**Actual demand for a product for the past 3 months is as follows**

**Three months ago ----400 units**

**Two months ago ------350 units**

**Last month ------------325 units**

**a) Using a simple 3 month moving average, make a forecast for this month.**

**b) If 300 units were actually demanded this month what would be your forecast for next month**

**c) Using simple exponential smoothing, what would be your forecast for this month if exponentially smoothed forecast for three months ago was 450 units and smoothing constant was point 0.2**

Answer:

a) The simple 3-month moving average forecast for this month would be 375 units, which is the average of the demand for the past three months: (400 + 350 + 325) / 3 = 375.

b) If 300 units were actually demanded this month, the forecast for next month would be 325 units, which is the average of the demand for the past two months: (350 + 300) / 2 = 325.

c) The forecast for this month using simple exponential smoothing with a smoothing constant of 0.2 would be: F(t) = (1 - 0.2) \* 325 + 0.2 \* 450 = 330.5 units Where F(t) is the forecast for this month and 325 is the actual demand from last month.