

**WEIGHTED AVERAGING EXAMPLE:**

**Arbitrary Averaging**

The landscaping expenses for the Jones Building for the past 5 years are listed below. Note that the expense for Year 5 is significantly higher than those for the previous years. In that year a tornado destroyed some of the existing trees and shrubs surrounding the property and additional expense was incurred in restoring the property. Therefore, this expense is not as reliable as the others in forecasting the future expenses. Using a weighted average, forecast the landscape expense for Year 6

We will assign some reliability percentages for the annual expenses

<u>Year</u>	<u>Expense</u>	<u>% Reliability</u>
Year 1	\$ 7,987	???
Year 2	\$ 7,618	???
Year 3	\$ 8,514	???
Year 4	\$ 8,202	???
Year 5	\$ 10,044	???

**WEIGHTED AVERAGING EXAMPLE:**

**Arbitrary Averaging**

Using the arbitrary theory of weighted averaging to estimate a future expense

<u>Year</u>	<u>Expense</u>	<u>% Reliability</u>	<u>Average</u>
Year 1	\$ 7,987	22%	\$ 1,757
Year 2	\$ 7,618	22%	\$ 1,676
Year 3	\$ 8,514	22%	\$ 1,873
Year 4	\$ 8,202	22%	\$ 1,804
Year 5	\$ 10,044	<u>12%</u>	<u>\$ 1,205</u>
		100%	\$ 8,316