

BEC 30325: MANAGERIAL ECONOMICS

Tutorial 05

Demand Forecasting Part I

- 1) “In a dynamic, highly competitive and uncertain business world demand forecasting plays a vital role in managing businesses.” Evaluate this statement with respect to purpose and importance of demand forecasting.
- 2) “There are qualitative as well as quantitative techniques for demand forecasting. It may not be necessary for a firm to follow both the techniques when forecasting demand.” Critically evaluate this statement.
- 3) The demand trend for cement sacks of Sierro Co. is estimated as below;

$$S_t = 12.5 + 0.14 t$$

The trend projection was done using the sales data of Sierro Cement from the first quarter of 2002 to the fourth quarter of 2011.

- a. What is the interpretation of the coefficient of t .
 - b. Forecast the demand for Sierro cement for the four quarters of 2012.
- 4) Eat right food Inc. estimates their sales for ready to eat noodle packs. Based on the data from 1995 quarter 1 to 1998 quarter 4. The estimated demand equation is;

$$S_t = 5,000,000 + 100,000 t$$

Actual sales for the fourth quarters are given below;

Year	Sales in 000'
1995	5,450
1996	5,860
1997	6,270
1998	6,680

- a. Project sales for the first three quarters of 1999
- b. Project sales for the fourth quarter of 1999, without using a seasonal adjustment.
- c. Calculate the seasonal adjustment factor for the fourth quarter according to Ratio-to-Trend method.
- d. Project sales for the fourth quarter of 1999, using the seasonal adjustment.