CFA® Exam Tips – LEVEL II

Study Tips

Quantitative Methods
Basics of Multiple Regression and Underlying Assumptions

5 main assumptions for multiple regression models:

1. **linearity**
2. **homoskedasticity**
3. **independence of errors**
4. **normality**
5. **independence of independent variables**
   a. **indep. var. not random**
   b. **no exact linear relation between them**

Diagnostic plot	Assumptions to be checked
Scatterplots of dependent versus independent variables	detecting non-linear relationships
Scatterplots of independent versus independent variables	detecting independence between explanatory variables
Residual plots	detecting violations of homoskedasticity and independence of errors

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