

Steps in Hypothesis Testing

1. Formulate H_0 and H_1 . H_0 is the null hypothesis and H_1 is the alternative hypothesis.

2. Specify the level of significance (α) to be used. This level of significance tells you the probability of rejecting H_0 when it is, in fact, true. (Normally, significance levels of .05 or .01 are used.)

3. Select the test statistic: Z , t , χ^2 , F , etc.

4. Establish the critical value or values of the test statistic needed to reject H_0 .

5. Determine the actual value (computed value) of the test statistic.

6. Make the decision: **Reject H_0** or **Do Not Reject H_0** .

	H_0 Is True	H_0 Is False
Do Not Reject H_0	GOOD	β Error (Type II Error)
Reject H_0	α Error (Type I Error)	GOOD