**AC556**

**Week 2 Problem**

**Sales Forecasting**

**NOTE:** It is expected that this problem will be completed using an Excel spreadsheet using formulas. Please see the Excel Tutorial that is available under the course home tab.

The Schonlind Company has gathered information regarding past sales:

|  |  |
| --- | --- |
| Year | Sales |
| 1999 | $300,000 |
| 2000 | 225,000 |
| 2001 | 325,000 |
| 2002 | 650,000 |
| 2003 | 540,000 |
| 2004 | 675,000 |
| 2005 | 825,000 |

**Required:**

1. Predict the sales for 2006 using the moving average method.
2. You noticed a sudden jump in sales in 2002. After inquiring about this jump, you were told that there was a one-time sale for $200,000 in that year that is not likely to be repeated. What revision, if any, would you make in the sales information used for projection?
3. If you revised you historical sales to be used to project 2006 sales, recalculate your projection using the moving average method.
4. Which projection (question 1 or question 3) do you feel is more representative of the Schonlind Company’s historical sales? Why?

**Please complete the remaining questions using the revised historical data.**

1. Predict the sales for 2006 using exponential smoothing.
2. Predict the sales for 2006 using a trend line technique using. (GROWTH function in Excel).
3. Predict the sales for 2006 using a graphing technique.
4. It has been suggested that sales for the company may be connected to disposal income. Using the information below regarding historical disposable income, predict the sale for 2006 using regression analysis if a reliable prediction for disposable income for 2006 is $35,430.

|  |  |
| --- | --- |
| Year | Disposable Income |
| 1999 | $24,190 |
| 2000 | 26,194 |
| 2001 | 27,466 |
| 2002 | 29,994 |
| 2003 | 33,467 |
| 2004 | 36,348 |
| 2005 | 35,700 |

1. Which method do you think provides the most realistic sales projections for 2006? Why?