

Ex. 3–28

- a. \$6 million decrease (\$209 – \$215)
3% ($\$6 \div \215)
- b. 2007: 5.6% ($\$209 \div \$3,728$)
2006: 6.1% ($\$215 \div \$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.

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

b. Gateway, Inc.

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

- 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.