

Practice Exercise #2

Practice Problem A.7

Suppose the following model describes the relationship between annual salary and the number of previous years of experience:

$$\ln(\textit{salary}) = 10.6 + 0.027\textit{exper}$$

- (i) What is *salary* when *exper* = 0? When *exper* = 5?
- (ii) Approximate the percentage increase in *salary* when *exper* increases by five years.
- (iii) Use the results of part (i) to compute the exact percentage difference in *salary* when *exper* = 5 and *exper* = 0. Comment on how this compares with the approximation in part (ii).