

Solution:

We prepare a multi-step income statement to find these values:

STATEMENT OF INCOME CUM RETAINED EARNINGS
(in millions of \$)

Name: **Gap Inc.**

As Of: **29 January, 2011**

Particulars	Amount
INCOME STATEMENT:	
Sales of goods	14,664
Cost of goods sold	(8,775)
Gross Profit	5,889
Operating Expenses	(3,921)
Operating Income	1,968
Interest Revenue (Expenses)	14
Net Income Before Tax	1,982
Income Tax Paid	(778)
Net Earnings	1,204
RETAINED EARNINGS:	
Beginning of the year	10,815
Add: Income earned	1,204
Less: Dividends paid to shareholders	(252)
Retained Earnings as of 29th January, 2011	11,767

(2) \$11,767 million

(3)

$$\% \text{ of gross profit} = \frac{5,889}{14,664} \times 100 = 40.16\%$$

$$\% \text{ of net earnings} = \frac{1,204}{14,664} \times 100 = 8.21\%$$

(4)

$$\text{Return on stockholders' equity} = \frac{1,204}{4,485.5} = 26.84\%$$