

**Solution:**

The cost of inventory acquired during 2011 is calculated as follows:

- Inventory increases by \$1,000 million, indicating that there was a surplus of purchase.
- The cost of sales is \$77,739 million, indicating that this is the amount that was sold.

Thus, the cost of inventory acquired is used to either sell or increase the inventory.

Thus, the net cost is given by:

$$\text{Net Cost of Acquisition of Inventory} = \$77,739 + \$1,000 = \$78,739 \text{ million}$$

The decrease in the profit percentage of Costco could be due to the following reasons:

- (a) Increase in the prices of items acquired, while sales would not be able to offset that. This could happen because wholesale industries sale food products, which are affected heavily by the inflation and production.
- (b) The sales could have decreased also, due to competitors in the market gaining a slight edge.