

## Calculating percentage change assignment

We discussed in today's session how a company, manager or investor wants to see the numbers on her company's income statement do two things: first, move up at some acceptable rate and, second, move at a sustainable rate (i.e., no bouncing around).

We'll continue discussing the Kellogg income statement on tomorrow. To give you a sense for how the numbers on Kellogg's income statement are moving, you will calculate percentage change. Here is the assignment:

Calculate percentage change for the two most important metrics (revenue and net income) on the IS for 2007-08 and 2008-09 and the two second most important metrics (gross profit and operating profit) for the same period.

Here's how to calculate percentage change: "new number" minus "old number" gives you "some number." Divide "some number" by the old number.

In other words, to calculate Kellogg's percentage change for Net Earnings for 2007-08, take \$1,148 ("new number") minus \$1,103 ("old number") and you get \$45 ("some number"). Then divide \$45 by \$1,103 (old number) and you get 4.1 percent. Actually, depending on your calculator (or phone) you will get 0.04079... Move the decimal two positions to the right to create percentage and you get 4.079 percent, which you can round to 4.1 percent. Therefore, Kellogg's net income increased by 4.1 percent from 2007 to 2008.

Since the Kellogg statement does not have Gross Profit on it, you will need to calculate that before you can calculate its percentage change. To do that, simply subtract cost of goods sold from revenue (or net sales, as Kellogg puts it). That will give you gross profit.

In the end, you should have percentage change for four metrics for two time periods each or a total of eight answers. Here is what it should look like.

	2008-09	2007-08
Revenue or net sales		
Gross profit		
Operating profit		
Net income		

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