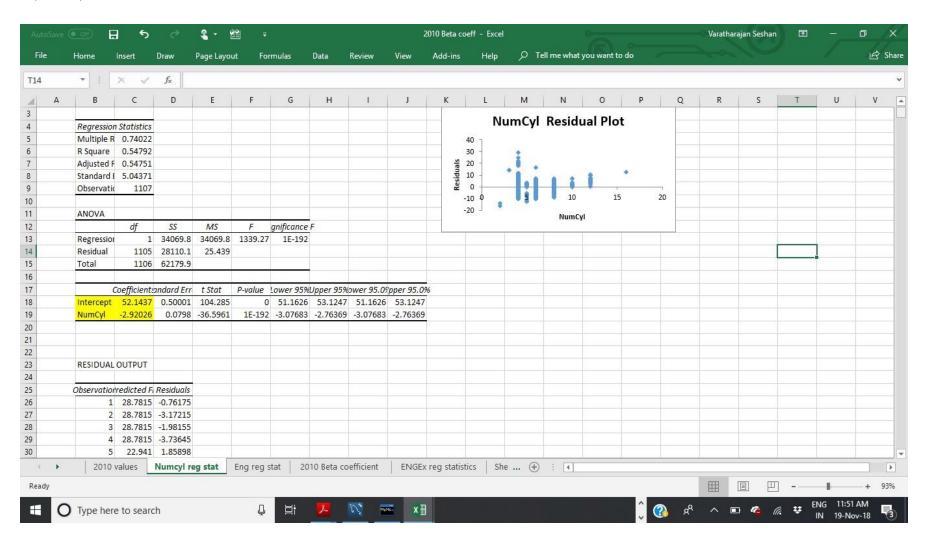
	П	245			
MAD		4.025664653			
MSE		31.19592662			
RMSE	П	5.585331379			
			Mean absolute percentage		
MAPE		11.17662112	error		

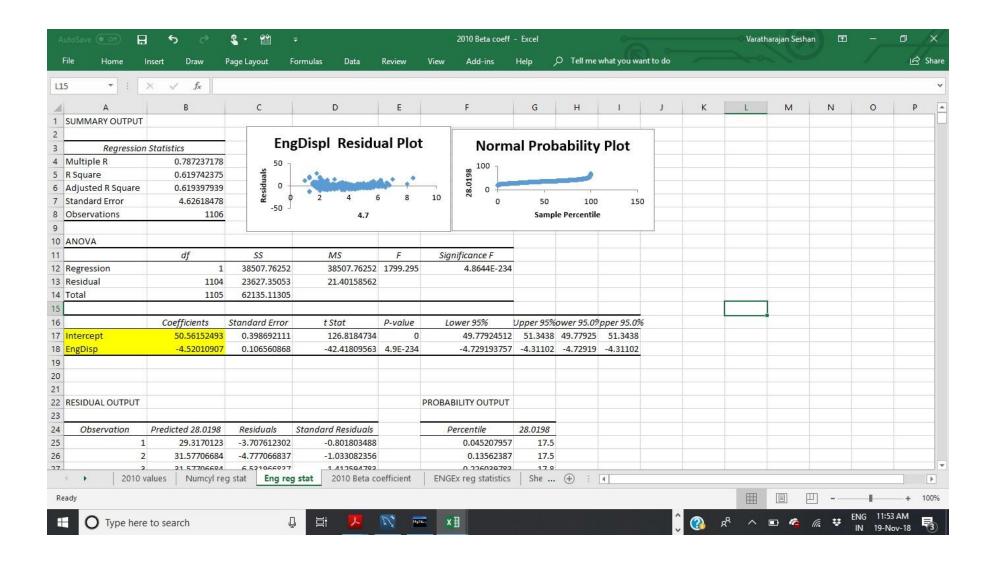
0.630435 R 2 by calculation

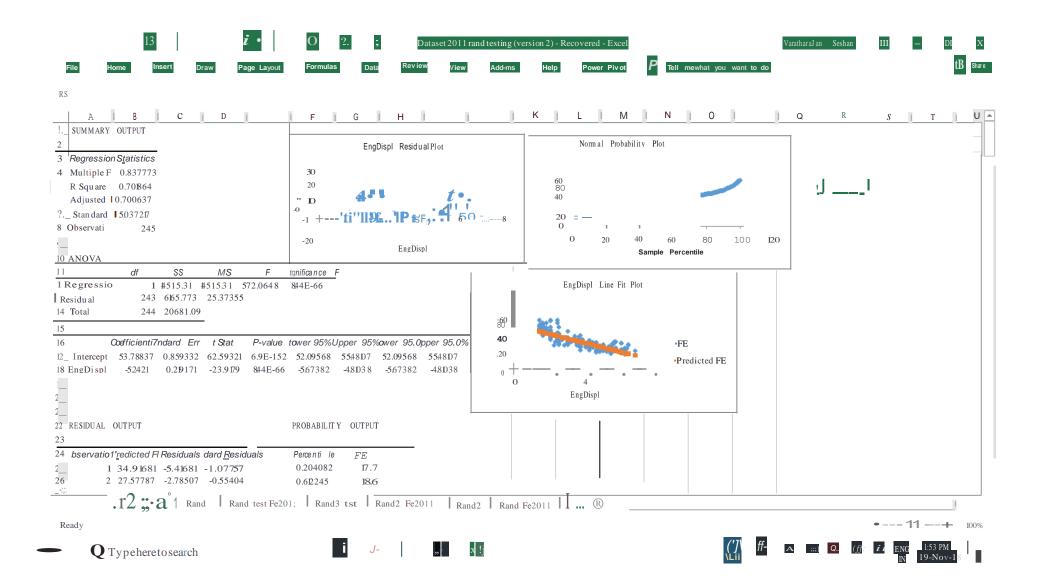


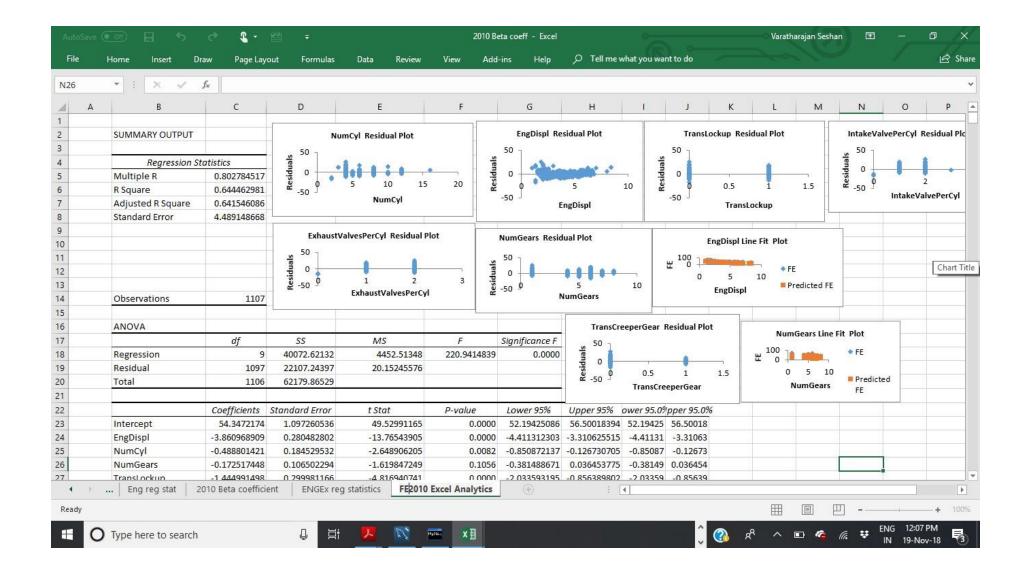
Use Excel Data Analysis tool

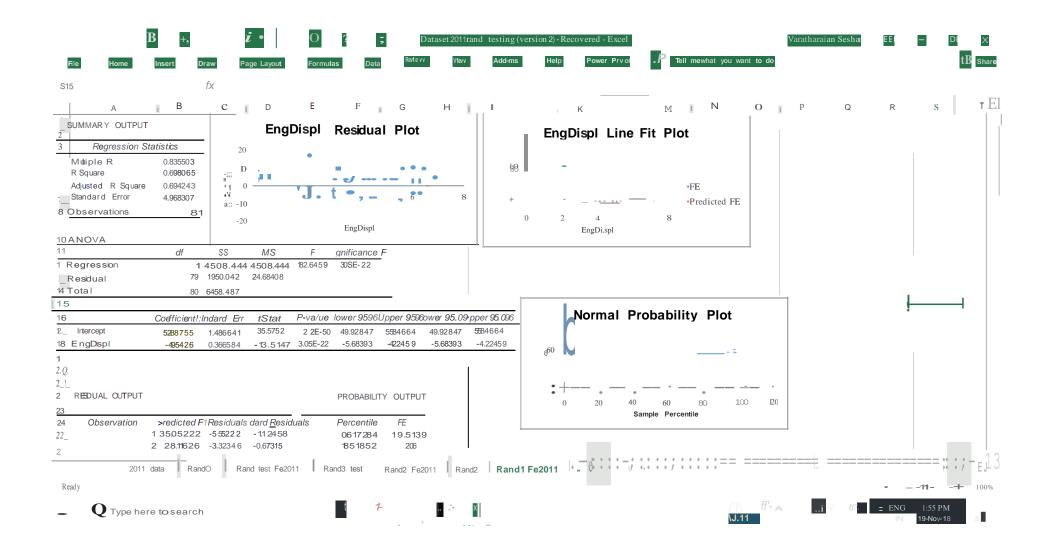
- 7. Use Data Analysis feature of Excel to bypass the co-efficient calculation formulas and compute the Regression Model directly.
- 8. You should be able to repeat all the points asked under "Use Excel" using Data Analysis tool. You may need to do the random sampling separately here as well.

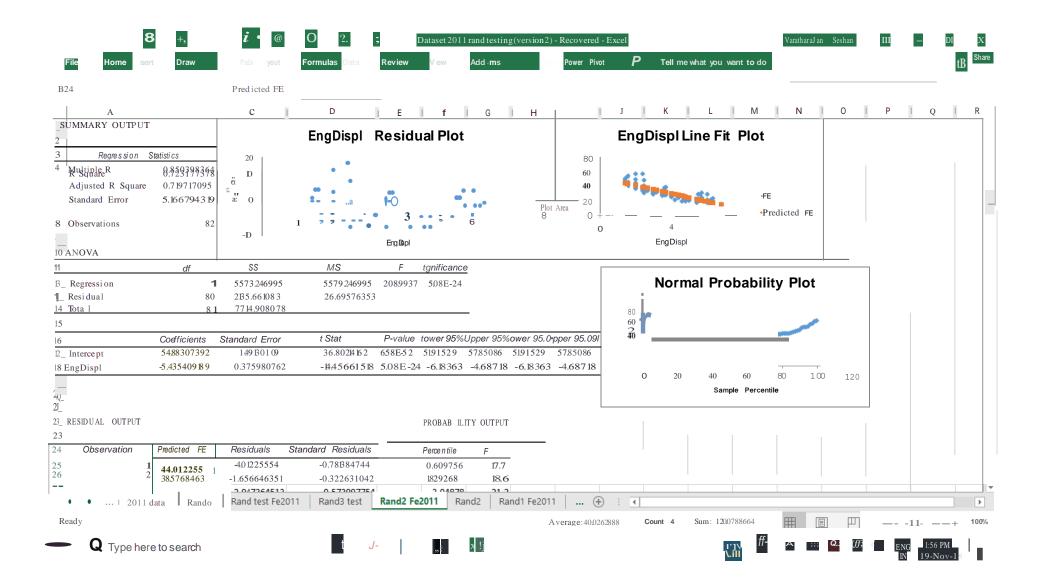


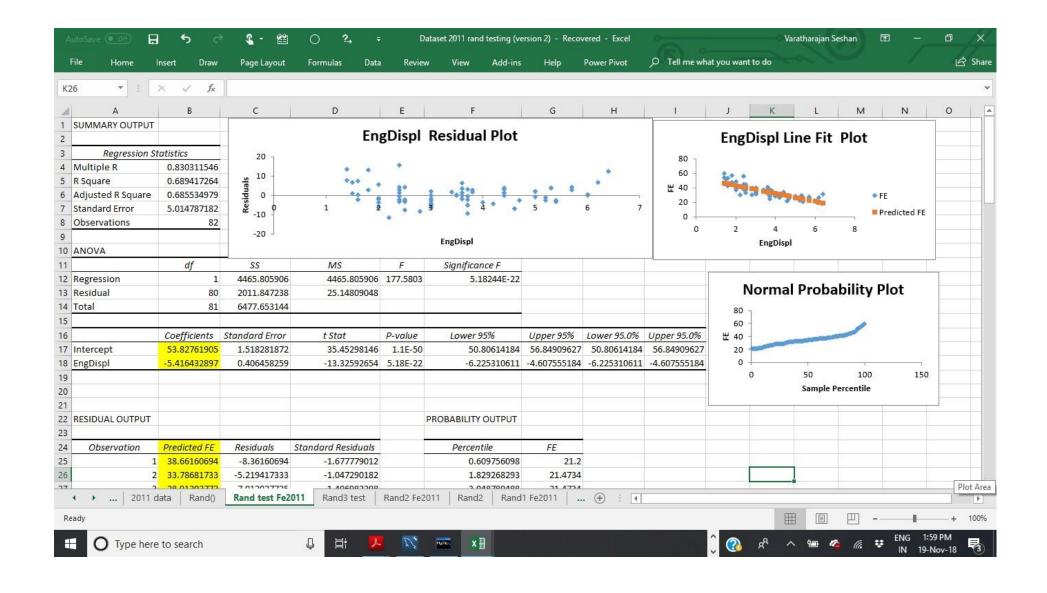












Use MySQL

- 9. Upload the 2010 and 2011 dataset into a MySQL database named "fuel_economy". The table name should be "fe2010" and "fe2011" respectively.
- 10. You have already calculated the beta coefficients for the full 2010 dataset. Insert two additional columns for the beta coefficients in the "fe2010"

table

and populate the columns with beta values. You can just take the previously calculate beta values to populate here. Remember the beta values will be constant

for each column here.

11. Once point 10. is done, Calculate the Predicted value for "feb2011" table by using the input variable from "feb2011" and beta coefficients from "feb2010" table.

Insert the predicted values in an additional column in table "feb2010".

My SQL Part is submitted separately as MYSQL submission for Project 1.1 as Part 2

Acknowledgement

This is a quite interesting project and I have gained a lot of knowledge about Excel analytics, MYSQL and finding the linear relationship in R, Excel graphs are very much interesting. I thank the institute Acadgild and the Mentors, Mr. Mohit & Mr. Gaurav, who taught us the R and related subjects to understand the Analytics.

Thank you Acadgild!