Ex. 3–28

a. $6 million decrease ($209 – $215)
3% ($6 ÷ $215)

b. 2007: 5.6% ($209 ÷ $3,728)
2006: 6.1% ($215 ÷ $3,539)

c. The net income decreased during 2007 by $6 million, or 3%, from 2006, an unfavorable trend. The percent of net income to net sales also decreased.

Ex. 3–29

a. Dell Inc.

	Amount	Percent
Net sales	$ 35,404,000	100.0%
Cost of goods sold	(29,055,000)	82.1
Operating expenses	(3,505,000)	9.9
Operating income (loss)	$ 2,844,000	8.0%

b. Gateway, Inc.

	Amount	Percent
Net sales	$ 4,171,325	100.0%
Cost of goods sold	(3,605,120)	86.4
Operating expenses	(1,077,447)	25.8
Operating income (loss)	$ (511,242)	(12.2)%

c. Dell is more profitable than Gateway. Specifically, Dell's cost of goods sold of 82.1% is significantly less (4.3%) than Gateway's cost of goods sold of 86.4%. In addition, Gateway's operating expenses are over one-fourth of sales, while Dell's operating expenses are 9.9% of sales. The result is that Dell generates an operating income of 8.0% of sales, while Gateway generates a loss of 12.2% of sales. Obviously, Gateway must improve its operations if it is to remain in business and remain competitive with Dell.