

STAT 608 Homework 4

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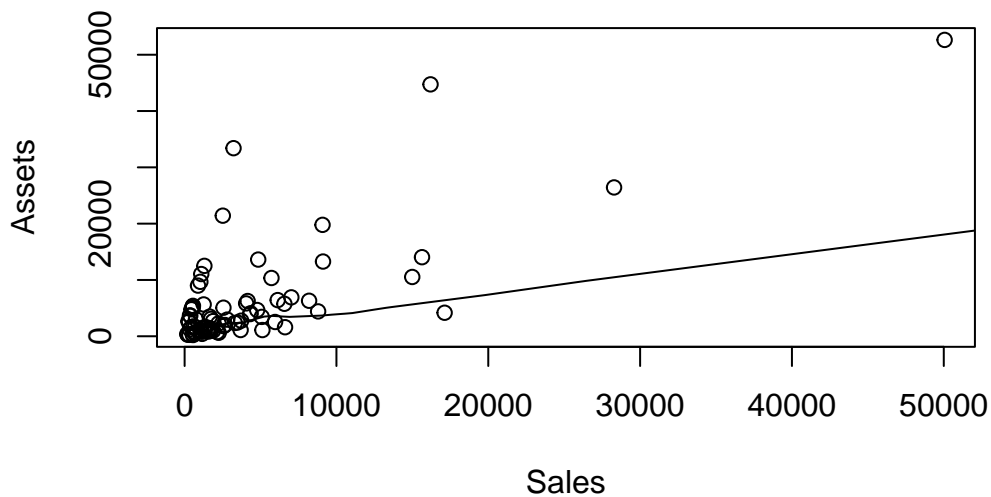
8)

Loading Company Data

```
company <- read.csv("company.csv")  
attach(company)
```

a)

```
plot(x = Sales, y = Assets)  
lines(lowess(Assets, Sales))
```



From this plot we can say that it appears Sales and Assets do not have a linear relationship. The upward curving trend towards the high leverage point in the top right of the plot suggest a log transformation would be reasonable.

```
fit_1 <- lm(Assets ~ Sales)
par(mfrow = c(2,2))
plot(fit_1)
```

