

## Index of 5-L: Statistical Inference

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## PRACTICAL INFORMATION

### First home assignment:

- already posted (Wednesday), due next Thursday (February 12),
- you **must** consult the “Instructions for home assignments” page,
- worth 10% of total course mark, and covers only material from Sessions 1–4.

### Schedule news:

- final exam to be set for Friday, April 17, 9am-12pm,
- midterm exam to be set for Thursday, March 5, 9-10am (lecture 8L → 1-3pm).

### Today’s lecture:

- more about **random variables**:<sup>1</sup>
    - \* **distribution of the sample mean** (and sample proportion<sup>2</sup>),
    - \* some “great” (mathematical) results: **law of large numbers**, and **central limit theorem**,
  - **statistical inference**,
    - \* continuing with **estimation** (thereby also catching up on 4L–15/16),
    - \* **confidence intervals**,<sup>3</sup> and **statistical tests** (significance, *P*-value),<sup>4</sup>
- but a broad critical discussion of statistical inference will wait until Session 12.

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<sup>1</sup> PSLS 4e: Chapter 13; S: Chapter 6; IPS 7e: Sections 3.3+5.1-2.

<sup>2</sup> The approximation of a binomial distribution by a normal distribution (Appendix) is not part of the course syllabus.

<sup>3</sup> PSLS 4e: Chapter 14-15 (parts); S: Chapter 7; IPS 7e: Section 6.1.

<sup>4</sup> PSLS 4e: Chapter 14-15 (parts); S: Chapter 8; IPS 7e: Sections 6.2-3.

## BIAS AND VARIABILITY

Model of our data  $X_1, \dots, X_n$  involves a parameter  $\theta$  (in our examples, the mean  $\mu$  or the proportion  $p$ ).

**Definition:** an estimate  $\hat{\theta}$  of a parameter  $\theta$  is **unbiased**, if:

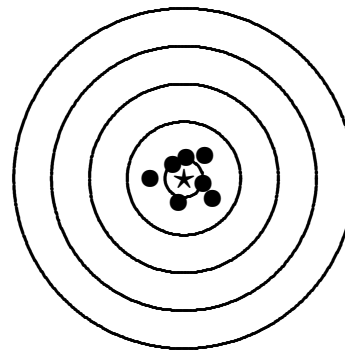
$$E \hat{\theta} = \theta,$$

i.e., *on the average*, the estimate “hits right at  $\theta$ ”.<sup>5</sup>

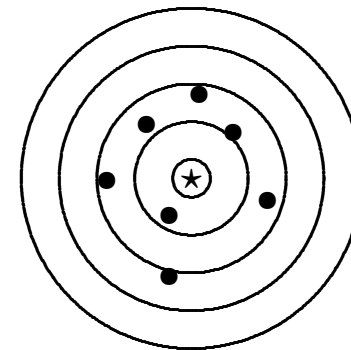
**Targeting analog:**

( $\star \sim$  true value,  
 $\bullet \sim$  observed values  
in replications of  
the experiment)

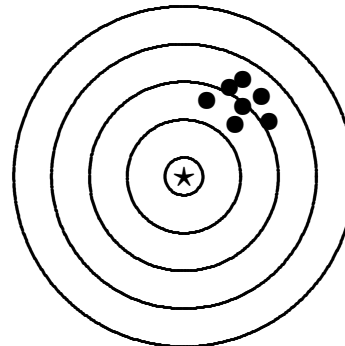
low variability, low bias



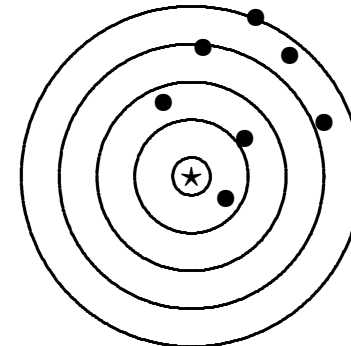
high variability, low bias



low variability, high bias



high variability, high bias



**Challenge:** how would the corresponding sampling distributions (of  $\hat{\theta}$ ) look?

<sup>5</sup> Generally (in statistics), the **bias** of an estimate is:  $\text{bias}(\hat{\theta}) = E \hat{\theta} - \theta$ .

## STATISTICAL PROPERTIES OF SAMPLE STATISTICS

**Terminology** (mine!): i.i.d. variables  $X_1, \dots, X_n \sim$  **independent** and with **same distribution**.

**Result**: For i.i.d. variables  $X_1, \dots, X_n$  with mean  $\mu$  and standard deviation  $\sigma$ , we have

$$E\bar{X} = \mu, \quad \text{Var}\bar{X} = \sigma^2/n, \quad \text{and} \quad \text{SE} = \text{sd}\bar{X} = \sigma/\sqrt{n}.$$

One important implication hereof is that the estimate

$$\hat{\mu} = \bar{X} \quad \text{is } \mathbf{unbiased} \text{ for } \mu.$$

**Summary** of estimation from a single sample:

- for **estimation of a mean** we use

$$\hat{\mu} = \bar{X} \text{ — unbiased with } \text{sd}(\hat{\mu}) = \sigma/\sqrt{n}.$$

- for **estimation of a proportion** (observing  $X$  out of  $n$ )<sup>6</sup>

$$\hat{p} = X/n = \bar{S} \text{ — unbiased with } \text{sd}(\hat{p}) = \sqrt{\frac{p(1-p)}{n}}.$$

Furthermore, if the variables  $X_1, \dots, X_n$  are independent and **normally distributed**  $N(\mu, \sigma)$ , then

$$\bar{X} \sim N(\mu, \sigma/\sqrt{n}).$$

**Note**: the **new result** here is that  $\bar{X}$  is **normally distributed**, actually any linear combination of independent normal variables<sup>7</sup> is again normally distributed.

<sup>6</sup> We have  $X = S_1 + \dots + S_n$ , where the  $S_i$  are 1 ( $\sim$  event) or 0 ( $\sim$  non-event); the  $S_i$  are called indicators of the events, or binary or **Bernoulli** variables.

<sup>7</sup> For example,  $Y = a_1X_1 + a_2X_2 + a_3X_3$ , where  $a_1, a_2$  and  $a_3$  are numbers.

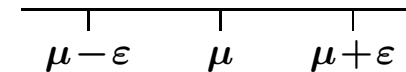
## LAW OF LARGE NUMBERS (LLN)

= **mathematical result** (probability theory):

If  $X_1, \dots, X_n$  are i.i.d. variables with mean  $\mu$ , then:

$$P(\mu - \varepsilon \leq \bar{X} \leq \mu + \varepsilon) \rightarrow 1$$

as  $n \rightarrow \infty$ , for any  $\varepsilon > 0$ .



**Less formally**, for “large”  $n$ :

- $(X_1 + \dots + X_n)/n = \bar{X} \approx \mu$ ,
- eventually (when  $n$  is large enough):  $\mu - \varepsilon \leq \bar{X} \leq \mu + \varepsilon$  with very high probability, for any  $\varepsilon > 0$ .<sup>8</sup>

**Illustrations of LLN:**

- applet “Law of Large Numbers: Dice Rolling Example”,
- applet “Simulating the probability. . .” (for binary outcome) you have tried already.<sup>9</sup>

**Implications of LLN:**

- “stabilizing behavior” of a series of averages (or proportions) that we have seen previously,
- strong (good!) property of the sample mean as an estimate of the population mean.

<sup>8</sup> Intuitively, the required  $n$  depends on both  $\varepsilon > 0$  and the targeted probability.

<sup>9</sup> As mentioned on the previous slide, the sample proportion is indeed a sample mean (for the indicators  $S_i$ ).

## CENTRAL LIMIT THEOREM (CLT)

= **mathematical result** (probability theory):

If  $X_1, \dots, X_n$  are i.i.d. variables with mean  $\mu$  and standard deviation  $\sigma$ , then the cumulative probabilities (“to the left”) for the standardized sum satisfy:

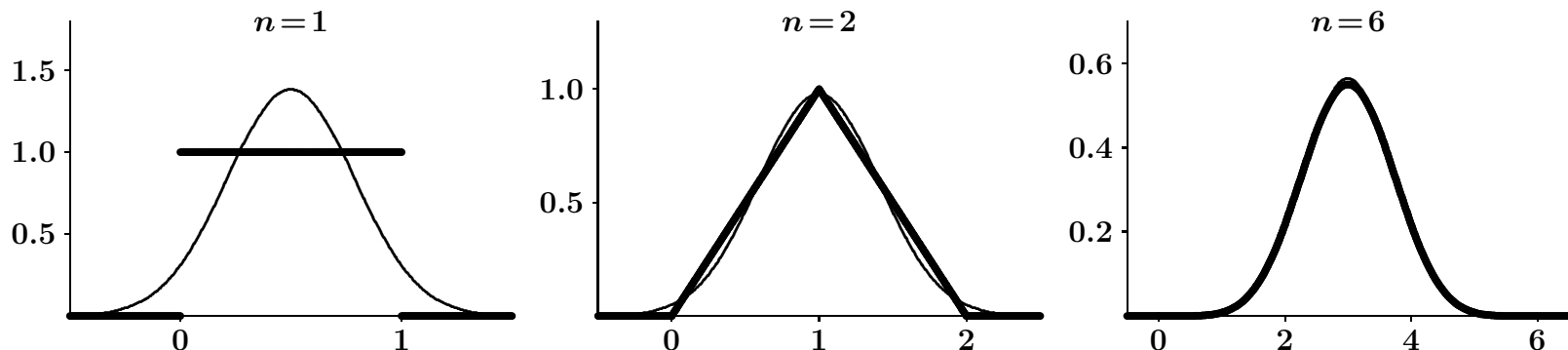
$$P\left(\frac{X_1 + \dots + X_n - n\mu}{\sqrt{n}\sigma} \leq x\right) \rightarrow P(Z \leq x) \quad \text{as } n \rightarrow \infty,$$

for any real number  $x$ , and where (as usual)  $Z \sim N(0, 1)$ .

**Less formally**, for “large”  $n$ :

$$\begin{aligned} X_1 + \dots + X_n &\approx N(n\mu, \sqrt{n}\sigma), \\ (X_1 + \dots + X_n)/n = \bar{X} &\approx N(\mu, \sigma/\sqrt{n}). \end{aligned}$$

**Illustration** — approximation of a sum of uniform distributions: (bold=exact density, thin=normal approximation): <sup>10</sup>



<sup>10</sup> See also the “Sampling distributions” applet.

## IMPLICATIONS OF THE CLT

### Remarks on CLT (central limit theorem):

- CLT deals with **i.i.d. variables**, both assumptions involved are crucial,
- we know already that a sum/average of normal random variables is (exactly) normal, but the CLT says that **any sum/average of i.i.d. variables** is approx. normal,
- **intuitively** surprising: any skewnesses or irregularities in distribution smoothed out (by sum/average),
- implies a **special role** of the normal distribution,
- partial **justification** for general use of the normal distribution (some outcomes may be thought of as an addition of many small effects, e.g. growth, yield),
- **stronger** result than **LLN** (the law of large numbers, telling us that the distribution of  $\bar{X}$  narrows in around  $\mu$ ), because distribution is known as well.

### Applications:

- to sum of binary/Bernoulli variables (= binomial variable)  
⇒ approximation of binomial distribution by normal distribution (Appendix),
- generally to **average of i.i.d. variables** ⇒ approximate statistical inference for sample average  $\bar{X}$  without assuming any particular distribution for  $X$ s.

## INTRODUCTION TO CONFIDENCE INTERVALS

**Data example:** 10 calves on infected pasture, parasite egg counts  $X_1, \dots, X_{10}$ .

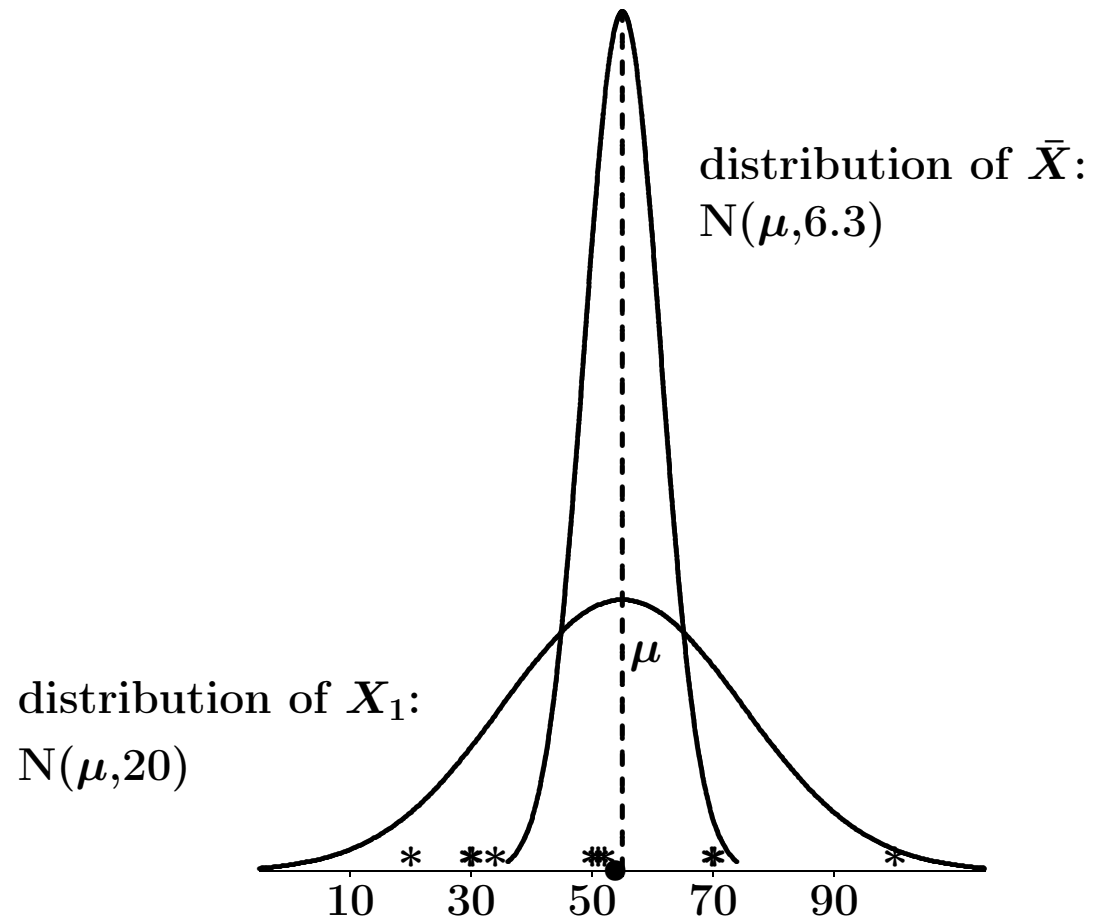
- **Model:**  $X_1, \dots, X_{10}$  i.i.d. variables with mean  $\mu$ .
- **Estimate:**  $\hat{\mu} = \bar{X} = 51.2$ .

What does this tell us about  $\mu$ ?

- \* almost nothing,<sup>11</sup>
- \*  $\mu = 51.2$ ,
- \*  $\mu$  is close to 51.2  
(say, within  $\pm 1$ ),
- \*  $\mu$  is somewhere around 51.2  
(say, within  $\pm 15$ ).

**Same question,**

if we know that  $\sigma_{\bar{X}} \approx 6.3$ ?  
( $\sigma = 20$ , and  $\sigma_{\bar{X}} = \sigma / \sqrt{10}$ )



<sup>11</sup> Estimates without any indication of precision are not worth much.

## A REAL-LIFE CONFIDENCE INTERVAL

From the news (September 2004):

A poll by the Centre for Research and Information on Canada shows that 61% of Canadians believe that religious practice is an important factor in the moral and ethical lives of Canadians. [...]

The poll of 1500 adult Canadians was conducted June 16-21, 2004, and is considered accurate within plus or minus 2.5 per cent 19 times out of 20. [...]

(Province breakdown: Atlantic 76%, Quebec 44%, etc.; corresponding number in 1980: 79%)

In statistical terms:

- **estimates**: proportions of respondents indicating religious practice to be important factor (61%, 79%),
- **confidence intervals**: limits of  $\pm 2.5\%$  with a **confidence** of 19 times out of 20 (95%):
  - \* loosely stated, this means that there is 95% probability that the **true proportions** are within  $\pm 2.5\%$  of the estimates,
  - \* we'll make the precise meaning clear shortly.

Confidence limits aid in (are crucial for) the **interpretation** of the estimates; here they show the difference between 2004 and 1980 is huge, as are the differences between provinces (although with larger intervals, why?).

## CONFIDENCE INTERVAL (CI) BASICS

### Idea(s) and Concepts:

- combine estimate  $\hat{\mu}$  and its standard error SE (or,  $\text{sd}(\hat{\mu})$ )<sup>12</sup> to a statement about  $\mu$   
⇒ interval estimate = **confidence interval**,
- rarely able to say something for certain about  $\mu$   
⇒ need to set a level of certainty for our statement = **confidence level**,
- **confidence levels** are denoted by  $C$ , and are typically of the form  $1 - \alpha$ , where  $\alpha$  is the **error level**,
- **mostly used values** are
  - $C = 0.90$  (90%),  $\alpha = 0.10$  (10%),
  - $C = 0.95$  (95%; “19 times out of 20”),  $\alpha = 0.05$  (5%),
  - $C = 0.99$  (99%),  $\alpha = 0.01$  (1%),

with high (low) values of  $C$  corresponding to high (low) certainty (confidence),

- most confidence intervals are **symmetric** about the parameter estimate, that is, of the form

$$\mu : \hat{\mu} \pm \text{margin of error},$$

and the **margin of error** is very often calculated as

“percentile  $\times$  SE”.

<sup>12</sup> Recall that the standard error of an estimate is the standard deviation in its distribution.

## CONFIDENCE INTERVAL FOR POPULATION MEAN

**Formula:** Let  $X_1, \dots, X_n$  be a SRS (i.i.d.) from a population with mean  $\mu$  (unknown) and standard deviation  $\sigma$  (**known**). Then an (approximate) **95% confidence interval** for  $\mu$  is

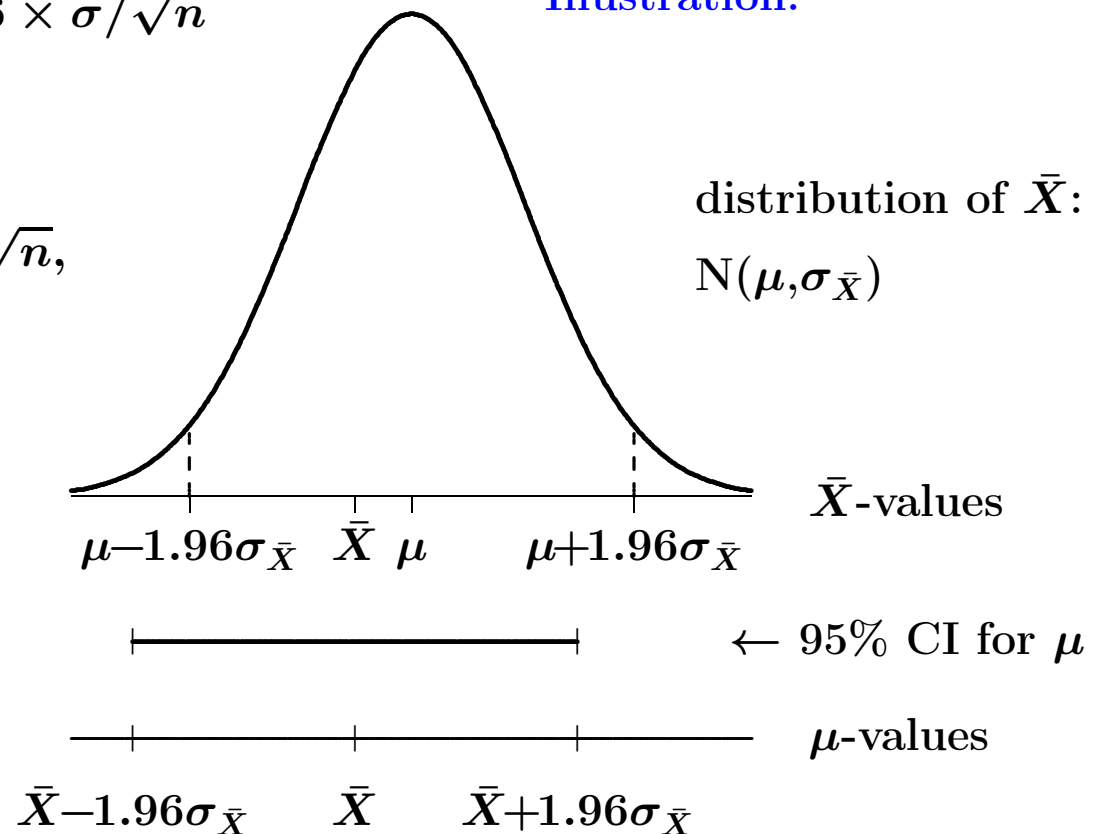
$$95\% \text{ CI for } \mu : \bar{X} \pm 1.96 \times \sigma / \sqrt{n}$$

**Illustration:**

Generally, an (approximate)  **$(1 - \alpha)$  confidence interval** is

$$(1 - \alpha) \text{ CI for } \mu : \bar{X} \pm z^* \times \sigma / \sqrt{n},$$

where  $z^*$  is a suitable percentile<sup>13</sup> in  $N(0,1)$ .



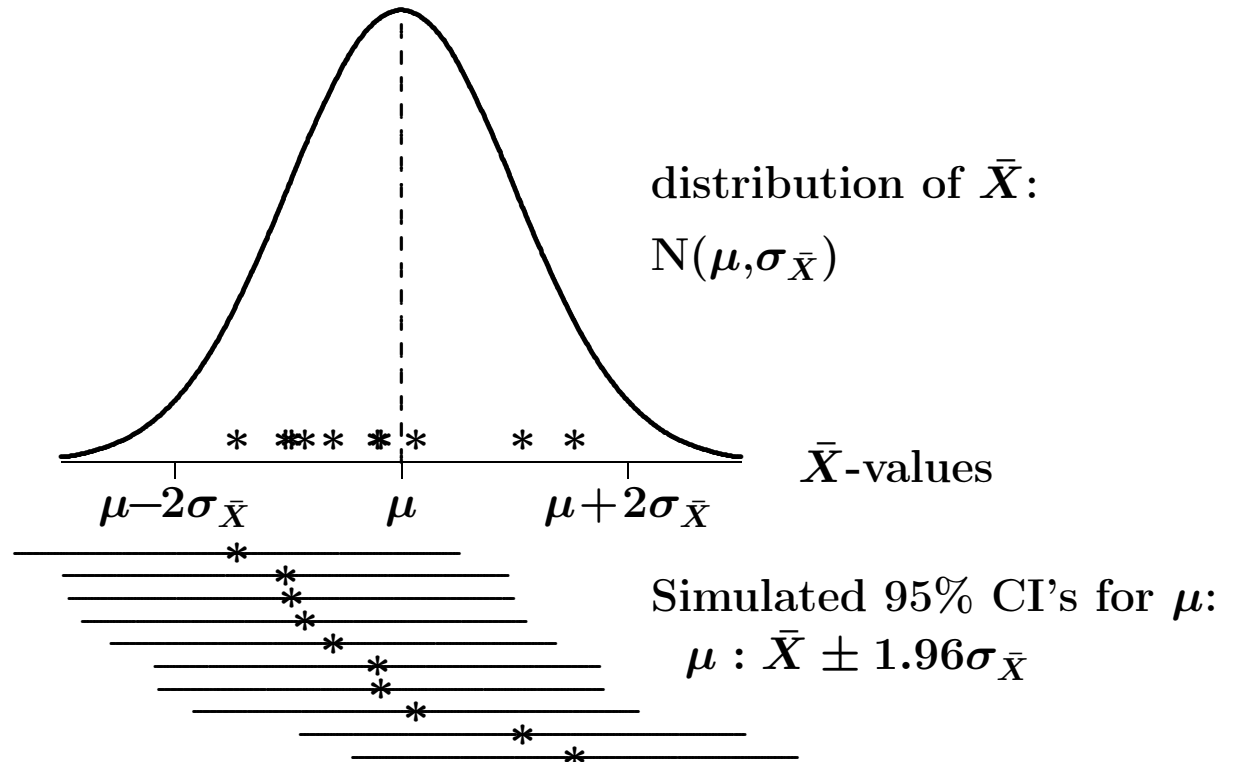
<sup>13</sup> Formally,  $z^* = z_{1-\alpha/2}$  is the  $(1 - \frac{\alpha}{2})$  percentile in  $N(0,1)$ ;  $z^*$ -values are found in PSLS: Table C, IPS: Table D, or as “critical values” in S: Table 3.

## INTERPRETATION OF CONFIDENCE INTERVALS

**Simulation** of 10 sample means  
from  $N(\mu, \sigma_{\bar{X}})$ :

**Frequency interpretation**  
of confidence intervals:

- *on the average*,  
95% of CI's will contain  $\mu$ ,
- the **randomness** is  
*in the method*,  
not in  $\mu$  (fixed value),
- for each specific interval,  
either  $\mu$  is in interval  
or  $\mu$  is outside interval (but we don't know which is true)...



**Assumptions** of confidence interval for population mean:

- **i.i.d.** sample (independent, identically distributed),<sup>14</sup>
- (approximate) **normal distribution** of  $\bar{X}$ ,
- **$\sigma$  known** (in practice, rarely a reasonable assumption).

<sup>14</sup> PSLS stresses the assumption of a simple random sample from the population.

**EXERCISES 6.20, 6.47 AND 6.55**

**Exercise 6.20:** Confidence intervals in opinion polls:

- (a) **No**; we can only become certain about the population value by sampling the entire population (not feasible). Every confidence interval has a confidence level  $< 100\%$ ,
- (b) The interval (27% to 33%) was based on a **method** that includes the true population percentage 95% of the time (with repeated sampling),
- (c) For a 95% CI,  $z^* = 1.96 \Rightarrow \sigma_{\text{estimate}} = 0.03/1.96 = 0.0153$ ,
- (d) **No**; it only accounts for random fluctuations.

**Exercise 6.47:** Null and alternative hypotheses for testing problems:

- (a)  $H_0: \mu = 18$  and  $H_a: \mu < 18$ ,
- (b)  $H_0: \mu = 50$  and  $H_a: \mu > 50$ ,
- (c)  $H_0: \mu = 24$  and  $H_a: \mu \neq 24$ .

**Exercise 6.55:**  $P$ -values against one/two-sided alternatives (from observed  $z = 1.8$ ):

- (a)  $P = P(Z \geq 1.8) = 1 - 0.9641 = 0.0359 \sim$  **significant** at the 5% significance level,
- (b)  $P = P(Z \leq 1.8) = 0.9641 \sim$  **non-significant** (at any meaningful significance level),
- (c)  $P = 2 \times P(Z \geq 1.8) = 0.072 \sim$  **non-significant** at the 5% significance level.

## TWO EXAMPLES OF TEST PROBLEMS

Example I: **Testing of taste** (example not in textbooks):

- **aim**: compare two brands of wine (beer, milk, cheese...),
- **“duo-trio test”** with one subject (person):
  - two anonymized samples, one of each brand,
  - third sample of known type,
  - subject may taste all 3 samples, as (s)he likes,
  - **task**: determine brands of two unknown samples,
- **repeating the experiment**, subject scores  $x$  out of  $n$  (e.g., 6 out of 8) correctly — how to determine if result has not occurred by chance (“luck”)?
- **statistical problem**, because of randomness associated with “guessing” (even if qualified guessing).

Example II: **Laboratory analysis** of active ingredient in specimens:

(Exercise 14.5 of PSLS 4e)

- **data** from 3 analyses of one specimen: 0.8403, 0.8363, 0.8447 (in g/l),
- **aim**: evaluate producer’s specified content of 0.86 g/l,
- **statistical problem**, because of random measurement errors in laboratory.

## INTRODUCTION TO STATISTICAL TESTING

Consider the “duo-trio” testing problem, and let  $X$  denote the number of “successes” for one subject in 8 trials.

- **binomial setting**  $\Rightarrow X \sim$  binomial distribution  $B(8, p)$ ,
- **if guessing**, the probability  $p$  in each trial must be  $p=0.5$  — state this as our **null hypothesis**  $H_0: p=0.5$ ,
- **under  $H_0$** :  $X \sim B(8, 0.5)$ :
 

$x$	0	1	2	3	4	5	6	7	8
$P(X=x)$	0.004	0.03	0.11	0.22	0.27	0.22	0.11	0.03	0.004
- **alternatively** to  $H_0$  we must have  $p > 0.5$  (unless subject messes up the experiment) — state this as our **alternative hypothesis**  $H_a: p > 0.5$ ,

If subject gets **all trials right** ( $X=8$ ):

- \* **probability of event happened by chance**:  $P = 0.004$ ,
- \* by low  $P$ -value, we have little confidence in  $H_0$  (because observed event unlikely to happen if  $H_0$  was true)  $\Rightarrow$  **reject**  $H_0$  and prefer  $H_a$ , (but  $H_0$  could be true...),

If subject gets **6 out 8 trials right** ( $X=6$ ):

- \* **probability of actual event or more extreme events**:  
 $P = P(X \geq 6) = P(X=6) + P(X=7) + P(X=8) = 0.14$ ,
- \* by not too low  $P$ -value, observed  $X=6$  does not seem unreasonable under  $H_0$  (might have happened by chance)  $\Rightarrow$  **cannot reject**  $H_0$ , (but  $H_0$  could be false...).

## COMPONENTS OF A STATISTICAL TEST

Statistical **Model** — main examples so far:  $X \sim B(n, p)$ , and  $X_1, \dots, X_n$  i.i.d. (SRS) of population  $(\mu, \sigma)$ .

Statistical **Hypothesis**:

- **statement/assertion** about the model (parameter(s) of the model) which is either true or false,
- **null hypothesis**  $H_0$  — the one investigated,
- **alternative hypothesis**  $H_a$  — the one to hold, if  $H_0$  is not true.

Statistical **Test statistic** (or test variable):

- computed from the data (in some cases, the entire data),
- “measures” how well **the data correspond** to  $H_0$  compared to  $H_a$ .

***P*-value** (or significance probability):

- the probability, computed under  $H_0$  (assuming  $H_0$  is true), that the test statistic takes a value **as extreme as or more extreme than** (in the direction of  $H_a$ ) the observed value from the data,<sup>15</sup>

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<sup>15</sup> The *P*-value expresses how surprising the observed outcome would be if  $H_0$  was true.

- low  $P$ -values provide evidence against  $H_0$   
 $\Rightarrow$  rejection of  $H_0$  (and acceptance of  $H_a$ , **strong conclusion**),
- high  $P$ -values provide no (convincing) evidence against  $H_0$   
 $\Rightarrow H_0$  cannot be rejected (**weak conclusion**).

### Significance level $\alpha$ :

- **artificial** borderline/cut-off set for convenience between **significant** (i.e.,  $P \leq \alpha$ ) and **non-significant** (i.e.,  $P > \alpha$ ) results,<sup>16</sup>
- **by convention** set at 0.05, or less commonly at 0.10, 0.01, etc.

### Analogs between reasoning in law and statistics:

Concept	Law	Statistics
initial position	innocence	null hypothesis
claim	guilt	alternative hypothesis
information	evidence	data
decision rule to rule out chance	guilt beyond reasonable doubt	$P <$ significance level
conclusive result	guilt	alternative hypothesis
inconclusive result	innocence could not be ruled out	null hypothesis could not be rejected

<sup>16</sup> No uniform rule exists for whether ( $P = \alpha$ ) is considered significant or not.

## TEST FOR POPULATION MEAN

Setting for test of population mean:

- **Model:**  $X_1, \dots, X_n$  i.i.d. from distribution  $(\mu, \sigma)$ ,
  - \* **assume** (approximate) normal distribution of  $\bar{X}$ ,
  - \* **assume**  $\sigma$  known (in practice, rarely a reasonable assumption).
- **Null Hypothesis**  $H_0$ :  $\mu = \mu_0$ , where  $\mu_0$  is a known, fixed value (very often,  $\mu_0=0$ ),
- **Alternative Hypothesis**  $H_a$ :  $\mu \neq \mu_0$ ,

- **z-test statistic** computed as:

$$z = \frac{\bar{X} - \mu_0}{\sigma/\sqrt{n}} \sim N(0,1) \text{ under } H_0,$$

- **P-value** computed as:

$$P = 2 \times P(Z \geq |z|) = 2 \times P(Z \leq -|z|).$$

**Example II: Laboratory analysis,**

- **Data:**  $X_1, X_2, X_3$ ;  $n=3$ ,  $\bar{X}=0.8404$ ,  $\sigma=0.0068$  known,
- **Hypotheses:**  $H_0: \mu = 0.86$ ,  $H_a: \mu \neq 0.86$ ,
- **Test statistic:**  $z = (0.8404 - 0.86)/(0.0068/\sqrt{3}) = -4.98$ ,
- **P-value:**  $P = 2 \times P(Z \leq -4.98) < 2 \times 0.0002 = 0.0004$ ,
- **Conclusion:** reject  $H_0$  and accept  $H_a$ ; **strong indication** that the specimen content is not as specified (i.e., **lower**, because the data point in that direction).

## ONE- OR TWO-SIDED?

**Null hypothesis**  $H_0$  usually of the form: parameter=value (e.g.  $\mu = 0.86$ ).

**Alternative hypothesis**  $H_a$  usually one of 3 types:

- **one-sided upwards**: parameter > value (e.g.,  $\mu > 0.86$ ),
- **one-sided downwards**: parameter < value (e.g.,  $\mu < 0.86$ ),
- **two-sided**: parameter different from value (e.g.,  $\mu \neq 0.86$ ).

**Choice** of alternative hypothesis:

- **one-sided**: when **focus is on particular alternative** (because other direction is difficult to interpret, or in beforehand of no interest),
- **two-sided**: **most common**, when no particular alternative is in focus or no knowledge is present in beforehand.

○ **affects the calculation of  $P$ -values**:

\* **in general**,  $P$ -value is the probability of extreme events for  $H_0$  relative to (i.e., in the direction of)  $H_a$ ,

\* **example**: testing for population mean,

$H_0: \mu = \mu_0$ :

$$H_a : \mu > \mu_0 : P = P(Z \geq z),$$

$$H_a : \mu < \mu_0 : P = P(Z \leq z),$$

$$H_a : \mu \neq \mu_0 : P = P(Z \geq |z|) + P(Z \leq -|z|).$$

\*  $P$ -values and tests may also be termed one/two-sided.<sup>17</sup>

<sup>17</sup> My recommendation is to only talk about one/two-sided alternative hypotheses.

TESTING BY CONFIDENCE INTERVAL

**Fact:** A confidence interval (CI) for a parameter with confidence level  $C = 1 - \alpha$  can be used for a significance test at level  $\alpha$  for

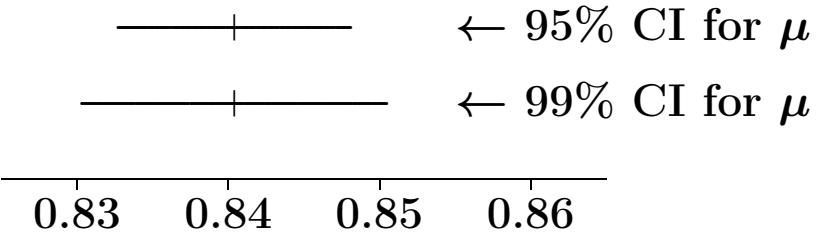
null hypothesis  $H_0$ : parameter = value, versus  
 alternative hypothesis  $H_a$ : parameter  $\neq$  value,

by the following “recipe”:

- reject  $H_0$ , if value is outside interval.
- cannot reject  $H_0$ , if value is inside interval,

**Example II: Laboratory analysis,**

- 95% CI for  $\mu$ :  $\bar{X} \pm 1.96 \sigma / \sqrt{3}$   
 $= 0.8404 \pm 0.0077 \Rightarrow H_0: \mu = 0.86$ ,  
 rejected at 5% level (also  $H_0: \mu = 0.85$ ),
- 99% CI for  $\mu$ :  $\bar{X} \pm 2.576 \sigma / \sqrt{3}$   
 $= 0.8404 \pm 0.0101 \Rightarrow H_0: \mu = 0.86$ ,  
 rejected at 1% level (not  $H_0: \mu = 0.85$ ).



**Advantages and disadvantages** of testing by use of CI:

- + easy (when CI done), enhances CI interpretation,
- no P-value.

## SUMMARY NOTES

### Key words and concepts:

- parameter, estimate, population,
- distribution of estimate/statistic, variability, standard error, bias,
- sample mean and proportion as unbiased estimates,
- law of large numbers (LLN), central limit theorem (CLT),
- **confidence interval**:
  - \* concepts: confidence level, margin of error, frequency interpretation,
  - \*  $z$ -formula for sample mean in normal distribution model (with known standard deviation  $\sigma$ ).
- **statistical test**:
  - \* concepts: null hypothesis  $H_0$ , alternative hypothesis  $H_a$  (one or two-sided), test statistic and its (reference) distribution,  $P$ -value, significance level,
  - \* possible conclusions: reject  $H_0$  (and favour  $H_a$ ), or no (insufficient) evidence against  $H_0$ ,
  - \*  $z$ -test formula for mean in normal distribution model (with known  $\sigma$ ),
- relation between **test** and **confidence interval** (for a single parameter).

## SUMMARY NOTES: FOUR-STEP PROCESSES

Four-step process for **confidence intervals** (PSLS 4e):

**State:** What is the practical question that requires estimating a parameter?

**Plan:** Identify a parameter and choose a level of confidence.

**Solve:** Carry out the work in two phases:

- \* Check the conditions for the interval you plan to use.
- \* Calculate the confidence interval (possibly using software).

**Conclude:** Return to the practical question to describe your results in this setting.

Four-step process for **tests** (PSLS 4e):

**State:** What is the practical question that requires a statistical test?

**Plan:** Identify a parameter, state the null and alternative hypotheses, and choose the type of test that fits your situation.

**Solve:** Carry out the test in three phases:

- \* Check the conditions for the test you plan to use.
- \* Calculate the test statistic.
- \* Find the  $P$ -value using a table of Normal probabilities or technology.

**Conclude:** Return to the practical question to describe your results in this setting.

## APPENDIX: NORMAL APPROXIMATION OF BINOMIAL DISTRIBUTION

For a **binomial distribution**  $(n, p)$  ( $X \sim B(n, p)$ ) we have the approximations: <sup>18</sup>

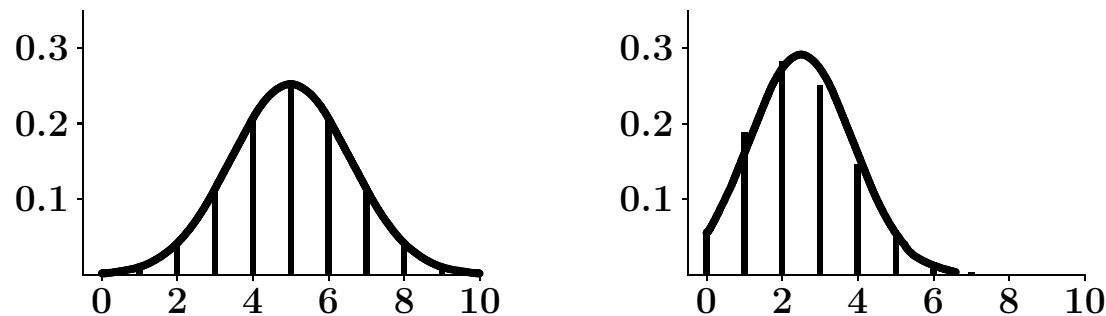
- $B(n, p) \approx N(np, \sqrt{np(1-p)})$ ,
- approximation “good” when  $np(1-p) > 10$ ,<sup>19</sup>
- formulas with **continuity correction** ( $\pm 0.5$ ), for numbers  $0 \leq x \leq n$  and  $Z \sim N(0,1)$ :

$$P(X \leq x) \approx P\left(Z \leq \frac{x + 0.5 - np}{\sqrt{np(1-p)}}\right),$$

$$P(X < x) \approx P\left(Z \leq \frac{x - 0.5 - np}{\sqrt{np(1-p)}}\right),$$

$$P(a \leq X \leq b) \approx P\left(Z \leq \frac{b+0.5-np}{\sqrt{np(1-p)}}\right) - P\left(Z \leq \frac{a-0.5-np}{\sqrt{np(1-p)}}\right),$$

**Illustration** for binomial distribution  $B(10, p)$ , with  $p = 0.5$  (left) and  $p = 0.25$  (right):



<sup>18</sup> Illustrated by the “Sampling distributions” applet if used with binary distributions.

<sup>19</sup> IPS 7e gives the slightly less strict rule:  $np > 10$  and  $n(1-p) > 10$ . The PSLS/S texts have no specific rules, nor include the formula with continuity correction.