"Investing in Africa's Future"

COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

MEC406: BUSINESS CYCLES AND FORECASTING

END OF SEMESTER TERM PAPER

APRIL/MAY 2020

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INSTRUCTIONS

Answer **One** questions.

The marks allocated to **each** question are shown at the end of the question.

Credit will be given for logical, systematic and neat presentations.

1. Discuss the following:
   a) The Box-Jenkins method. **[25 marks]**
   b) The four stages of business cycle. **[25 marks]**
   c) Any five theories of business cycle. **[50 marks]**

2. Business Cycles and Forecasting
   a) Write a paper on monopoly power, inflation and business cycles. **[50 marks]**
   b) Explain the properties of a stochastic process. **[50 marks]**

3. The quarterly sales data (number of copies) for a university textbook for four years are presented in the following table:

YEAR	QUARTER			
	Q1	Q2	Q3	Q4
Y1	20	10	4	11
Y2	33	17	9	18
Y3	45	23	11	25
Y4	60	30	13	29

   a) Why do business cycles occur? Explain the impact of the four stages of business cycle.
   [50 Marks]
   b) Analyse the textbook sales data and forecast the textbook sales for each quarter of the 5th year. Use a multiplicative model. **[50 marks]**