Assignment 1 - Problem 53

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January 2022

Question 53) Suppose (X,Y) follows bivariate normal distribution with means $\mu 1 \mu 2$, standard deviations $\sigma 1$,$\sigma 2$ and correlation coefficient ρ, where all parameters are un-known. Then, testing Ho: $\sigma 1 = \sigma 2$ is equivalent to testing the independence of
1.) X and Y
2.) X and X-Y
3.) X+Y and Y
4.) X+Y and X-Y

Answer: 4, X+Y and X-Y
Solution: Given X and Y are bi-variate random variables. Bivariate random variables are distribution of normal distribution to two coordinates. If any two random variables, $X_1 and X_2$ are said independent, then it follows that the co-relation co-efficient $\rho[X_1, X_2]$ is equal to 0.

$$\rho[X_1, X_2] = 0$$

We know that, for a bi-variate random variable correlation is given as follows:

$$\rho[X, Y] = \frac{\sigma_{[X,Y]}}{\sqrt{\sigma_X^2 \times \sigma_Y^2}}$$

For for testing independence of $[X + Y, X - Y]$, we need to see if $\rho[X + Y, X - Y]$ becomes 0.
if $\rho[X + Y, X - Y] = 0$, then it follows from the bivariate random distribution that $\sigma_{[X+Y,X-Y]}$ equates to 0

We know that

$$\sigma_{[X+Y,Z]} = \sigma_{[X,Z]} + \sigma_{[Y,Z]} \tag{1}$$
$$\sigma_{[X,X]} = \sigma^2_{[X]} \tag{2}$$

1. Testing for the independence of X,Y
   (a) $\sigma_{[X,Y]}$ is always not equal to 0 when $\sigma_1^2 = \sigma_2^2$.

(b) Also if $\sigma_{[X,Y]}$ is equal to 0, it means that XY are in the form of $Y = C \times X$ or $Y = X^2$ or any $Y = f(X)$, which means both of them are dependent.

(c) So, $\sigma_1^2 = \sigma_2^2$ does not imply X,Y are in-dependant.

2. Testing independence of X,X-Y

   (a)

$$\begin{aligned}\sigma_{[X-Y,X]} &= \sigma_{[X,X]} - \sigma_{[X,Y]} \\ &= \sigma_X^2 - \sigma_{[X,Y]}\end{aligned}$$

   (b) $\sigma_X^2 \neq \sigma_{[X,Y]}$ which $\implies$ X,X-Y are not independent

3. Testing for independence of X,X+Y

   (a)

$$\begin{aligned}\sigma_{[X+Y,X]} &= \sigma_{[X,X]} + \sigma_{[X,Y]} \\ &= \sigma_X^2 + \sigma_{[X,Y]}\end{aligned}$$

   (b) $\sigma_X^2 \neq -\sigma_{[X,Y]}$ which $\implies$ X,X-Y are not independent

4. Testing for independence of X+Y,X-Y

   (a)

$$\begin{aligned}&\sigma_{[X+Y,X-Y]} \\ &= \sigma_{[(X+Y),X]} - \sigma_{[(X+Y),Y]} \\ &= \sigma_{[X,X]} + \sigma_{[X,Y]} - \sigma_{[X,X]} - \sigma_{[X,Y]} \\ &= \sigma_X^2 - \sigma_Y^2\end{aligned}$$

   (b) Now testing for $\sigma_1 = \sigma_2 \implies \sigma_{[X+Y,X-Y]} = 0$

   (c) $\Rightarrow \rho[X+Y, X-Y] = 0$

   (d) Hence testing for $\sigma_1 = \sigma_2 \implies X+Y, X-Y$ are independent.