**3.11.** Income statements for Yarrick Company for the years ending December 31, 2007, 2006,

and 2005 are shown below. Prepare a common-size income statement and analyze the

profitability of the company.

Yarrick Company Income Statements for the Years

Ending December 31, 2007, 2006, and 2005

|  |  |  |  |
| --- | --- | --- | --- |
| In millions | 2007 | 2006 | 2005 |
| Net sales | 237 | 155 | 134 |
| Cost of goods sold | 138 | 84 | 72 |
| Gross profit | 99 | 71 | 62 |
| Sales, gen/admin exp | 42 | 31 | 39 |
| research/development | 38 | 33 | 54 |
| Operating profit | 19 | 7 | (31) |
| Income tax expense (benefit) | 7 | 2 | (11) |
| Net profit | 12 | 5 | (20) |