UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended February 1, 2013

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _ to _

Commission file number: 0-17017

Dell Inc.

(Exact name of registrant as specified in its charter)

Delaware	**74-2487834**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Dell Way, Round Rock, Texas 78682
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: **1-800-289-3355**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	**The NASDAQ Stock Market LLC (NASDAQ Global Select Market)**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

Approximate aggregate market value of the registrant's common stock held by non-affiliates as of August 3, 2012, based upon the last sale price reported for such date on the NASDAQ Global Select Market	$17.1 billion
Number of shares of common stock outstanding as of March 6, 2013	1,747,220,324

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of Dell Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Dell Inc. and its subsidiaries (the "Company") at February 1, 2013 and February 3, 2012, and the results of their operations and their cash flows for each of the three years in the period ended February 1, 2013 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 1, 2013, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

Austin, Texas
March 12, 2013

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DELL INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in millions)

	February 1, 2013	February 3, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,569	$ 13,852
Short-term investments	208	966
Accounts receivable, net	6,629	6,476
Short-term financing receivables, net	3,213	3,327
Inventories, net	1,382	1,404
Other current assets	3,967	3,423
Total current assets	27,968	29,448
Property, plant, and equipment, net	2,126	2,124
Long-term investments	2,565	3,404
Long-term financing receivables, net	1,349	1,372
Goodwill	9,304	5,838
Purchased intangible assets, net	3,374	1,857
Other non-current assets	854	490
Total assets	$ 47,540	$ 44,533
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	$ 3,843	$ 2,867
Accounts payable	11,579	11,656
Accrued and other	3,644	3,740
Short-term deferred revenue	4,373	3,738
Total current liabilities	23,439	22,001
Long-term debt	5,242	6,387
Long-term deferred revenue	3,971	3,855
Other non-current liabilities	4,187	3,373
Total liabilities	36,839	35,616
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock and capital in excess of $.01 par value; shares authorized: 7,000;	12,554	12,187

shares issued: 3,413 and 3,390, respectively; shares outstanding: 1,738 and 1,761, respectively		
Treasury stock at cost: 1,200 and 1,154 shares, respectively	(32,145)	(31,445)
Retained earnings	30,330	28,236
Accumulated other comprehensive loss	(59)	(61)
Total Dell stockholders' equity	10,680	8,917
Noncontrolling interest	21	-
Total stockholders' equity	10,701	8,917
Total liabilities and stockholders' equity	$ 47,540	$ 44,533

The accompanying notes are an integral part of these consolidated financial statements.

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DELL INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share amounts)

	Fiscal Year Ended		
	February 1, 2013	**February 3, 2012**	**January 28, 2011**
Net revenue:			
Products	$ 44,744	$ 49,906	$ 50,002
Services, including software related	12,196	12,165	11,492
Total net revenue	56,940	62,071	61,494
Cost of net revenue:			
Products	36,683	39,689	42,068
Services, including software related	8,071	8,571	8,030
Total cost of net revenue	44,754	48,260	50,098
Gross margin	12,186	13,811	11,396
Operating expenses:			
Selling, general, and administrative	8,102	8,524	7,302
Research, development, and engineering	1,072	856	661
Total operating expenses	9,174	9,380	7,963
Operating income	3,012	4,431	3,433
Interest and other, net	(171)	(191)	(83)
Income before income taxes	2,841	4,240	3,350
Income tax provision	469	748	715
Net income	$ 2,372	$ 3,492	$ 2,635
Earnings per share:			
Basic	$ 1.36	$ 1.90	$ 1.36
Diluted	$ 1.35	$ 1.88	$ 1.35
Cash dividends declared per common share	$ 0.16	$ -	$ -
Weighted-average shares outstanding:			
Basic	1,745	1,838	1,944
Diluted	1,755	1,853	1,955

The accompanying notes are an integral part of these consolidated financial statements.

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DELL INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	Fiscal Year Ended		
	February 1, 2013	**February 3, 2012**	**January 28, 2011**
Net income	$ 2,372	$ 3,492	$ 2,635
Adjustment to consolidate variable interest entities	-	-	(1)
Other comprehensive income, net of tax			
Foreign currency translation adjustments	(33)	(74)	79
Available-for-sale investments			
Change in unrealized gains (losses)	7	42	-
Reclassification adjustment for net (gains) losses included in net income	(13)	(29)	(1)
Net change	(6)	13	(1)
Cash Flow Hedges			
Change in unrealized gains (losses)	(18)	(119)	(254)
Reclassification adjustment for net (gains) losses included in net income	59	190	142
Net change	41	71	(112)
Total other comprehensive income (loss), net of tax benefit (expense) of $(8), $(1) and $2, respectively	2	10	(34)
Comprehensive income, net of tax	$ 2,374	$ 3,502	$ 2,600

The accompanying notes are an integral part of these consolidated financial statements.

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DELL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

Fiscal Year Ended

	February 1, 2013	February 3, 2012	January 28, 2011
Cash flows from operating activities:			
Net income	$ 2,372	$ 3,492	$ 2,635
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,144	936	970
Stock-based compensation expense	347	362	332
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	18	(5)	(4)
Deferred income taxes	(428)	19	(45)
Provision for doubtful accounts - including financing receivables	258	234	382
Other	19	21	26
Changes in assets and liabilities, net of effects from acquisitions:			
Accounts receivable	(150)	(53)	(707)
Financing receivables	(193)	(372)	(709)
Inventories	48	(52)	(248)
Other assets	(334)	(28)	516
Accounts payable	(74)	327	(151)
Deferred revenue	382	701	307
Accrued and other liabilities	(126)	(55)	665
Change in cash from operating activities	3,283	5,527	3,969
Cash flows from investing activities:			
Investments:			
Purchases	(2,615)	(4,656)	(1,360)
Maturities and sales	4,354	1,435	1,358
Capital expenditures	(513)	(675)	(444)
Proceeds from sale of facilities, land, and other assets	135	14	18
Purchase of financing receivables	-	-	(430)
Collections on purchased financing receivables	167	278	69
Acquisitions, net of cash received	(4,844)	(2,562)	(376)
Change in cash from investing activities	(3,316)	(6,166)	(1,165)
Cash flows from financing activities:			
Repurchases of common stock	(724)	(2,717)	(800)
Cash dividends paid	(278)	-	-
Issuance of common stock under employee plans	52	40	12
Issuance (repayment) of commercial paper (maturity 90 days or less), net	(331)	635	(176)
Proceeds from debt	3,311	4,050	3,069
Repayments of debt	(3,248)	(1,435)	(1,630)
Other	8	4	2
Change in cash from financing activities	(1,210)	577	477
Effect of exchange rate changes on cash and cash equivalents	(40)	1	(3)
Change in cash and cash equivalents	(1,283)	(61)	3,278
Cash and cash equivalents at beginning of the period	13,852	13,913	10,635
Cash and cash equivalents at end of the period	$ 12,569	$ 13,852	$ 13,913
Income tax paid	$ 283	$ 408	$ 435
Interest paid	$ 279	$ 267	$ 188

The accompanying notes are an integral part of these consolidated financial statements.

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DELL INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Common Stock and Capital in Excess of Par Value		Treasury Stock						
	Issued Shares [a]	Amount	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Dell Shareholder's Equity	Non-Controlling Interest	Total Equity
Balances at January 29, 2010	**3,351**	**$ 11,472**	**919**	**$ (27,904)**	**$ 22,110**	**$ (37)**	**$ 5,641**	**$ -**	**$ 5,641**
Net income	-	-	-	-	2,635	-	2,635	-	2,635
Adjustment to consolidate variable interest entities	-	-	-	-	(1)	-	(1)	-	(1)
Change in net unrealized gain or loss on investments, net of taxes	-	-	-	-	-	(1)	(1)	-	(1)
Foreign currency translation adjustments	-	-	-	-	-	79	79	-	79
Change in net unrealized gain or loss on derivative instruments, net of taxes	-	-	-	-	-	(112)	(112)	-	(112)
Total comprehensive income	-	-	-	-	-	-	2,600	-	2,600
Stock issuances under employee plans and other[b]	18	7	-	-	-	-	7	-	7
Repurchases of common stock	-	-	57	(800)	-	-	(800)	-	(800)
Stock-based compensation related	-	332	-	-	-	-	332	-	332
Net tax shortfall from employee stock plans	-	(14)	-	-	-	-	(14)	-	(14)
Balances at January 28, 2011	**3,369**	**11,797**	**976**	**(28,704)**	**24,744**	**(71)**	**7,766**	**-**	**7,766**
Net income	-	-	-	-	3,492	-	3,492	-	3,492
Change in net unrealized gain or loss on investments, net of taxes	-	-	-	-	-	13	13	-	13
Foreign currency translation adjustments	-	-	-	-	-	(74)	(74)	-	(74)
Change in net unrealized gain or loss on derivative instruments, net	-	-	-	-	-	71	71	-	71

of taxes									
Total comprehensive income	-	-	-	-	-	-	3,502	-	3,502
Stock issuances under employee plans and other[(b)]	21	33	-	-	-	-	33	-	33
Repurchases of common stock	-	-	178	(2,741)	-	-	(2,741)	-	(2,741)
Stock-based compensation related	-	365	-	-	-	-	365	-	365
Net tax shortfall from employee stock plans	-	(8)	-	-	-	-	(8)	-	(8)
Balances at February 3, 2012	**3,390**	**12,187**	**1,154**	**(31,445)**	**28,236**	**(61)**	**8,917**	**-**	**8,917**
Net income	-	-	-	-	2,372	-	2,372	-	2,372
Change in net unrealized gain or loss on investments, net of taxes	-	-	-	-	-	(6)	(6)	-	(6)
Foreign currency translation adjustments	-	-	-	-	-	(33)	(33)	-	(33)
Change in net unrealized gain or loss on derivative instruments, net of taxes	-	-	-	-	-	41	41	-	41
Total comprehensive income	-	-	-	-	-	-	2,374	-	2,374
Stock issuances under employee plans and other[(b)]	23	36	-	-	-	-	36	-	36
Repurchases of common stock	-	-	46	(700)	-	-	(700)	-	(700)
Cash dividends declared	-	-	-	-	(278)	-	(278)	-	(278)
Stock-based compensation related	-	358	-	-	-	-	358	-	358
Net tax shortfall from employee stock plans	-	(27)	-	-	-	-	(27)	-	(27)
Noncontrolling interest assumed through acquisitions	-	-	-	-	-	-	-	21	21
Balances at February 1, 2013	**3,413**	**$ 12,554**	**1,200**	**$ (32,145)**	**$ 30,330**	**$ (59)**	**$ 10,680**	**$ 21**	**$ 10,701**

(a) Issued shares include 475 million shares of common stock that were issued to a wholly-owned subsidiary during Fiscal 2007. As these shares are held by a wholly-owned subsidiary, they are not included in outstanding shares in our Consolidated Financial Statements.

(b) Stock issuance under employee plans is net of shares withheld for employee taxes.

The accompanying notes are an integral part of these consolidated financial statements.

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DELL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business - Dell Inc., a Delaware corporation (both individually and together with its consolidated subsidiaries, “Dell”), offers a broad range of technology solutions, including servers and networking products, storage products, services, software and peripherals, mobility products, and desktop PCs. Dell's business segments are Large Enterprise, Public, Small and Medium Business ("SMB"), and Consumer. References to the Commercial business refer to Large Enterprise, Public, and SMB.

Fiscal Year - Dell's fiscal year is the 52 or 53 week period ending on the Friday nearest January 31. The fiscal year ended February 1, 2013 ("Fiscal 2013") included 52 weeks, while the fiscal years ended February 3, 2012 ("Fiscal 2012") and January 28, 2011 ("Fiscal 2011") included 53 weeks and 52 weeks, respectively.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Dell Inc. and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). All significant intercompany transactions and balances have been eliminated.

Segment Realignment - In the first quarter of Fiscal 2013, Dell made certain segment realignments in order to conform to the way Dell managed segment performance through Fiscal 2013. These realignments affected all of Dell's operating segments, but primarily consisted of the transfer of small office business customers from its SMB operating segment to its Consumer segment. Dell has recast prior period amounts to provide visibility and comparability. None of these changes impact Dell's previously reported consolidated net revenue, gross margin, operating income, net income, or earnings per share. See Note 15 of the Notes to the Consolidated Financial Statements for additional information on Dell's operating segments.

Reclassifications - Certain prior year amounts have been reclassified from accrued and other liabilities and other non-current liabilities on the Consolidated Statements of Financial Position to short-term deferred revenue and long-term deferred revenue, respectively, to conform to the current year presentation. Prior period amounts on the Consolidated Statements of Cash Flows have also been reclassified to conform to the current period presentation.

Use of Estimates - The preparation of financial statements in accordance with GAAP requires the use of management's estimates. These estimates are subjective in nature and involve judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at fiscal year-end, and the reported amounts of revenues and expenses during the fiscal year. Actual results could differ from those estimates.

Cash and Cash Equivalents - All highly liquid investments, including credit card receivables due from banks, with original maturities of 90 days or less at date of purchase, are reported at fair value and are considered to be cash equivalents. All other investments not considered to be cash equivalents are separately categorized as investments.

Investments - Dell's investments are primarily in debt securities, which are classified as available-for-sale and are reported at fair value (based primarily on quoted prices and market observable inputs) using the specific identification method. Unrealized gains and losses, net of taxes, are reported as a component of stockholders’ equity. Realized gains and losses on investments are included in interest and other, net. An impairment loss will be recognized and will reduce an investment's carrying amount to its fair value when a decline in the fair value of an individual security below its cost or carrying value is determined to be other than temporary.

Dell reviews its investment portfolio quarterly to determine if any investment is other than temporarily impaired. Dell determines an impairment is other than temporary when there is intent to sell the security, it is more likely than not that the security will be required to be sold before recovery in value or it is not expected to recover its entire amortized cost basis (“credit-related loss”). However, if Dell does not expect to sell a debt security, it still evaluates expected cash flows to be received and determines if a credit-related loss exists. In the event of a credit-related loss, only the amount of impairment associated with the credit-related loss is recognized in earnings. Amounts relating to factors other than credit-related losses are recorded as a component of stockholders' equity. See Note 3 of the Notes to the Consolidated Financial Statements for additional information.

Allowance for Doubtful Accounts - Dell recognizes an allowance for losses on accounts receivable in an amount equal to the estimated probable losses net of recoveries. The allowance is based on an analysis of historical bad debt experience, current receivables aging, and expected future write-offs, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The expense associated with the allowance for doubtful accounts is recognized in selling, general, and administrative expenses.

Financing Receivables -

Financing receivables are presented net of allowance for losses and consist of customer receivables and residual interest. Customer receivables include revolving loans and fixed-term leases and loans resulting primarily from the sale of Dell products and services. Based on how Dell assesses risk and determines the appropriate allowance levels, Dell has two portfolio segments: (1) fixed-term leases and loans and (2) revolving loans. The portfolio segments are further segregated into classes based on products, customer type, and credit risk evaluation: (1) Revolving - Dell Preferred Account ("DPA"); (2) Revolving - Dell Business Credit ("DBC"); (3) Fixed-term - consumer and small commercial; and (4) Fixed-term - medium and large commercial. Fixed-term leases and loans are offered to qualified small and medium-sized businesses, large commercial accounts, governmental organizations, and educational entities. Additionally, fixed-term loans are also offered to certain individual consumer customers. Revolving loans are offered under private label credit financing programs. The DPA revolving loans programs are offered to individual consumers and the DBC revolving loan programs are offered to small and medium-sized business customers.

Dell retains a residual interest in equipment leased under its fixed-term lease programs. The amount of the residual interest is established at the inception of the lease based upon estimates of the value of the equipment at the end of the lease term using historical studies, industry data, and future value-at-risk demand valuation methods. On a quarterly basis, Dell assesses the carrying amount of its recorded residual values for impairment. Anticipated declines in specific future residual values that are considered to be other-than-temporary are recorded currently in earnings.

Allowance for Financing Receivables Losses

Dell recognizes an allowance for losses on financing receivables in an amount equal to the probable losses net of recoveries. The allowance for losses is generally determined at the aggregate portfolio level based on a variety of factors, including historical and anticipated experience, past due receivables, receivable type, and customer risk profile. Customer account principal and interest are charged to the allowance for losses when an account is deemed to be uncollectible or generally when the account is 180 days delinquent. While Dell does not generally place financing receivables on non-accrual status during the delinquency period, accrued interest is included in the allowance for loss calculation, and therefore, Dell is adequately reserved in the event of charge off. Recoveries on receivables previously charged off as uncollectible are recorded to the allowance for financing receivables losses. The expense associated with the allowance for financing receivables losses is recognized as cost of net revenue. Both fixed and revolving receivable loss rates are affected by macro-economic conditions, including the level of GDP growth, unemployment rates, the level of commercial capital equipment investment, and the credit quality of the borrower.

Asset Securitization

Dell enters into securitization transactions to transfer certain financing receivables to Special Purpose Entities ("SPEs") that meet the definition of a Variable Interest Entity ("VIE"). During Fiscal 2011, Dell adopted accounting guidance that requires an entity to perform an ongoing analysis to determine whether it has a controlling financial interest in these entities. As a result of this analysis, Dell determined that it has a controlling financial interest in its SPEs, and therefore, consolidated them into Dell's

Consolidated Statements of Financial Position as of January 28, 2011. The asset securitizations in these SPEs are being accounted for as secured borrowings. See Note 4 of the Notes to the Consolidated Financial Statements for additional information on the impact of the consolidation.

Inventories - Inventories are stated at the lower of cost or market with cost being determined on a first-in, first-out basis. Adjustments to reduce the cost of inventory to its net realizable value are made, if required, for estimated excess, obsolescence, or impaired balances.

Property, Plant, and Equipment - Property, plant, and equipment are carried at depreciated cost. Depreciation is provided using the straight-line method over the estimated economic lives of the assets, which range from ten to thirty years for buildings and two to five years for all other assets. Leasehold improvements are amortized over the shorter of five years or the lease term. Gains or losses related to retirements or disposition of fixed assets are recognized in the period incurred.

Software Development Costs - Costs incurred in the research and development of new software products and enhancements to existing software products are expensed as incurred until technological feasibility has been established. After technological feasibility is established, any additional costs are capitalized in accordance with authoritative guidance until the product is available for general release. Software development costs incurred subsequent to a product establishing technological feasibility are usually not significant, and accordingly, no significant software development costs have been capitalized as of February 1, 2013 or February 3, 2012.

Dell capitalizes eligible internal-use software development costs incurred subsequent to the completion of the preliminary project stage. Development costs are amortized over the shorter of the expected useful life of the software or five years. Costs associated with maintenance and minor enhancements to the features and functionality of Dell's website are expensed as incurred.

Impairment of Long-Lived Assets - Dell reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values, discounted cash flows, or external appraisals, as applicable. Dell reviews long-lived assets for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

Business Combinations - Dell accounts for business combinations using the acquisition method of accounting, and accordingly, the assets and liabilities of the acquired business are recorded at their fair values at the date of acquisition. The excess of the purchase price over the estimated fair values is recorded as goodwill. Any changes in the estimated fair values of the net assets recorded for acquisitions prior to the finalization of more detailed analysis, but not to exceed one year from the date of acquisition, will change the amount of the purchase prices allocable to goodwill. Any subsequent changes to any purchase price allocations that are material to Dell's consolidated financial results will be adjusted retroactively. All acquisition costs are expensed as incurred. In-process research and development costs are recorded at fair value as an indefinite-lived intangible asset and assessed for impairment thereafter until completion, at which point the asset is amortized over its expected useful life. Separately recognized transactions associated with business combinations are generally expensed subsequent to the acquisition date. The results of operations of acquired businesses are included in the Consolidated Financial Statements from the acquisition date.

Intangible Assets Including Goodwill - Identifiable intangible assets with finite lives are amortized over their estimated useful lives. They are generally amortized on a non-straight-line approach based on the associated projected cash flows in order to match the amortization pattern to the pattern in which the economic benefits of the assets are expected to be consumed.

Intangible assets are reviewed for impairment if indicators of potential impairment exist. Goodwill and indefinite-lived intangible assets are tested for impairment on an annual basis in the second fiscal quarter, or sooner if an indicator of impairment occurs.

Foreign Currency Translation - The majority of Dell's international sales are made by international subsidiaries, most of which have the U.S. dollar as their functional currency. Dell's subsidiaries that do not have the U.S. dollar as their functional currency translate assets and liabilities at current rates of exchange in effect at the balance sheet date. Revenue and expenses from these international subsidiaries are translated using the monthly average exchange rates in effect for the period in which the items occur. These translations resulted in cumulative foreign currency translation gains (losses) of $(68) million, $(35) million, and $39 million as of February 1, 2013, February 3, 2012, and January 28, 2011, respectively, and are included as a component of accumulated other comprehensive income (loss) in stockholders' equity.

Local currency transactions of international subsidiaries that have the U.S. dollar as the functional currency are remeasured into U.S. dollars using current rates of exchange for monetary assets and liabilities and historical rates of exchange for non-monetary assets and liabilities. Gains and losses from remeasurement of monetary assets and liabilities are included in interest and other, net. See Note 6 of the Notes to the Consolidated Financial Statements for additional information.

Hedging Instruments - Dell uses derivative financial instruments, primarily forwards, options, and swaps, to hedge certain foreign currency and interest rate exposures. The relationships between hedging instruments and hedged items, as well as the risk management objectives and strategies for undertaking hedge transactions, are formally documented. Dell does not use derivatives for speculative purposes.

All derivative instruments are recognized as either assets or liabilities in the Consolidated Statements of Financial Position and are measured at fair value. Hedge accounting is applied based upon the criteria established by accounting guidance for derivative instruments and hedging activities. Derivatives are assessed for hedge effectiveness both at the onset of the hedge and at regular intervals throughout the life of the derivative. Any hedge ineffectiveness is recognized currently in earnings as a component of interest and other, net. Dell's hedge portfolio includes derivatives designated as both cash flow and fair value hedges.

For derivative instruments that are designated as cash flow hedges, hedge ineffectiveness is measured by comparing the cumulative change in the fair value of the hedge contract with the cumulative change in the fair value of the hedged item, both of which are based on forward rates. Dell records the effective portion of the gain or loss on the derivative instrument in

accumulated other comprehensive income (loss) ("OCI"), as a separate component of stockholders' equity and reclassifies the gain or loss into earnings in the period during which the hedged transaction is recognized in earnings.

For derivatives that are designated as fair value hedges, hedge ineffectiveness is measured by calculating the periodic change in the fair value of the hedge contract and the periodic change in the fair value of the hedged item. To the extent that these fair value changes do not fully offset each other, the difference is recorded as ineffectiveness in earnings as a component of interest and other, net.

For derivatives that are not designated as hedges or do not qualify for hedge accounting treatment, Dell recognizes the change in the instrument's fair value currently in earnings as a component of interest and other, net.

Cash flows from derivative instruments are presented in the same category on the Consolidated Statements of Cash Flows as the cash flows from the underlying hedged items. See Note 6 of the Notes to the Consolidated Financial Statements for a description of Dell's derivative financial instrument activities.

Revenue Recognition - Net revenues include sales of hardware, services, software, and peripherals. Dell recognizes revenue for these products and services when it is realized or realizable and earned. Revenue is considered realized and earned when persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; Dell's fee to its customer is fixed and determinable; and collection of the resulting receivable is reasonably assured.

Revenue from third-party software sales and extended warranties for third-party products, for which Dell does not meet the criteria for gross revenue recognition, is recognized on a net basis. All other revenue is recognized on a gross basis.

Services revenue and cost of services revenue captions on the Consolidated Statements of Income include Dell's services, third-party software revenue, and support services related to Dell-owned software offerings.

Multiple Deliverables

Dell's multiple deliverable arrangements include hardware products that are sold with essential software or services such as extended warranty, installation, maintenance, and other services contracts. Dell's service contracts may include a combination of services arrangements, including support and deployment services, infrastructure, cloud and security services, and applications and business process services. The nature and terms of these multiple deliverable arrangements will vary based on the customized needs of Dell's customers.

The deliverables included in Dell's multiple deliverable arrangements typically represent a separate unit of accounting. Accordingly, consideration is allocated to these deliverables based on each unit's relative selling price. The hierarchy used to determine the selling price of a deliverable is: (1) vendor specific objective evidence (“VSOE”), (2) third-party evidence of selling price (“TPE”), and (3) best estimate of the selling price (“ESP”). In instances where Dell cannot establish VSOE, Dell establishes TPE by evaluating largely similar and interchangeable competitor products or services in standalone sales to similarly situated customers.

Products

Revenue from the sale of products is recognized when title and risk of loss passes to the customer. Delivery is considered complete when products have been shipped to Dell's customer, title and risk of loss has transferred to the customer, and customer acceptance has been satisfied. Customer acceptance is satisfied if acceptance is obtained from the customer, if all acceptance provisions lapse, or if Dell has evidence that all acceptance provisions have been satisfied.

Dell records reductions to revenue for estimated customer sales returns, rebates, and certain other customer incentive programs. These reductions to revenue are made based upon reasonable and reliable estimates that are determined by historical experience, contractual terms, and current conditions. The primary factors affecting Dell's accrual for estimated customer returns include estimated return rates as well as the number of units shipped that have a right of return that has not expired as of the balance sheet date. If returns cannot be reliably estimated, revenue is not recognized until a reliable estimate can be made or the return right lapses.

Dell sells its products directly to customers as well as through other distribution channels, such as retailers, distributors, and resellers. Dell recognizes revenue on these sales when the reseller has economic substance apart from Dell; any credit risk has been identified and quantified; title and risk of loss has passed to the sales channel; the

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fee paid to Dell is not contingent upon resale or payment by the end user; and Dell has no further obligations related to bringing about resale or delivery.

Sales through Dell's distribution channels are primarily made under agreements allowing for limited rights of return, price protection, rebates, and marketing development funds. Dell has generally limited return rights through contractual caps or has an established selling history for these arrangements. Therefore, there is sufficient data to establish reasonable and reliable estimates of returns for the majority of these sales. To the extent price protection or return rights are not limited and a reliable estimate cannot be made, all of the revenue and related costs are deferred until the product has been sold to the end-user or the rights expire. Dell records estimated reductions to revenue or an expense for distribution channel programs at the later of the offer or the time revenue is recognized.

Dell defers the cost of shipped products awaiting revenue recognition until revenue is recognized.

Services

Services include a broad range of configurable IT and business services, including support and deployment services, infrastructure, cloud, and security services, and applications and business process services. Revenue is recognized for services contracts as earned, which is generally on a straight-line basis over the term of the contract or on a proportional performance basis as the services are rendered and Dell's obligations are fulfilled. Revenue from time and materials or cost-plus contracts is recognized as the services are performed. Revenue from fixed price contracts is recognized on a straight-line basis, unless revenue is earned and obligations are fulfilled in a different pattern. These service contracts may include provisions for cancellation, termination, refunds, or service level adjustments. These contract provisions would not have a significant impact on recognized revenue as Dell generally recognizes revenue for these contracts as the services are performed.

For sales of extended warranties with a separate contract price, Dell defers revenue equal to the separately stated price. Revenue associated with undelivered elements is deferred and recorded when delivery occurs or services are provided. Revenue from extended warranty and service contracts, for which Dell is obligated to perform, is recorded as deferred revenue and subsequently recognized over the term of the contract on a straight-line basis or when the service is completed, and the costs associated with these contracts are recognized as incurred.

Software

Dell recognizes revenue in accordance with industry specific software accounting guidance for all software and PCS that are not essential to the functionality of the hardware. Accounting for software that is essential to the functionality of the hardware is accounted for as specified above under “Multiple Deliverables.” Dell has not established vendor specific objective evidence ("VSOE") of fair value for the undelivered elements of third-party software offerings. For the majority of Dell-owned software offerings, Dell has established VSOE to support a separation of the software license and PCS elements. VSOE of the PCS element is determined by reference to the prices customers pay for support when it is sold separately. In instances where VSOE is established, Dell recognizes revenue from the sale of software licenses at the time of initial sale, assuming all of the above criteria have been met, and revenue from the PCS element over the maintenance period. When Dell has not established VSOE to support a separation of the software license and PCS elements, the revenue and related costs are generally recognized over the term of the agreement.

Other

Dell records revenue from the sale of equipment under sales-type leases as product revenue in an amount equal to the present value of minimum lease payments at the inception of the lease. Sales-type leases also produce financing income, which is included in net revenue in the Consolidated Statements of Income and is recognized at consistent rates of return over the lease term. Dell also offers qualified customers revolving credit lines for the purchase of products and services offered by Dell. Financing income attributable to these revolving loans is recognized in net revenue on an accrual basis.

Dell reports revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions.

Standard Warranty Liabilities - Dell records warranty liabilities for its standard limited warranty at the time of sale for the estimated costs that may be incurred under its limited warranty. The liability for standard warranties is included in accrued and other current and other non-current liabilities on the Consolidated Statements of Financial Position. The specific warranty

terms and conditions vary depending upon the product sold and the country in which Dell does business, but generally includes technical support, parts, and labor over a period ranging from one to three years. Factors that affect Dell's warranty liability include the number of installed units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy Dell's warranty obligation. The anticipated rate of warranty claims is the primary factor impacting the estimated warranty obligation. The other factors are less significant due to the fact that the average remaining aggregate warranty period of the covered installed base is approximately 16 months, repair parts are generally already in stock or available at pre-determined prices, and labor rates are generally arranged at pre-established amounts with service providers. Warranty claims are relatively predictable based on historical experience of failure rates. If actual results differ from the estimates, Dell revises its estimated warranty liability. Each quarter, Dell reevaluates its estimates to assess the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Deferred Revenue - Deferred revenue represents amounts received in advance for extended warranty services, amounts due or received from customers under a legally binding commitment prior to services being rendered, deferred revenue related to Dell-owned software offerings, as well as other deferred revenue. Other deferred revenue primarily consists of deferred profit on third-party software offerings. See Note 16 of the Notes to the Consolidated Financial Statements for further information on deferred revenue.

Vendor Rebates and Settlements - Dell may receive consideration from vendors in the normal course of business. Certain of these funds are rebates of purchase price paid and others are related to reimbursement of costs incurred by Dell to sell the vendor's products. Dell recognizes a reduction of cost of goods sold and inventory if the funds are a reduction of the price of the vendor's products. If the consideration is a reimbursement of costs incurred by Dell to sell or develop the vendor's products, then the consideration is classified as a reduction of that cost in the Consolidated Statements of Income, most often operating expenses. In order to be recognized as a reduction of operating expenses, the reimbursement must be for a specific, incremental, identifiable cost incurred by Dell in selling the vendor's products or services.

In addition, Dell may settle commercial disputes with vendors from time to time. Claims for loss recoveries are recognized when a loss event has occurred, recovery is considered probable, the agreement is finalized, and collectability is assured. Amounts received by Dell from vendors for loss recoveries are generally recorded as a reduction of cost of goods sold.

Loss Contingencies - Dell is subject to the possibility of various losses arising in the ordinary course of business. Dell considers the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as Dell's ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Dell regularly evaluates current information available to determine whether such accruals should be adjusted and whether new accruals are required.

Shipping Costs - Dell's shipping and handling costs are included in cost of sales in the Consolidated Statements of Income.

Selling, General, and Administrative - Selling expenses include items such as sales salaries and commissions, marketing and advertising costs, and contractor services. Advertising costs are expensed as incurred and were $833 million, $860 million, and $730 million, during Fiscal 2013, Fiscal 2012, and Fiscal 2011, respectively. Advertising costs are included in selling, general, and administrative expenses in the Consolidated Statements of Income. General and administrative expenses include items for Dell's administrative functions, such as finance, legal, human resources, and information technology support. These functions include costs for items such as salaries, maintenance and supplies, insurance, depreciation expense, and allowance for doubtful accounts.

Research, Development, and Engineering Costs - Research, development, and engineering costs are expensed as incurred. Research, development, and engineering expenses primarily include payroll and headcount-related costs, contractor fees, infrastructure costs, and administrative expenses directly related to research and development support.

Income Taxes - Deferred tax assets and liabilities are recorded based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Dell calculates a provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized by identifying the temporary differences arising from the different treatment of items for tax and accounting purposes. Dell provides valuation allowances for deferred tax assets, where appropriate. In assessing the need for a valuation allowance, Dell considers all available evidence for each jurisdiction, including past operating results, estimates of future taxable income, and the feasibility of ongoing tax planning strategies. In the event Dell determines all or part of the net deferred tax assets are not realizable in the future, Dell will make an adjustment to the valuation allowance that would be charged to earnings in the period such determination is made.

The accounting guidance for uncertainties in income tax prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Dell recognizes a tax benefit from an uncertain tax position in the financial statements only when it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits and a consideration of the relevant taxing authority's administrative practices and precedents.

Earnings Per Share - Basic earnings per share is based on the weighted-average effect of all common shares issued and outstanding, and is calculated by dividing net income by the weighted-average shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted-average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares outstanding. Dell excludes equity instruments from the calculation of diluted earnings per share if the effect of including such instruments is anti-dilutive. See Note 12 of the Notes to the Consolidated Financial Statements for further information on earnings per share.

Stock-Based Compensation - Dell measures stock-based compensation expense for all share-based awards granted based on the estimated fair value of those awards at grant date. The cost of restricted stock units and performance-based restricted stock units is determined using the fair market value of Dell's common stock on the date of grant. For stock options granted under Dell's Incentive Plans, Dell typically estimates the fair value of the awards using the Black-Scholes valuation model. For stock options assumed through business acquisitions, Dell uses the lattice binomial valuation model to estimate the fair value of the assumed award. The compensation costs of stock options, restricted stock units, and awards with a cliff vesting feature are recognized net of any estimated forfeitures on a straight-line basis over the employee requisite service period. Compensation cost for performance-based awards is recognized on a graded accelerated basis net of estimated forfeitures over the requisite service period when achievement of the performance conditions is considered probable. Forfeiture rates are estimated at grant date based on historical experience and adjusted in subsequent periods for differences in actual forfeitures from those estimates.

See Note 14 of the Notes to the Consolidated Financial Statements for further discussion of stock-based compensation.

Recently Issued Accounting Pronouncements

Comprehensive Income - In June 2011, the Financial Accounting Standards Board (the "FASB") issued new guidance on the presentation of comprehensive income. The new guidance eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and requires an entity to present either one continuous statement of net income and other comprehensive income or two separate, but consecutive statements. This new guidance relates only to presentation. Dell began presenting a separate Condensed Consolidated Statement of Comprehensive Income in the first quarter of Fiscal 2013. In February 2013, the FASB issued new guidance on reporting reclassifications out of accumulated other comprehensive income. This new guidance will be effective for Dell for the first quarter of the fiscal year ending January 31, 2014. Other than requiring additional disclosures, Dell does not expect this new guidance to impact Dell's Consolidated Financial Statements.

Intangibles- Goodwill and Other - In September 2011, the FASB issued new guidance that simplified how entities test goodwill for impairment. After assessment of certain qualitative factors, if it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying amount, entities must perform the quantitative analysis of the goodwill impairment test. Otherwise, the quantitative test becomes optional. Dell adopted this new guidance in the first quarter of Fiscal 2013. Goodwill is tested for impairment on an annual basis in the second fiscal quarter, or sooner if an indicator of impairment occurs. The adoption of this guidance did not impact Dell's Consolidated Financial Statements. See Note 8 of the Notes to the Consolidated Financial Statements for more information.

In July 2012, the FASB issued amended guidance that simplifies how entities test indefinite-lived intangible assets other than goodwill for impairment. After assessment of certain qualitative factors, if it is determined to be more likely than not that an indefinite-lived asset is impaired, entities must perform the quantitative impairment test. Otherwise, the quantitative test becomes optional. The amended guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. Dell adopted this new guidance in the third quarter of the Fiscal 2013, and the adoption did not impact Dell's Consolidated Financial Statements.

Disclosures about Offsetting Assets and Liabilities - In January 2013, the FASB issued amended guidance that will enhance disclosure requirements about the nature of an entity’s right to offset and related arrangements associated with its derivative instruments, repurchase agreements, and securities lending transactions. This new guidance requires the disclosure of the gross amounts subject to rights of offset, amounts offset in accordance with the accounting standards followed, and the related net exposure. This new guidance will be effective for Dell for the first quarter of the fiscal year ending January 31, 2014. Early

adoption is not permitted. Other than requiring additional disclosures, Dell does not expect this new guidance to impact Dell's Consolidated Financial Statements.

NOTE 2 - FAIR VALUE MEASUREMENTS

The following table presents Dell's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of February 1, 2013, and February 3, 2012:

	February 1, 2013				February 3, 2012			
	Level 1[a]	Level 2 [a]	Level 3	Total	Level 1	Level 2	Level 3	Total
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	(in millions)							
Assets:								
Cash equivalents:								
Money market funds	$ 8,869	$ -	$ -	$ 8,869	$ 8,370	$ -	$ -	$ 8,370
Commercial paper	-	-	-	-	-	2,011	-	2,011
U.S. corporate	-	-	-	-	-	5	-	5
Debt securities:								
Non- U.S. government and agencies	-	96	-	96	-	94	-	94
Commercial paper	-	6	-	6	-	434	-	434
U.S. corporate	-	1,701	-	1,701	-	2,668	-	2,668
International corporate	-	700	-	700	-	1,055	-	1,055
Equity and other securities	1	112	-	113	2	105	-	107
Derivative instruments	-	68	-	68	-	140	-	140
Total assets	$ 8,870	$ 2,683	$ -	$ 11,553	$ 8,372	$ 6,512	$ -	$ 14,884
Liabilities:								
Derivative instruments	$ -	$ 16	$ -	$ 16	$ -	$ 17	$ -	$ 17
Total liabilities	$ -	$ 16	$ -	$ 16	$ -	$ 17	$ -	$ 17

[a] Dell did not transfer any securities between levels during the fiscal year ended February 1, 2013 or during the fiscal year ended February 3, 2012.

The following section describes the valuation methodologies Dell uses to measure financial instruments at fair value:

Cash Equivalents - The majority of Dell's cash equivalents in the above table consist of money market funds and corporate commercial paper, all with original maturities of 90 days or less and valued at fair value. The valuations of these securities are based on quoted prices in active markets for identical assets, when available, or pricing models whereby all significant inputs are observable or can be derived from or corroborated by observable market data. Dell reviews security pricing and assesses liquidity on a quarterly basis.

Debt Securities - The majority of Dell's debt securities consist of various fixed income securities such as U.S. corporate, international corporate, and non-U.S. government and agencies. Valuation is based on pricing models whereby all significant inputs, including benchmark yields, reported trades, broker-dealer quotes, issue spreads, benchmark securities, bids, offers, and other market related data, are observable or can be derived from or corroborated by observable market data for substantially the full term of the asset. Inputs are documented in accordance with the fair value measurements hierarchy. Dell reviews security pricing and assesses liquidity on a quarterly basis. See Note 3 of the Notes to the Consolidated Financial Statements for additional information about investments.

Equity and Other Securities - The majority of Dell's investments in equity and other securities that are measured at fair value on a recurring basis consist of various mutual funds held in Dell's Deferred Compensation Plan. See Note 14 of the Notes to the Consolidated Financial Statements for additional information about Dell's Deferred Compensation Plan. The valuation of these securities is based on pricing models whereby all significant inputs are observable or can be derived from or corroborated by observable market data. The valuation for the Level 1 position is based on quoted prices in active markets.

Derivative Instruments - Dell's derivative financial instruments consist primarily of foreign currency forward and purchased option contracts and interest rate swaps. The fair value of the portfolio is determined using valuation models based on market observable inputs, including interest rate curves, forward and spot prices for currencies, and implied volatilities. Credit risk is

factored into the fair value calculation of Dell's derivative instrument portfolio. For interest rate derivative instruments, credit risk is determined at the contract level with the use of credit default spreads of either Dell, when in a net liability position, or the relevant counterparty, when in a net asset position. For foreign exchange derivative instruments, credit risk is determined in a similar manner, except that the credit default spread is applied based on the net position of each counterparty with the use of the appropriate credit default spreads. See Note 6 of the Notes to the Consolidated Financial Statements for a description of Dell's derivative financial instrument activities.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis - Certain assets are measured at fair value on a nonrecurring basis and therefore are not included in the recurring fair value table above. These assets consist primarily of investments accounted for under the cost method and non-financial assets such as goodwill and intangible assets. Investments accounted for under the cost method included in equity and other securities approximated $157 million and $12 million as of February 1, 2013, and February 3, 2012, respectively. Dell acquired privately held investments in conjunction with its acquisition of Quest Software, Inc. during the third quarter of Fiscal 2013 that are accounted for under the cost method. The fair value of these investments was $111 million as of the date of acquisition. See Note 7 of the Notes to the Consolidated Financial Statements for additional information about this acquisition. Goodwill, intangible assets, and investments accounted for under the cost method are measured at fair value initially and subsequently when there is an indicator of impairment and the impairment is recognized. See Note 8 of the Notes to the Consolidated Financial Statements for additional information about goodwill and intangible assets.

NOTE 3 - INVESTMENTS

The following table summarizes, by major security type, the carrying value and amortized cost of Dell's investments. All debt security investments with remaining maturities in excess of one year and substantially all equity and other securities are recorded as long-term investments in the Consolidated Statements of Financial Position.

	February 1, 2013				February 3, 2012			
	Carrying Value	Cost	Unrealized Gain	Unrealized (Loss)	Carrying Value	Cost	Unrealized Gain	Unrealized (Loss)
	(in millions)							
Investments:								
Non- U.S. government and agencies	$ 13	$ 13	$ -	$ -	$ 24	$ 24	$ -	$ -
Commercial paper	6	6	-	-	434	434	-	-
U.S. corporate	113	112	1	-	336	335	1	-
International corporate	76	76	-	-	172	172	-	-
Total short-term investments	208	207	1	-	966	965	1	-
Non- U.S. government and agencies	83	83	-	-	70	70	-	-
U.S. corporate	1,588	1,580	9	(1)	2,332	2,322	12	(2)
International corporate	624	620	4	-	883	880	4	(1)
Equity and other securities	270	270	-	-	119	119	-	-
Total long-term investments	2,565	2,553	13	(1)	3,404	3,391	16	(3)
Total investments	$ 2,773	$ 2,760	$ 14	$ (1)	$ 4,370	$ 4,356	$ 17	$ (3)

Dell's investments in debt securities are classified as available-for-sale securities, which are carried at fair value. Equity and other securities primarily relate to investments held in Dell's Deferred Compensation Plan, which are classified as trading securities and carried at fair value, and investments accounted for under the cost method. The fair value of Dell's portfolio can be affected by interest rate movements, credit, and liquidity risks. Dell's investments in debt securities have contractual maturities of three years or less.

During Fiscal 2013, Fiscal 2012, and Fiscal 2011, gross realized gains recognized in interest and other, net were $36 million, $49 million, and $7 million, respectively. Dell recognized gross realized losses of $1 million, $41 million, and $1 million, respectively, during the same periods.

DELL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 - FINANCIAL SERVICES

Dell Financial Services

Dell offers or arranges various financing options and services for its business and consumer customers in the U.S. and Canada through Dell Financial Services ("DFS"). DFS's key activities include the origination, collection, and servicing of customer receivables primarily related to the purchase of Dell products and services. The results of DFS are included in the business segment where the customer receivable was originated.

Dell's financing receivables are aggregated into the following categories:

- *Revolving loans* - Revolving loans offered under private label credit financing programs provide qualified customers with a revolving credit line for the purchase of products and services offered by Dell. These private label credit financing programs are referred to as Dell Preferred Account ("DPA") and Dell Business Credit ("DBC"). The DPA product is primarily offered to individual customers, and the DBC product is primarily offered to small and medium-sized commercial customers. Revolving loans in the U.S. bear interest at a variable annual percentage rate that is tied to the prime rate. Based on historical payment patterns, revolving loan transactions are typically repaid within 12 months on average. Revolving loans are included in short-term financing receivables.

- *Fixed-term sales-type leases and loans* - Dell enters into sales-type lease arrangements with customers who desire lease financing. Leases with business customers have fixed terms of generally two to four years. Future maturities of minimum lease payments at February 1, 2013, were as follows: Fiscal 2014 - $1,191 million; Fiscal 2015 - $750 million; Fiscal 2016 - $322 million; Fiscal 2017 - $40 million; Fiscal 2018 and beyond - $5 million. Dell also offers fixed-term loans to qualified small businesses, large commercial accounts, governmental organizations, educational entities, and certain individual consumer customers. These loans are repaid in equal payments including interest and have defined terms of generally three to four years.

The following table summarizes the components of Dell's customer financing receivables segregated by portfolio segment as of February 1, 2013, and February 3, 2012:

	February 1, 2013			February 3, 2012		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
			(in millions)			
Financing Receivables, net:						
Customer receivables, gross	$ 1,834	$ 2,535	$ 4,369	$ 2,096	$ 2,443	$ 4,539
Allowances for losses	(169)	(23)	(192)	(179)	(23)	(202)
Customer receivables, net	1,665	2,512	4,177	1,917	2,420	4,337

Residual interest	-	385	385	-	362	362
Financing receivables, net	$ 1,665	$ 2,897	$ 4,562	$ 1,917	$ 2,782	$ 4,699
Short-term	$ 1,665	$ 1,548	$ 3,213	$ 1,917	$ 1,410	$ 3,327
Long-term	-	1,349	1,349	-	1,372	1,372
Financing receivables, net	$ 1,665	$ 2,897	$ 4,562	$ 1,917	$ 2,782	$ 4,699

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The following table summarizes the changes in the allowance for financing receivable losses for the respective periods:

	Fiscal Year Ended								
	February 1, 2013			February 3, 2012			January 28, 2011		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
					(in millions)				
Allowance for financing receivable losses:									
Balance at beginning of period	$ 179	$ 23	$ 202	$ 214	$ 27	$ 241	$ 224	$ 13	$ 237
Incremental allowance due to VIE consolidation	-	-	-	-	-	-	-	16	16
Principal charge-offs	(179)	(18)	(197)	(204)	(9)	(213)	(233)	(18)	(251)
Interest charge-offs	(34)	-	(34)	(38)	-	(38)	(46)	-	(46)
Recoveries	59	4	63	64	4	68	27	-	27
Provision charged to income statement	144	14	158	143	1	144	242	16	258
Balance at end of period	$ 169	$ 23	$ 192	$ 179	$ 23	$ 202	$ 214	$ 27	$ 241

The following table summarizes the aging of Dell's customer financing receivables, gross, including accrued interest, as of February 1, 2013, and February 3, 2012, segregated by class:

	February 1, 2013				February 3, 2012			
	Current	Past Due 1 - 90 Days	Past Due > 90 Days	Total	Current	Past Due 1 - 90 Days	Past Due > 90 Days	Total

	(in millions)							
Revolving - DPA	$ 1,322	$ 163	$ 54	$ 1,539	$ 1,521	$ 195	$ 67	$ 1,783
Revolving - DBC	264	25	6	295	272	33	8	313
Fixed term - Consumer and Small Commercial	310	16	1	327	324	18	5	347
Fixed-term - Medium and Large Commercial	2,015	172	21	2,208	1,946	136	14	2,096
Total customer receivables, gross	$ 3,911	$ 376	$ 82	$ 4,369	$ 4,063	$ 382	$ 94	$ 4,539

DFS Acquisitions

In Fiscal 2011, Dell purchased a portfolio of revolving loan receivables for $430 million from CIT Group Inc. ("CIT") that consisted of revolving Dell customer account balances. In Fiscal 2012, Dell entered into a definitive agreement to acquire CIT Vendor Finance's Dell-related financing assets portfolio and sales and servicing functions in Europe. The acquisition of these assets will enable global expansion of Dell's direct finance model. Subject to customary closing, regulatory, and other conditions, Dell expects to complete this transaction in Fiscal 2014.

Credit Quality

The following tables summarize customer receivables, gross, including accrued interest by credit quality indicator segregated by class, as of February 1, 2013, and February 3, 2012. The categories shown in the tables below segregate customer receivables based on the relative degrees of credit risk. The credit quality categories cannot be compared between the different classes as loss experience in each class varies substantially. The credit quality indicators for DPA revolving accounts are primarily as of each quarter-end date, and all others are generally updated on a periodic basis.

For the DPA revolving receivables shown in the table below, Dell makes credit decisions based on propriety scorecards, which include the customer's credit history, payment history, credit usage, and other credit agency-related elements. The higher

quality category includes prime accounts generally of a higher credit quality that are comparable to U.S. customer FICO scores of 720 or above. The mid-category represents the mid-tier accounts that are comparable to U.S. FICO scores from 660 to 719. The lower category is generally sub-prime and represents lower credit quality accounts that are comparable to FICO scores below 660.

	February 1, 2013				February 3, 2012			
	Higher	**Mid**	**Lower**	**Total**	**Higher**	**Mid**	**Lower**	**Total**
	(in millions)							

Revolving - DPA	$	201	$	435	$	903	$	1,539	$	248	$	492	$	1,043	$	1,783

For the receivables shown in the table below, an internal grading system is utilized that assigns a credit level score based on a number of considerations, including liquidity, operating performance, and industry outlook. The higher category includes receivables that are generally within Dell's top credit quality levels, which typically have the lowest loss experience. The middle category generally falls within the mid-tier credit levels, and the lower category generally falls within Dell's bottom credit levels, which experience higher loss rates. The grading criteria and classifications are different between the fixed-term and revolving products as the loss performance varies between these product and customer sets. Therefore, the credit levels are not comparable between the consumer and small commercial fixed-term class and the DBC revolving class.

	February 1, 2013								February 3, 2012							
	Higher		Mid		Lower		Total		Higher		Mid		Lower		Total	
	(in millions)															
Revolving - DBC	$	99	$	88	$	108	$	295	$	111	$	98	$	104	$	313
Fixed-term - Consumer and Small Commercial [(a)]	$	90	$	117	$	120	$	327	$	97	$	120	$	130	$	347

[(a)] During the first quarter of Fiscal 2013, Dell re-defined its internal scoring categorization for its small commercial fixed-term customers. In connection with this change, Dell has re-categorized existing customers and has recast prior period credit quality categories for these customers to conform to the current year's classification. This change had no impact on Dell's allowance for loss rates.

For the receivables in the table below, an internal grading system is also utilized that assigns a credit level score based on liquidity, operating performance, and industry outlook. Dell's internal credit level scoring has been aggregated to their most comparable external commercial rating agency equivalents. Investment grade generally represents the highest credit quality accounts, non-investment grade represents middle quality accounts, and sub-standard represents the lowest quality accounts.

	February 1, 2013								February 3, 2012							
	Investment		Non-Investment		Sub-Standard		Total		Investment		Non-Investment		Sub-Standard		Total	
	(in millions)															
Fixed-term - Medium and Large Commercial	$	1,355	$	582	$	271	$	2,208	$	1,504	$	363	$	229	$	2,096

Asset Securitizations and Sales

Dell transfers certain U.S. customer financing receivables to SPEs which meet the definition of a VIE and are consolidated into Dell's Consolidated Financial Statements. These SPEs are bankruptcy remote legal entities with separate assets and liabilities. The purpose of the SPEs is to facilitate the funding of customer receivables in the capital markets. These SPEs have entered into financing arrangements with multi-seller conduits that, in turn, issue asset-backed debt securities in the capital markets. Dell's risk of loss related to securitized receivables is limited to the amount of Dell's right to receive collections for assets securitized exceeding the amount required to pay interest, principal, and other fees and expenses related to the asset-backed securities. Dell provides credit enhancement to the securitization in the form of over-collateralization. Customer receivables

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funded via securitization through SPEs were $2.0 billion, $2.3 billion, and $1.9 billion, during Fiscal 2013, Fiscal 2012, and Fiscal 2011, respectively.

The following table shows financing receivables held by the consolidated VIEs:

	February 1, 2013	February 3, 2012
	(in millions)	
Financing receivables held by consolidated VIEs, net:		
Short-term, net	$ 1,089	$ 1,096
Long-term, net	386	429
Financing receivables held by consolidated VIEs, net	$ 1,475	$ 1,525

Dell's securitization programs are generally effective for 12 months and are subject to an annual renewal process. These programs contain standard structural features related to the performance of the securitized receivables. The structural features include defined credit losses, delinquencies, average credit scores, and excess collections above or below specified levels. In the event one or more of these criteria are not met and Dell is unable to restructure the program, no further funding of receivables will be permitted and the timing of Dell's expected cash flows from over-collateralization will be delayed. At February 1, 2013, these criteria were met.

Dell sells selected fixed-term financing receivables to unrelated third parties on a periodic basis, primarily to manage certain concentrations of customer credit exposure. For the fiscal years ended February 1, 2013, February 3, 2012, and January 28, 2011, the amount of the receivables sold was $375 million, $221 million, and $153 million, respectively.

Structured Financing Debt

The structured financing debt related to the fixed-term lease and loan, and revolving loan securitization programs was $1.3 billion as of both February 1, 2013 and February 3, 2012. The debt is collateralized solely by the financing receivables in the programs. The debt has a variable interest rate and an average duration of 12 to 36 months based on the terms of the underlying financing receivables. As of February 1, 2013, the total debt capacity related to the securitization programs was $1.5 billion. Dell's securitization programs are structured to operate near their debt capacity. See Note 5 of the Notes to the Consolidated Financial Statements for additional information regarding the structured financing debt.

Dell enters into interest rate swap agreements to effectively convert a portion of the structured financing debt from a floating rate to a fixed rate. The interest rate swaps qualify for hedge accounting treatment as cash flow hedges. See Note 6 of the Notes to the Consolidated Financial Statements for additional information about interest rate swaps.

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NOTE 5 - BORROWINGS

The following table summarizes Dell's outstanding debt as of the dates indicated:

	February 1, 2013	February 3, 2012
	(in millions)	
Long-Term Debt		
Senior Notes		
$400 million issued on June 10, 2009, at 3.375% due June 2012 ("2012 Notes")[a]	$ -	$ 400
$600 million issued on April 17, 2008, at 4.70% due April 2013 ("2013A Notes")[a][b]	601	605
$500 million issued on September 7, 2010, at 1.40% due September 2013	500	499
$500 million issued on April 1, 2009, at 5.625% due April 2014 [b]	500	500
$300 million issued on March 28, 2011, with a floating rate due April 2014 ("2014B Notes")	300	300
$400 million issued on March 28, 2011, at 2.10% due April 2014	400	400
$700 million issued on September 7, 2010, at 2.30% due September 2015 [b]	702	701
$400 million issued on March 28, 2011, at 3.10% due April 2016 [b]	402	401
$500 million issued on April 17, 2008, at 5.65% due April 2018 [b]	502	501
$600 million issued on June 10, 2009, at 5.875% due June 2019 [b]	604	602
$400 million issued on March 28, 2011, at 4.625% due April 2021	398	398
$400 million issued on April 17, 2008, at 6.50% due April 2038	400	400
$300 million issued on September 7, 2010, at 5.40% due September 2040	300	300
Senior Debentures		
$300 million issued on April 3, 1998, at 7.10% due April 2028 ("Senior Debentures")[a]	379	384
Other		
Long-term structured financing debt	872	920
Less: current portion of long-term debt	(1,618)	(924)
Total long-term debt	5,242	6,387
Short-Term Debt		
Commercial paper	1,807	1,500
Short-term structured financing debt	416	440
Current portion of long-term debt	1,618	924
Other	2	3
Total short-term debt	3,843	2,867
Total debt	$ 9,085	$ 9,254

[a] Includes the impact of interest rate swap terminations.

[b] Includes hedge accounting adjustments.

As of February 1, 2013, the total carrying value and estimated fair value of outstanding senior notes and debentures, including the current portion, was approximately $6.0 billion and $5.9 billion, respectively. This is compared to a carrying value and estimated fair value of $6.4 billion and $6.9 billion, respectively, as of February 3, 2012. The fair value of outstanding senior notes and debentures was determined based on observable market prices in a less active market and was categorized as Level 2 in the fair value hierarchy. The fair values of the structured financing debt, commercial paper, and other short-term debt approximate their carrying values. Interest on the senior notes and debentures is payable semiannually, except for the floating rate 2014B Notes which accrue interest that is payable quarterly. The carrying value of the Senior Debentures, the 2012 Notes and the 2013A Notes, includes an unamortized amount related to the termination of interest rate swap agreements, which were previously designated as hedges of the debt. See Note 6 of the Notes to the Consolidated Financial Statements for additional information about interest rate swaps. The weighted average interest rate for the short-term structured financing debt and other as of February 1, 2013, and February 3, 2012, was 1.00% and 0.98%, respectively.

DELL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Structured Financing Debt **-** As of February 1, 2013, Dell had $1.3 billion outstanding in structured financing related debt, which was primarily related to the fixed-term lease and loan, and revolving loan securitization programs. Of the $872 million outstanding in long-term structured financing debt, which is primarily related to the fixed-term lease and loan programs, $517 million was classified as current as of February 1, 2013. See Note 4 and Note 6 of the Notes to the Consolidated Financial Statements for further discussion of the structured financing debt and the interest rate swap agreements that hedge a portion of that debt.

Aggregate future maturities of long-term debt at face value were as follows as of February 1, 2013:

	Maturities by Fiscal Year						
	2014	**2015**	**2016**	**2017**	**2018**	**Thereafter**	**Total**
				(in millions)			
Aggregate future maturities of long-term debt outstanding	$ 1,617	$ 1,465	$ 790	$ 400	$ -	$ 2,500	$ 6,772

Commercial Paper **-** As of February 1, 2013, and February 3, 2012, there was $1.8 billion and $1.5 billion, respectively, outstanding under the commercial paper program. The weighted average interest rate on outstanding commercial paper as of February 1, 2013, and February 3, 2012, was 0.38% and 0.23%, respectively. Dell has $3.0 billion in senior unsecured revolving credit facilities, primarily to support its $2.5 billion commercial paper program. Of these credit facilities, $1.0 billion will expire on April 2, 2013, and $2.0 billion will expire on April 15, 2015. There were no outstanding advances under the revolving credit facilities as of February 1, 2013.

The indentures governing the Notes, the Senior Debentures, and the structured financing debt contain customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, and certain events of bankruptcy and insolvency. The indentures also contain covenants limiting Dell's ability to create certain liens; enter into sale-and-lease back transactions; and consolidate or merge with, or convey, transfer or lease all or substantially all of its assets to, another person. The senior unsecured revolving credit facilities require compliance with conditions that must be satisfied prior to any borrowing, as well as ongoing compliance with specified affirmative and negative covenants, including maintenance of a minimum interest coverage ratio. Dell was in compliance with all financial covenants as of February 1, 2013.

NOTE 6 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Derivative Instruments

As part of its risk management strategy, Dell uses derivative instruments, primarily forward contracts and purchased options, to hedge certain foreign currency exposures and interest rate swaps to manage the exposure of its debt portfolio to interest rate risk. Dell's objective is to offset gains and losses resulting from these exposures with gains and losses on the derivative contracts used to hedge the exposures, thereby reducing volatility of earnings and protecting the fair values of assets and liabilities. Dell assesses hedge effectiveness both at the onset of the hedge and at regular intervals throughout the life of the derivative and recognizes any ineffective portion of the hedge, as well as amounts not included in the assessment of effectiveness, in earnings as a component of interest and other, net. Hedge ineffectiveness and amounts not included in the assessment of effectiveness were not material for fair value or cash flow hedges during Fiscal 2013, Fiscal 2012, or Fiscal 2011.

Foreign Exchange Risk

Dell uses a combination of forward contracts and purchased options designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in its forecasted transactions denominated in currencies other than the U.S. dollar. The risk of loss associated with purchased options is limited to premium amounts paid for the option contracts. The risk of loss associated with forward contracts is equal to the exchange rate differential from the time the contract is entered into until the time it is settled. The majority of these contracts typically expire in 12 months or less.

During the fiscal year ended February 1, 2013, Dell did not discontinue any cash flow hedges related to foreign exchange contracts that had a material impact on Dell's results of operations, as substantially all forecasted foreign currency transactions were realized in Dell's actual results.

In addition, Dell uses forward contracts and purchased options to hedge monetary assets and liabilities denominated in a foreign currency. These contracts generally expire in three months or less, are considered economic hedges and are not designated. The change in the fair value of these instruments represents a natural hedge as their gains and losses offset the changes in the underlying fair value of the monetary assets and liabilities due to movements in currency exchange rates. Dell recognized gains for the change in fair value of these foreign currency forward contracts of $1 million, $17 million, and $59 million during Fiscal 2013, Fiscal 2012, and Fiscal 2011, respectively.

Interest Rate Risk

Dell uses interest rate swaps to hedge the variability in cash flows related to the interest rate payments on structured financing debt. The interest rate swaps economically convert the variable rate on the structured financing debt to a fixed interest rate to match the underlying fixed rate being received on fixed term customer leases and loans. The duration of these contracts typically ranges from 30 to 42 months. Certain of these swaps are designated as cash flow hedges.

In addition, Dell may use forward-starting interest rate swaps and interest rate lock agreements to lock in fixed interest rates on its forecasted issuances of debt. The objective of these hedges is to offset the variability of future payments associated with the interest rate on debt instruments. As of February 1, 2013, Dell had $600 million in aggregate notional amounts of forward-starting interest rate swaps outstanding. These hedges are designated as cash flow hedges. Dell did not have any forward-starting interest rate swaps designated as cash flow hedges at February 3, 2012.

Periodically, Dell also uses interest rate swaps designated as fair value hedges to modify the market risk exposures in connection with long-term debt to achieve primarily LIBOR-based floating interest expense. As of February 1, 2013, and February 3, 2012, Dell had outstanding interest rate swaps that economically hedge a portion of its interest rate exposure on certain tranches of its long-term debt.

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Notional Amounts of Outstanding Derivative Instruments

The notional amounts of Dell's outstanding derivative instruments are as follows as of the dates indicated:

	February 1, 2013	February 3, 2012
	(in millions)	
Foreign Exchange Contracts		
Designated as cash flow hedging instruments	$ 2,847	$ 4,549
Non-designated as hedging instruments	512	168
Total	$ 3,359	$ 4,717
Interest Rate Contracts		
Designated as fair value hedging instruments	$ 800	$ 650
Designated as cash flow hedging instruments	1,320	751
Non-designated as hedging instruments	127	132
Total	$ 2,247	$ 1,533

Derivative Instruments Additional Information

The unrealized net gain or loss for interest rate swaps and foreign currency exchange contracts, recorded as a component of accumulated other comprehensive loss in the Consolidated Statements of Financial Position, was a gain of $1 million and a loss of $40 million as of February 1, 2013 and February 3, 2012, respectively.

Dell has reviewed the existence and nature of credit-risk-related contingent features in derivative trading agreements with its counterparties. Certain agreements contain clauses under which, if Dell's credit ratings were to fall below investment grade upon a change of control of Dell, counterparties would have the right to terminate those derivative contracts where Dell is in a net liability position. As of February 1, 2013, there had been no such triggering events.

Effect of Derivative Instruments on the Consolidated Statements of Financial Position and the Consolidated Statements of Income

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in Accumulated OCI, Net of Tax, on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
		(in millions)			
For the fiscal year ended February 1, 2013					
		Total net revenue	$ (42)		
Foreign exchange contracts	$ (16)	Total cost of net revenue	(15)		
Interest rate contracts	(2)	Interest and other, net	-	Interest and other, net	$ (2)
Total	$ (18)		$ (57)		$ (2)
For the fiscal year ended February 3, 2012					
		Total net revenue	$ (188)		
Foreign exchange contracts	$ (122)	Total cost of net revenue	(3)		
Interest rate contracts	3	Interest and other, net	-	Interest and other, net	$ 1

Total	$ (119)		$ (191)		$ 1

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Fair Value of Derivative Instruments in the Consolidated Statements of Financial Position

Dell presents its foreign exchange derivative instruments on a net basis in the Consolidated Statements of Financial Position due to the right of offset by its individual counterparties under master netting arrangements. The fair value of those derivative instruments presented on a gross basis as of each date indicated below is as follows:

	February 1, 2013				
	Other Current Assets	**Other Non-Current Assets**	**Other Current Liabilities**	**Other Non-Current Liabilities**	**Total Fair Value**
			(in millions)		
Derivatives Designated as Hedging Instruments					
Foreign exchange contracts in an asset position	$ 86	$ -	$ 9	$ -	$ 95
Foreign exchange contracts in a liability position	(40)	-	(3)	-	(43)
Interest rate contracts in an asset position	-	12	-	-	12
Interest rate contracts in a liability position	-	-	-	(6)	(6)
Net asset (liability)	46	12	6	(6)	58
Derivatives not Designated as Hedging Instruments					
Foreign exchange contracts in an asset position	118	-	16	-	134
Foreign exchange contracts in a liability position	(108)	-	(32)	-	(140)
Net asset (liability)	10	-	(16)	-	(6)
Total derivatives at fair value	$ 56	$ 12	$ (10)	$ (6)	$ 52

	February 3, 2012				
	Other Current Assets [(a)]	**Other Non-Current Assets**	**Other Current Liabilities**	**Other Non-Current Liabilities**	**Total Fair Value**
			(in millions)		
Derivatives Designated as Hedging Instruments					
Foreign exchange contracts in an asset position	$ 134	$ -	$ 2	$ -	$ 136
Foreign exchange contracts in a liability position	(69)	-	(7)	-	(76)
Interest rate contracts in an asset position	-	8	-	-	8
Interest rate contracts in a liability position	-	-	-	(3)	(3)
Net asset (liability)	65	8	(5)	(3)	65
Derivatives not Designated as Hedging Instruments					
Foreign exchange contracts in an asset position	199	-	2	-	201
Foreign exchange contracts in a liability position	(132)	-	(11)	-	(143)
Net asset (liability)	67	-	(9)	-	58

Total derivatives at fair value	$ 132	$ 8	$ (14)	$ (3)	$ 123

[(a)] Amounts as of February 3, 2012 have been revised to reflect adjustments between designated and not designated foreign exchange contracts.

NOTE 7 - ACQUISITIONS

Fiscal 2013 Acquisitions

During Fiscal 2013, Dell acquired Quest Software Inc. ("Quest Software"), SonicWALL Inc. (“SonicWALL”), Wyse Technology, Inc. ("Wyse Technology"), AppAssure Software, Inc., Clerity Solutions, Inc., Make Technologies Inc., Gale Technologies, and Credant Technologies. The total purchase consideration for all of these acquisitions was approximately $5.0 billion in cash for all of their outstanding shares. Dell completed its acquisition of Quest Software Inc. ("Quest Software") on September 27, 2012 for a purchase price of approximately $2.5 billion, paid in cash. Quest Software is a global provider of IT management software. Dell recorded approximately $1.7 billion in goodwill and $1.1 billion in intangible assets related to its acquisition of Quest Software. Of the other Fiscal 2013 acquisitions, SonicWALL and Wyse Technology, which were purchased during the second quarter of Fiscal 2013, were the larger acquisitions. SonicWALL is a global technology company that offers advanced network security and data protection software solutions, and Wyse Technology is a global provider of client computing solutions designed to extend desktop virtualization offerings.

All of the above acquisitions are being integrated into Dell's Commercial segments. See Note 15 of the Notes to the Consolidated Financial Statements for additional information on Dell's operating segments.

The following table summarizes the fair value of the assets acquired and liabilities assumed by major class for all the acquisitions completed during Fiscal 2013:

	Estimated Cost	Weighted-Average Useful Life
	(in millions)	(in years)
Intangible Assets:		
Amortizable intangible assets:		
Customer relationships	$ 687	6.9
Technology	1,293	5.6
Non-compete agreements	5	4.4
Trade names	77	6.6
Total amortizable intangible assets	2,062	6.1
In-process research and development	108	
Total intangible assets	2,170	
Cash and investments	407	
Accounts receivable	176	

Goodwill		3,487
Deferred revenue		(417)
Deferred tax liability, net		(571)
Other liabilities and noncontrolling interest assumed, net of assets acquired[(a)]		(213)
Total	$	5,039

(a) In conjunction with Dell's acquisition of Quest Software, Dell acquired a controlling ownership interest in a privately-held company. The fair value of the noncontrolling interest related to this investment was $21 million at the date of acquisition.

Dell's preliminary estimate for goodwill acquired during the fiscal year ended February 1, 2013, was $3.5 billion. This amount primarily represents synergies associated with combining the acquired companies with Dell to provide Dell's customers with a broader range of IT solutions. This goodwill is not deductible for tax purposes.

In conjunction with these acquisitions, Dell expects to incur approximately $290 million in compensation-related retention expenses that will be expensed over a period of up to five years. There was no contingent consideration related to these acquisitions.

The results of operations for acquisitions completed during the fiscal year ended February 1, 2013, which primarily consisted of SonicWALL, Wyse Technology, and Quest Software, are included in Dell's results of operations from each respective acquisition date. For the fiscal year ended February 1, 2013, the results of all businesses acquired during Fiscal 2013 contributed $763 million to Dell's net revenue and reduced net income by $168 million. These results include the impacts of amortization of purchased intangible assets and acquisition-related expenses.

The following table provides unaudited pro forma results of operations for the fiscal year ended February 1, 2013, and February 3, 2012, as if Dell's Fiscal 2013 acquisitions had been acquired at the beginning of the fiscal year ended February 3, 2012. The pro forma amounts presented below exclude $85 million in merger-related fees that were reported in Quest Software's historical financial results. The pro forma results are adjusted for amortization of intangible assets, fair value adjustments for deferred revenue, acquisition-related expenses, the elimination of sales between Dell and its acquirees, and the related tax effects for these items, but do not include any anticipated cost synergies or other effects of the planned integration of the acquisitions. Accordingly, such pro forma results are not necessarily indicative of the results that actually would have occurred had the acquisitions been completed on the dates indicated, nor are they indicative of the future operating results of the combined company.

	Fiscal Year Ended			
	February 1, 2013		**February 3, 2012**	
	(in millions, except per share data, unaudited)			
Pro forma net sales	$	57,685	$	63,387

Pro forma net income	$	2,287	$	3,195
Pro forma earnings per share - basic	$	1.31	$	1.74
Pro forma earnings per share - diluted	$	1.30	$	1.72

Fiscal 2012 Acquisitions

During Fiscal 2012, Dell completed several acquisitions, including acquisitions of Compellent Technologies, Inc. ("Compellent"), SecureWorks Inc. ("SecureWorks"), DFS Canada, and Force10 Networks, Inc. ("Force10"). The total purchase consideration was approximately $2.7 billion in cash for all of the outstanding shares for all acquisitions completed during the period. Compellent is a provider of virtual storage solutions for enterprise and cloud computing environments, and SecureWorks is a global provider of information security services. Force10 is a global technology company that provides datacenter networking solutions. Compellent, SecureWorks, and Force10 will be integrated into Dell's Commercial segments. DFS Canada enables expansion of Dell's direct finance model into Canada for all of Dell's segments. See Note 4 of the Notes to the Consolidated Financial Statements for further discussion on Dell Financial Services.

Dell recorded $1.5 billion in goodwill related to acquisitions during the fiscal year ended February 3, 2012. This amount primarily represents synergies associated with combining these companies with Dell to provide Dell's customers with a broader range of IT solutions or, in the case of DFS Canada, to extend Dell's financial services capabilities. This goodwill is not deductible for tax purposes. Dell also recorded $753 million in intangible assets related to these acquisitions, which consist primarily of purchased technology and customer relationships. The intangible assets have weighted-average useful lives ranging from 3 to 11 years . In conjunction with these acquisitions, Dell will incur approximately $150 million in compensation-related expenses that will be expensed over a period of up to four years. There was no contingent consideration related to these acquisitions.

Dell has not presented pro forma results of operations for Fiscal 2012 acquisitions because these acquisitions are not material to Dell's consolidated results of operations, financial position, or cash flows on either an individual or an aggregate basis.

Fiscal 2011 Acquisitions

Dell completed five acquisitions during Fiscal 2011, consisting of Kace Networks, Inc. (“KACE”), Ocarina Networks Inc. (“Ocarina”), Scalent Systems Inc. (“Scalent”), Boomi, Inc. (“Boomi”), and InSite One, Inc. (“InSite”), for a total purchase consideration of approximately $413 million in cash. KACE is a systems management appliance company with solutions

tailored to the requirements of mid-sized businesses. KACE was integrated primarily into Dell's SMB and Public segments. Ocarina is a provider of de-duplication solutions and content-aware compression across storage product lines. Scalent is a provider of scalable and efficient data center infrastructure software. Boomi is a provider of on-demand integration technology. Ocarina, Scalent, and Boomi were integrated into Dell's Commercial segments. InSite provides cloud-based medical data archiving, storage, and disaster-recovery solutions to the health care industry. InSite was integrated into Dell's Public segment.

Dell recorded approximately $284 million in goodwill and $141 million in intangible assets related to these acquisitions. The goodwill related to these acquisitions is not deductible for tax purposes. In conjunction with these acquisitions, Dell incurred $56 million in compensation-related expenses that were expensed over a period of one to three years. There was no contingent consideration related to these acquisitions.

Dell has not presented pro forma results of operations for the Fiscal 2011 acquisitions because these acquisitions are not material to Dell's consolidated results of operations, financial position, or cash flows on either an individual or an aggregate basis.

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NOTE 8 - GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill allocated to Dell's business segments as of February 1, 2013, and February 3, 2012, and changes in the carrying amount of goodwill for the respective periods, were as follows:

	Fiscal Year Ended February 1, 2013				
	Large Enterprise	Public	Small and Medium Business	Consumer	Total
	(in millions)				
Balance at beginning of period	$ 2,222	$ 2,547	$ 759	$ 310	$ 5,838
Goodwill acquired during the period	1,510	981	996	-	3,487
Adjustments	(9)	(8)	(4)	-	(21)
Balance at end of period	$ 3,723	$ 3,520	$ 1,751	$ 310	$ 9,304

	February 3, 2012				
	Large Enterprise	Public	Small and Medium Business	Consumer	Total
	(in millions)				
Balance at beginning of period	$ 1,424	$ 2,164	$ 476	$ 301	$ 4,365
Goodwill acquired during the period	800	386	287	6	1,479
Adjustments	(2)	(3)	(4)	3	(6)
Balance at end of period	$ 2,222	$ 2,547	$ 759	$ 310	$ 5,838

Goodwill is tested annually during the second fiscal quarter and whenever events or circumstances indicate an impairment may have occurred. Based on the results of the annual impairment tests, performed during the second quarter of Fiscal 2013, no impairment of goodwill existed at August 3, 2012. Further, no triggering events have transpired since August 3, 2012, that would indicate a potential impairment of goodwill as of February 1, 2013. Dell did not have any accumulated goodwill impairment charges as of February 1, 2013.

Intangible Assets

Dell's intangible assets associated with completed acquisitions at February 1, 2013, and February 3, 2012, were as follows:

	February 1, 2013			February 3, 2012		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in millions)					
Customer relationships	$ 2,184	$ (721)	$ 1,463	$ 1,569	$ (506)	$ 1,063
Technology	2,513	(827)	1,686	1,156	(490)	666
Non-compete agreements	75	(54)	21	70	(42)	28
Trade names	159	(59)	100	81	(41)	40
Amortizable intangible assets	4,931	(1,661)	3,270	2,876	(1,079)	1,797
In-process research and development	78	-	78	34	-	34
Indefinite lived intangible assets	26	-	26	26	-	26
Total intangible assets	$ 5,035	$ (1,661)	$ 3,374	$ 2,936	$ (1,079)	$ 1,857

Amortization expense related to finite-lived intangible assets was $613 million, $391 million, and $349 million in Fiscal 2013, Fiscal 2012, and Fiscal 2011, respectively. There were no material impairment charges related to intangible assets for the fiscal years ended February 1, 2013, and February 3, 2012.

Estimated future annual pre-tax amortization expense of finite-lived intangible assets as of February 1, 2013, over the next five fiscal years and thereafter is as follows:

Fiscal Years	(in millions)
2014	$ 770
2015	682
2016	613
2017	515
2018	370
Thereafter	320
Total	$ 3,270

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DELL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9 - WARRANTY AND DEFERRED EXTENDED WARRANTY REVENUE

Dell records liabilities for its standard limited warranties at the time of sale for the estimated costs that may be incurred. The liability for standard warranties is included in accrued and other current liabilities and other non-current liabilities on the Consolidated Statements of Financial Position. Revenue from the sale of extended warranties is recognized over the term of the contract or when the service is completed, and the costs associated with these contracts are recognized as incurred. Deferred extended warranty revenue is included in deferred revenue on the Consolidated Statements of Financial Position. Changes in Dell's liabilities for standard limited warranties and deferred services revenue related to extended warranties are presented in the following tables for the periods indicated:

	Fiscal Year Ended		
	February 1, 2013	**February 3, 2012**	**January 28, 2011**
		(in millions)	
Warranty liability:			
Warranty liability at beginning of period	$ 888	$ 895	$ 912
Costs accrued for new warranty contracts and changes in estimates for pre-existing warranties[a][b]	992	1,025	1,046
Service obligations honored	(1,118)	(1,032)	(1,063)
Warranty liability at end of period	$ 762	$ 888	$ 895
Current portion	$ 492	$ 572	$ 575
Non-current portion	270	316	320
Warranty liability at end of period	$ 762	$ 888	$ 895

	Fiscal Year Ended		
	February 1, 2013	**February 3, 2012**	**January 28, 2011**
		(in millions)	
Deferred extended warranty revenue:			
Deferred extended warranty revenue at beginning of period	$ 7,002	$ 6,416	$ 5,910
Revenue deferred for new extended warranties[b]	4,130	4,301	3,877
Revenue recognized	(4,029)	(3,715)	(3,371)
Deferred extended warranty revenue at end of period	$ 7,103	$ 7,002	$ 6,416
Current portion	$ 3,400	$ 3,265	$ 2,959
Non-current portion	3,703	3,737	3,457
Deferred extended warranty revenue at end of period	$ 7,103	$ 7,002	$ 6,416

(a) Changes in cost estimates related to pre-existing warranties are aggregated with accruals for new standard warranty contracts. Dell's warranty liability process does not differentiate between estimates made for pre-existing warranties and new warranty obligations.

(b) Includes the impact of foreign currency exchange rate fluctuations.

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DELL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Lease Commitments - Dell leases property and equipment, manufacturing facilities, and office space under non-cancelable leases. Certain of these leases obligate Dell to pay taxes, maintenance, and repair costs. At February 1, 2013, future minimum lease payments under these non-cancelable leases are as follows: $137 million in Fiscal 2014; $132 million in Fiscal 2015; $106 million in Fiscal 2016; $86 million in Fiscal 2017; $53 million in Fiscal 2018; and $99 million thereafter.

Rent expense under all leases totaled $137 million, $107 million, and $87 million for Fiscal 2013, Fiscal 2012, and Fiscal 2011, respectively.

Purchase Obligations - Dell has contractual obligations to purchase goods or services, which specify significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. As of February 1, 2013, Dell had $399 million, $100 million, and $16 million in purchase obligations for Fiscal 2014, Fiscal 2015, and Fiscal 2016 and thereafter, respectively.

Legal Matters - Dell is involved in various claims, suits, assessments, investigations, and legal proceedings that arise from time to time in the ordinary course of its business, including those identified below, consisting of matters involving consumer, antitrust, tax, intellectual property, and other issues on a global basis. Dell accrues a liability when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. Dell reviews these accruals at least quarterly and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel, and other relevant information. To the extent new information is obtained and Dell's views on the probable outcomes of claims, suits, assessments, investigations, or legal proceedings change, changes in Dell's accrued liabilities would be recorded in the period in which such determination is made. For some matters, the amount of liability is not probable or the amount cannot be reasonably estimated and therefore accruals have not been made. The following is a discussion of Dell's significant legal matters and other proceedings:

Copyright Levies - Dell's obligation to collect and remit copyright levies in certain European Union ("EU") countries may be affected by the resolution of legal proceedings pending in Germany against various companies, including Dell's German subsidiary, and elsewhere in the EU against other companies in Dell's industry. The plaintiffs in those proceedings, some of which are described below, generally seek to impose or modify the levies with respect to sales of such equipment as multifunction devices, phones, personal computers, and printers, alleging that such products enable the copying of copyrighted materials. Some of the proceedings also challenge whether the levy schemes in those countries comply with EU law. Certain EU member countries that do not yet impose levies on digital devices are expected to implement legislation to enable them to extend existing levy schemes, while some other EU member countries are expected to limit the scope of levy schemes and their applicability in the digital hardware environment. Dell, other companies, and various industry associations have opposed the extension of levies to the digital environment and have advocated alternative models of compensation to rights holders. Dell continues to collect levies in certain EU countries where it has determined that based on local laws it is probable that Dell has a payment obligation. The amount of levies is generally based on the number of products sold and the per-product amounts of the levies, which vary. In all other matters, Dell does not believe there is a probable and estimable claim. Accordingly, Dell has not accrued any liability nor collected any levies.

On December 29, 2005, Zentralstelle Für private Überspielungrechte ("ZPÜ"), a joint association of various German collecting societies, instituted arbitration proceedings against Dell's German subsidiary before the Board of Arbitration at the German Patent and Trademark Office in Munich, and subsequently filed a lawsuit in the German Regional Court in Munich on February 21, 2008, seeking levies to be paid on each personal computer sold by Dell in Germany through the end of calendar year 2007. On December 23, 2009, ZPÜ and the German industry association, BCH, reached a settlement regarding audio-video copyright levy litigation (with levies ranging from €3.15 to €13.65 per unit). Dell joined this settlement on February 23, 2010, and has paid the amounts due under the settlement. However, because the settlement agreement expired on December 31, 2010, the amount of levies payable after calendar year 2010, as well as Dell's ability to recover such amounts through increased prices, remains uncertain. German courts are also considering a lawsuit originally filed in July 2004 by VG Wort, a German collecting society representing certain copyright holders, against Hewlett-Packard Company in the Stuttgart Civil Court seeking levies on printers, and a lawsuit originally filed in September 2003 by the same plaintiff against Fujitsu Siemens Computer GmbH in Munich Civil Court in Munich, Germany seeking levies on personal computers. In each case, the civil and appellate courts held that the subject classes of equipment were subject to levies. In July 2011, the German Federal Supreme Court, to which the lower court holdings have been appealed, referred each case to the Court of Justice of the European Union,

submitting a number of legal questions on the interpretation of the European Copyright Directive which the German Federal Supreme Court deems necessary for its decision. Dell has not accrued any liability in either matter, as Dell does not believe there is a probable and estimable claim.

Proceedings seeking to impose or modify copyright levies for sales of digital devices also have been instituted in courts in Spain and in other EU member states. Even in countries where Dell is not a party to such proceedings, decisions in those cases could impact Dell's business and the amount of copyright levies Dell may be required to collect.

The ultimate resolution of these proceedings and the associated financial impact to Dell, if any, including the number of units potentially affected, the amount of levies imposed, and the ability of Dell to recover such amounts, remain uncertain at this time. Should the courts determine there is liability for previous units shipped beyond the amount of levies Dell has collected or accrued, Dell would be liable for such incremental amounts. Recovery of any such amounts from others by Dell would be possible only on future collections related to future shipments.

Convolve Inc. v Dell Inc. - Convolve, Inc. sued Dell, Western Digital Corporation ("Western Digital"), Hitachi Global Storage Technologies, Inc., and Hitachi Ltd. (collectively "Hitachi") on June 18, 2008 in the U.S. District Court for the Eastern District of Texas, Marshall Division, alleging that the defendants infringed United States Patent No. 4,916,635 (entitled "Shaping Command Inputs to Minimize Unwanted Dynamics") and United States Patent No. 6,314,473 (entitled "System for Removing Selected Unwanted Frequencies in Accordance with Altered Settings in a User Interface of a Data Storage Device"). Western Digital and Hitachi are hard drive suppliers of Dell. The plaintiff sought damages for each product with an allegedly infringing hard drive sold by Dell, plus exemplary damages for allegedly willful infringement. On July 26, 2011, a jury found that the patents had been infringed and awarded the plaintiff an amount of damages that is not material to Dell. The jury decision is subject to final approval and entry by the judge.

Other Litigation - The various legal proceedings in which Dell is involved include commercial litigation and a variety of patent suits. In some of these cases, Dell is the sole defendant. More often, particularly in the patent suits, Dell is one of a number of defendants in the electronics and technology industries. Dell is actively defending a number of patent infringement suits, and several pending claims are in various stages of evaluation. While the number of patent cases has grown over time, Dell does not currently anticipate that any of these matters will have a material adverse effect on Dell's business, financial condition, results of operations, or cash flows.

As of February 1, 2013, Dell does not believe there is a reasonable possibility that a material loss exceeding the amounts already accrued for these or other proceedings or matters has been incurred. However, since the ultimate resolution of any such proceedings and matters is inherently unpredictable, Dell's business, financial condition, results of operations, or cash flows could be materially affected in any particular period by unfavorable outcomes in one or more of these proceedings or matters. Whether the outcome of any claim, suit, assessment, investigation, or legal proceeding, individually or collectively, could have a material adverse effect on Dell's business, financial condition, results of operations, or cash flows will depend on a number of variables, including the nature, timing, and amount of any associated expenses, amounts paid in settlement, damages, or other remedies or consequences.

Indemnifications - In the ordinary course of business, Dell enters into contractual arrangements under which Dell may agree to indemnify the third party to such arrangements from any losses incurred relating to the services they perform on behalf of Dell or for losses arising from certain events as defined within the particular contract, for example, litigation or claims relating to past performance. Such indemnification obligations may not be subject to maximum loss clauses. Historically, payments related to these indemnifications have been immaterial.

Certain Concentrations - Dell's counterparties to its financial instruments consist of a number of major financial institutions with credit ratings of AA and A by major credit rating agencies. In addition to limiting the amount of agreements and contracts it enters into with any one party, Dell monitors its positions with, and the credit quality of the counterparties to, these financial instruments. Dell does not anticipate nonperformance by any of the counterparties.
Dell's investments in debt securities are in high quality financial institutions and companies. As part of its cash and risk management processes, Dell performs periodic evaluations of the credit standing of the institutions in accordance with its investment policy. Dell's investments in debt securities have stated maturities of up to three years. Management believes that no significant concentration of credit risk for investments exists for Dell.

As of February 1, 2013, Dell did not have significant concentrations of cash and cash equivalent deposits with its financial institutions.
Dell markets and sells its products and services to large corporate clients, governments, and health care and education accounts, as well as to small and medium-sized businesses and individuals. No single customer accounted for more than 10% of Dell's consolidated net revenue during Fiscal 2013, Fiscal 2012, or Fiscal 2011.

Dell purchases a number of components from single or limited sources. In some cases, alternative sources of supply are not available. In other cases, Dell may establish a working relationship with a single source or a limited number of sources if Dell believes it is advantageous to do so based on performance, quality, support, delivery, capacity, or price considerations.

Dell also sells components to certain contract manufacturers who assemble final products for Dell. Dell does not recognize the sale of these components in net sales and does not recognize the related profits until the final products are sold by Dell to end users. Profits from the sale of these parts are recognized as a reduction of cost of sales at the time of sale. Dell's gross non-trade receivables as of February 1, 2013, and February 3, 2012, were $2.9 billion and $3.0 billion, respectively, and four contract manufacturers account for the majority of these receivables. Dell has net settlement agreements with the majority of these contract manufacturers that allow Dell to offset the accounts payable to the contract manufacturers from the amounts receivable from them. As of February 1, 2013, and February 3, 2012, $2.5 billion and $2.9 billion, respectively, of these receivables met the criteria for net recognition and were offset against the corresponding accounts payable balances for these contract manufacturers in the accompanying Consolidated Statements of Financial Position.

NOTE 11 - INCOME AND OTHER TAXES

The provision for income taxes consists of the following:

	Fiscal Year Ended		
	February 1, 2013	February 3, 2012	January 28, 2011
		(in millions)	
Current:			
Federal	$ 630	$ 375	$ 597
State/Local	76	81	66
Foreign	191	273	97
Current	897	729	760
Deferred:			
Federal	(297)	62	(95)
State/Local	(23)	(12)	9
Foreign	(108)	(31)	41
Deferred	(428)	19	(45)
Provision for income taxes	$ 469	$ 748	$ 715

Income before provision for income taxes consists of the following:

	Fiscal Year Ended		
	February 1,	February 3,	January 28,

	2013	2012	2011
		(in millions)	
Domestic	$ 24	$ 365	$ 532
Foreign	2,817	3,875	2,818
Income before income taxes	$ 2,841	$ 4,240	$ 3,350

Deferred tax assets and liabilities are recorded for the estimated tax impact of temporary differences between the tax and book basis of assets and liabilities, and are recognized based on the enacted statutory tax rates for the year in which Dell expects the differences to reverse. A valuation allowance is established against a deferred tax asset when it is more likely than not that the asset or any portion thereof will not be realized. Based upon all the available evidence, including expectation of future taxable income, Dell has provided a valuation allowance of $52 million and $44 million for Fiscal 2013 and Fiscal 2012, respectively, related to state income tax credit carryforwards. Dell has provided a valuation allowance of $98 million and $29 million related to net operating losses for Fiscal 2013 and Fiscal 2012, respectively. Additionally, for Fiscal 2013, a $13 million valuation allowance has been provided against other deferred tax assets compared to no valuation allowance for Fiscal 2012. Dell has determined that it will be able to realize the remainder of its deferred tax assets.

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The components of Dell's net deferred tax assets are as follows:

	February 1, 2013	February 3, 2012
	(in millions)	
Deferred tax assets:		
Deferred revenue	$ 716	$ 486
Warranty provisions	414	226
Provisions for product returns and doubtful accounts	94	85
Credit carryforwards	95	61
Loss carryforwards	339	271
Stock-based and deferred compensation	189	183
Operating and compensation related accruals	99	140
Capitalized intangible assets	52	51
Other	65	97
Deferred tax assets	2,063	1,600
Valuation allowance	(163)	(73)
Deferred tax assets, net of valuation allowance	1,900	1,527
Deferred tax liabilities:		
Leasing and financing	(258)	(220)
Property and equipment	(215)	(136)
Acquired intangibles	(1,091)	(667)
Other	(23)	(59)
Deferred tax liabilities	(1,587)	(1,082)
Net deferred tax assets	$ 313	$ 445
Current portion	$ 850	$ 682

Non-current portion	(537)	(237)
Net deferred tax assets	$ 313	$ 445

The current portion of net deferred tax assets is included in other current assets and other current liabilities in the Consolidated Statements of Financial Position as of February 1, 2013, and February 3, 2012. The non-current portion of net deferred tax assets is included in other non-current assets and other non-current liabilities in the Consolidated Statements of Financial Position as of February 1, 2013, and February 3, 2012, respectively.

During Fiscal 2013 and Fiscal 2012, Dell recorded $86 million and $124 million, respectively, of deferred tax assets related to net operating loss and credit carryforwards acquired during the year, all of which was offset against goodwill. During Fiscal 2013 and Fiscal 2012, Dell recorded $5 million and $10 million, respectively, to additional paid in capital related to the utilization of acquired net operating losses as a result of employee stock option activity. These amounts are reflected in the net tax shortfall from employee stock plans on the Consolidated Statements of Stockholders' Equity. Utilization of the acquired carryforwards is subject to limitations due to ownership changes that may delay the utilization of a portion of the acquired carryforwards. No additional valuation allowances have been placed on the acquired net operating loss and credit carryforwards. The carryforwards expire beginning in Fiscal 2014.

Deferred taxes have not been recorded on the excess book basis in the shares of certain foreign subsidiaries because these basis differences are not expected to reverse in the foreseeable future and are expected to be permanent in duration. The basis differences in the amount of approximately $19.0 billion arose primarily from undistributed book earnings, which Dell intends to reinvest indefinitely. The basis differences could be reversed through a sale of the subsidiaries or the receipt of dividends from the subsidiaries, as well as various other events. Net of available foreign tax credits, residual income tax of approximately $6.2 billion would be due upon reversal of this excess book basis as of February 1, 2013.

A portion of Dell's operations is subject to a reduced tax rate or is free of tax under various tax holidays. Dell's significant tax holidays expire in whole or in part during Fiscal 2016 through Fiscal 2022. Many of these tax holidays and reduced tax rates may be extended when certain conditions are met or may be terminated early if certain conditions are not met. The income tax

benefits attributable to the tax status of these subsidiaries were estimated to be approximately $410 million ($.23 per share) in Fiscal 2013, $474 million ($.26 per share) in Fiscal 2012, and $321 million ($.17 per share) in Fiscal 2011.

The effective tax rate differed from the statutory U.S. federal income tax rate as follows:

	Fiscal Year Ended		
	February 1, 2013	**February 3, 2012**	**January 28, 2011**
U.S. federal statutory rate	35.0%	35.0%	35.0%
Foreign income taxed at different rates	(16.1)	(18.7)	(14.7)
State income taxes, net of federal tax benefit	0.9	0.8	1.4
Vendor and other settlements	(4.3)	(0.5)	1.0
Other	1.0	1.0	(1.4)
Total	16.5%	17.6%	21.3%

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Total
	(in millions)
Balance at January 29, 2010	$ 1,793
Increases related to tax positions of the current year	262
Increases related to tax positions of prior years	22
Reductions for tax positions of prior years	(41)
Lapse of statute of limitations	(32)
Audit settlements	(21)
Balance at January 28, 2011	1,983
Increases related to tax positions of the current year	260
Increases related to tax positions of prior years	30
Reductions for tax positions of prior years	(43)
Lapse of statute of limitations	(32)
Audit settlements	(4)
Balance at February 3, 2012	2,194
Increases related to tax positions of the current year	219
Increases related to tax positions of prior years	107
Reductions for tax positions of prior years	(44)
Lapse of statute of limitations	(19)
Audit settlements	(11)
Balance at February 1, 2013	$ 2,446

Dell recorded net unrecognized tax benefits of $2.9 billion and $2.6 billion, which are included in other non-current liabilities in its Consolidated Statements of Financial Position, as of February 1, 2013, and February 3, 2012, respectively. The unrecognized tax benefits in the table above do not include accrued interest and penalties. Dell had accrued interest and penalties of $767 million, $664 million, and $552 million as of February 1, 2013, February 3, 2012, and January 28, 2011, respectively. These interest and penalties are offset by tax benefits from transfer pricing, interest deductions, and state income tax, which are also not included in the table above. These benefits were $305 million, $295 million, and $242 million as of February 1, 2013, February 3, 2012, and January 28, 2011, respectively. Net unrecognized tax benefits, if recognized, would favorably affect Dell's effective tax rate. Dell does not anticipate a significant change to the total amount of unrecognized income tax benefits within the next 12 months.

Interest and penalties related to income tax liabilities are included in income tax expense. Dell recorded $104 million, $112 million, and $45 million related to interest and penalties, which were included in income tax expense for Fiscal 2013, Fiscal 2012, and Fiscal 2011, respectively.

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Dell is currently under income tax audits in various jurisdictions, including the United States. The tax periods open to examination by the major taxing jurisdictions to which Dell is subject include Fiscal Years 1999 through 2011. As a result of these audits, Dell maintains ongoing discussions and negotiations relating to tax matters with the taxing authorities in these various jurisdictions. Dell believes that it has provided adequate reserves related to all matters contained in tax periods open to examination.

Dell's U.S. federal income tax returns for Fiscal Years 2007 through 2009 are currently under examination by the Internal Revenue Service (“IRS”). The IRS issued a Revenue Agent's Report for Fiscal Years 2004 through 2006 proposing certain assessments primarily related to transfer pricing matters. Dell disagrees with certain of the proposed assessments and has contested them through the IRS administrative appeals procedures. The IRS has remanded the audit for tax years 2004 through 2006 back to examination for further review. Should Dell experience an unfavorable outcome in the IRS matter, such an outcome could have a material impact on its results of operations, financial position, and cash flows.

Dell takes certain non-income tax positions in the jurisdictions in which it operates and has received certain non-income tax assessments from various jurisdictions. Dell believes that a material loss in these matters is not probable and it is not reasonably possible that a material loss exceeding amounts already accrued has been incurred. Dell believes its positions in these non-income tax litigation matters are supportable, that a liability is not probable, and that it will ultimately prevail. In the normal course of business, Dell's positions and conclusions related to its non-income taxes could be challenged and assessments may be made. To the extent new information is obtained and Dell's views on its positions, probable outcomes of assessments, or litigation change, changes in estimates to Dell's accrued liabilities would be recorded in the period in which such determination is made.

NOTE 12 - EARNINGS PER SHARE

Basic earnings per share is based on the weighted-average effect of all common shares issued and outstanding and is calculated by dividing net income by the weighted-average shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted-average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive common shares outstanding. Dell excludes equity instruments from the calculation of diluted earnings per share if the effect of including such instruments is anti-dilutive. Accordingly, certain stock-based incentive awards have been excluded from the calculation of diluted earnings per share totaling 121 million, 142 million, and 179 million shares for Fiscal 2013, Fiscal 2012, and Fiscal 2011, respectively.
The following table sets forth the computation of basic and diluted earnings per share for each of the past three fiscal years:

	Fiscal Year Ended		
	February 1, 2013	February 3, 2012	January 28, 2011
	(in millions, except per share amounts)		
Numerator:			
Net income	$ 2,372	$ 3,492	$ 2,635
Denominator:			
Weighted-average shares outstanding:			

Basic	1,745	1,838	1,944
Effect of dilutive options, restricted stock units, restricted stock, and other	10	15	11
Diluted	1,755	1,853	1,955
Earnings per share:			
Basic	$ 1.36	$ 1.90	$ 1.36
Diluted	$ 1.35	$ 1.88	$ 1.35

NOTE 13 - CAPITALIZATION

Preferred Stock

Authorized Shares - Dell has the authority to issue 5 million shares of preferred stock, par value $.01 per share. At February 1, 2013, and February 3, 2012, no shares of preferred stock were issued or outstanding.

Common Stock

Authorized Shares - At February 1, 2013, Dell was authorized to issue 7 billion shares of common stock, par value $.01 per share.

Share Repurchase Program - Dell has a share repurchase program that authorizes it to purchase shares of common stock in order to increase shareholder value and manage dilution resulting from shares issued under Dell's equity compensation plans. However, Dell does not currently have a policy that requires the repurchase of common stock in conjunction with stock-based payment arrangements. During Fiscal 2013, Dell repurchased 46 million shares of common stock for $700 million. At February 1, 2013, Dell's remaining authorized amount for share repurchases was $5.3 billion.

NOTE 14 - STOCK-BASED COMPENSATION AND BENEFIT PLANS

Stock-based Compensation

Description of the Plans

Employee Stock Plans - Dell is currently issuing stock awards under the Dell Inc. 2012 Long-Term Incentive Plan (the “2012 Incentive Plan”), which was approved by stockholders at the annual meeting on July 13, 2012. Previous plans, including the Amended and Restated 2002 Long-Term Incentive Plan, have been terminated, except for administration of awards previously granted under those plans that remain outstanding. In Fiscal 2013 and Fiscal 2012, in connection with Dell's business acquisitions, Dell assumed some stock incentive plans of its acquired companies. No future grants will be made under the assumed plans. The 2012 Incentive Plan, all previous plans, and the assumed plans are all collectively referred to as the “Stock Plans.” The 2012 Incentive Plan and all previous plans are collectively referred to as "Dell's Incentive Plans."

The 2012 Incentive Plan provides for the grant of stock-based incentive awards to Dell's employees and non-employee directors. Equity awards issued under the 2012 Incentive Plan can include stock options, stock appreciation rights, restricted stock units, unrestricted stock, performance based restricted stock units, or other equity awards. In connection with Dell's dividend policy, which was adopted in Fiscal 2013, all restricted stock units and performance based restricted stock units granted under Dell's Incentive Plans are entitled to dividend equivalent rights ("DERs"). DERs have the same dividend value per share as holders of common stock and are subject to the same terms and conditions as the corresponding unvested award. DERs are accumulated and paid when the underlying shares vest.

There were approximately 98 million, 342 million, and 344 million shares of Dell's common stock available for future grants under the Stock Plans as of February 1, 2013, February 3, 2012, and January 28, 2011, respectively. The above decrease is due to approval of the 2012 Incentive Plan, under which fewer shares of common stock are available for issuance. No future grants will be made under previous plans that have been terminated. To satisfy stock option exercises and vested restricted stock awards, Dell has a policy of issuing new shares rather than repurchasing shares on the open market.

Stock Option Agreements - Stock options granted under Dell's Incentive Plans typically vest pro-rata at each option anniversary date over a three to five year period. These options, which are granted with option exercise prices equal to the fair market value of Dell's common stock on the date of grant, generally expire up to ten years from the date of grant. In connection with business acquisitions, during Fiscal 2013 and Fiscal 2012, Dell converted or assumed stock options granted under the stock incentive plans of acquired companies, which are collectively referred to as the "assumed options." These assumed options vest over a period of up to six years and generally expire within ten years from the date of grant. Compensation expense for all stock options is recognized on a straight-line basis over the requisite service period.

Restricted Stock Awards - Awards of restricted stock may be either grants of restricted stock, restricted stock units, or performance-based restricted stock units that are issued at no cost to the recipient. For restricted stock units, legal ownership of the shares is not transferred to the employee until the units vest, which is generally over a three year period. The cost of these awards is determined using the fair market value of Dell's common stock on the date of the grant. Dell also grants performance-based restricted stock units as a long-term incentive in which an award recipient receives shares contingent upon Dell achieving performance objectives and the employee's continuing employment through the vesting period, which is generally over a three year period. Compensation costs recorded in connection with these performance-based restricted stock units are based on Dell's best estimate of the number of shares that will eventually be issued upon achievement of the specified performance objectives and when it becomes probable that such performance objectives will be achieved.

Compensation costs for restricted stock awards with a service condition is recognized on a straight-line basis over the requisite service period. Compensation costs for performance-based restricted stock units is recognized on an accelerated multiple-award approach based on the most probable outcome of the performance condition.

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Stock Option Activity

The following table summarizes stock option activity for the Stock Plans during Fiscal 2013, Fiscal 2012, and Fiscal 2011:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
	(in millions)	(per share)	(in years)	(in millions)
Options outstanding - January 29, 2010	205	$ 30.00		
Granted [(a)]	17	14.82		
Exercised	(1)	9.18		
Forfeited	(2)	13.85		
Cancelled/expired	(58)	36.44		
Options outstanding - January 28, 2011	161	26.49		
Granted and assumed through acquisitions	28	13.79		
Exercised	(4)	9.38		

Forfeited	(5)		13.35				
Cancelled/expired	(37)		24.85				
Options outstanding - February 3, 2012	143		25.37				
Granted and assumed through acquisitions	23		7.18				
Exercised	(6)		9.40				
Forfeited	(5)		13.63				
Cancelled/expired	(37)		26.96				
Options outstanding - February 1, 2013 [b]	118		22.51	4.7	$	175
Vested and expected to vest (net of estimated forfeitures) - February 1, 2013 [b]	113	$	23.12	4.5	$	146
Exercisable - February 1, 2013 [b]	80	$	28.16	3.1	$	25

(a) In Fiscal 2011, Dell did not convert or assume any options in connection with business acquisitions.

(b) For options vested and expected to vest, options exercisable, and options outstanding, the aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between Dell's closing stock price on February 1, 2013 and the exercise price multiplied by the number of in-the-money options) that would have been received by the option holders had the holders exercised their options on February 1, 2013. The intrinsic value changes based on changes in the fair value of Dell's common stock.

In connection with Fiscal 2013 and Fiscal 2012 acquisitions, Dell assumed approximately 21 million and 6 million stock options, respectively, with a weighted-average exercise price per share of $6.47 and $7.38, respectively.

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Information about options outstanding and exercisable at February 1, 2013 is as follows:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	**Number Outstanding**	**Weighted-Average Exercise Price per Share**		**Weighted-Average Remaining Contractual Life**	**Number Exercisable**	**Weighted-Average Exercise Price Per Share**	
	(in millions)			(in years)	(in millions)		
$ 0 - $9.99	24	$	6.59	9.6	3	$	6.78
$10.00 - $19.99	35		15.52	7.5	18		15.80
$20.00 - $29.99	17		25.22	2.4	17		25.22
$30.00 - $39.99	27		34.29	1.2	27		34.29
$40 and over	15		40.22	2.1	15		40.22
Total	118	$	22.51	4.7	80	$	28.16

Other information pertaining to stock options for the Stock Plans is as follows:

	Fiscal Year Ended

	February 1, 2013	February 3, 2012	January 28, 2011
	(in millions, except per option data)		
Total fair value of options vested	$ 83	$ 56	$ 13
Total intrinsic value of options exercised[a]	$ 33	$ 27	$ 7

(a) The total intrinsic value of options exercised represents the total pre-tax intrinsic value (the difference between the stock price at exercise and the exercise price multiplied by the number of options exercised) that was received by the option holders who exercised their options during the fiscal year.

At February 1, 2013, February 3, 2012, and January 28, 2011, there was $83 million, $114 million, and $65 million of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested stock options expected to be recognized over a weighted-average period of 1.6 years, 1.9 years, and 2.0 years, respectively.

Valuation of Awards

For stock options granted under Dell's Incentive Plans, Dell typically uses the Black-Scholes option pricing model to estimate the fair value of stock options at grant date. The Black-Scholes option pricing model incorporates various assumptions, including volatility, expected term risk-free interest rates, and dividend yields. The assumptions utilized in this model as well as the weighted-average grant date fair value of stock options granted during Fiscal 2013, Fiscal 2012, and Fiscal 2011 are presented below.

	Fiscal Year Ended		
	February 1, 2013	February 3, 2012	January 28, 2011
Weighted-average grant date fair value of stock options granted per option	$ 4.88	$ 5.13	$ 5.01
Expected term (in years)	4.8	4.6	4.5
Risk-free interest rate (U.S. Government Treasury Note)	1.0 %	1.9 %	2.2 %
Volatility	37 %	36 %	37 %
Dividend Yield	2.7 %	- %	- %

Expected volatility is based on a blend of implied and historical volatility of Dell's common stock over the most recent period commensurate with the estimated expected term of Dell's stock options. Dell uses this blend of implied and historical volatility, as well as other economic data, because management believes such volatility is more representative of prospective trends. The expected term of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees. During Fiscal 2013, Dell's Board of Directors adopted a dividend policy under which Dell paid quarterly cash

dividends of $0.08 per share in the third and fourth quarters of Fiscal 2013. For options granted on or subsequent to Dell's initial declaration of a dividend, the Company used the above dividend yield assumptions. The expected dividend yield is based on an annualized dividend rate and uses a historical three-month average stock price.

For stock options assumed through business acquisitions, Dell uses the lattice binomial valuation model to estimate the fair value of the award. The use of the lattice binomial model requires extensive actual employee exercise behavior data for the purpose of estimating the expected term of the award. The lattice binomial valuation model includes various assumptions, including volatility, risk-free interest rate, expected term, and dividend yield. Below are the underlying assumptions used to value stock options assumed through business acquisitions in Fiscal 2013. Stock-based compensation expense recognized for stock options awards assumed in Fiscal 2012 was not material.

	Fiscal Year Ended
	February 1, 2013
Weighted-average grant date fair value of stock options assumed per option	$ 3.09
Expected term (in years)	4.5
Risk-free interest rate (U.S. Government Treasury Note)	1.3 %
Volatility	36 %
Dividend Yield	3.2 %

For a limited number of performance-based restricted stock units that include a market-based condition, Dell uses the Monte Carlo simulation valuation model to estimate fair value. Stock-based compensation expense recognized for awards that include a market-based condition was not material for Fiscal 2013, Fiscal 2012, or Fiscal 2011.

Restricted Stock Awards

Non-vested restricted stock awards and activities For Fiscal 2013, Fiscal 2012, and Fiscal 2011 were as follows:

	Number of Shares	**Weighted-Average Grant Date Fair Value**
	(in millions)	(per share)
Non-vested restricted stock:		
Non-vested restricted stock balance as of January 29, 2010	40	$ 16.84
Granted	26	14.53
Vested[a]	(17)	19.10
Forfeited	(7)	15.21
Non-vested restricted stock balance as of January 28, 2011	42	14.71
Granted	22	15.19
Vested[a]	(18)	16.47
Forfeited	(4)	14.05
Non-vested restricted stock balance as of February 3, 2012	42	14.29
Granted	27	16.97
Vested[a]	(19)	13.39
Forfeited	(8)	16.71
Non-vested restricted stock balance as of February 1, 2013	42	$ 15.95

(a) Upon vesting of restricted stock units, some of the underlying shares are generally sold to cover the required withholding taxes. However, select participants may choose the net shares settlement method to cover withholding tax requirements. Total shares withheld were approximately 930,000, 426,000, and 354,000 for Fiscal 2013, Fiscal 2012, and Fiscal 2011, respectively. Total payments for the employee's tax obligations to the taxing authorities were $16 million, $6 million, and $5 million in Fiscal 2013, Fiscal 2012, and Fiscal 2011, respectively, and are reflected as a financing activity within the Consolidated Statements of Cash Flows.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For Fiscal 2013, Fiscal 2012, and Fiscal 2011, the total estimated vest date fair value of restricted stock awards was $297 million, $273 million, and $250 million, respectively.

At February 1, 2013, February 3, 2012, and January 28, 2011, there was $354 million, $348 million, and $341 million, respectively, of unrecognized stock-based compensation expense, net of estimated forfeitures, related to non-vested restricted stock awards expected to be recognized over a weighted-average period of approximately 1.8, 1.8, and 1.9 years, respectively.

Stock-based Compensation Expense

Stock-based compensation expense was allocated as follows:

	Fiscal Year Ended		
	February 1, 2013	**February 3, 2012**	**January 28, 2011**
		(in millions)	
Stock-based compensation expense:			
Cost of net revenue	$ 59	$ 59	$ 57
Operating expenses	288	303	275
Stock-based compensation expense before taxes	347	362	332
Income tax benefit	(104)	(108)	(97)
Stock-based compensation expense, net of income taxes	$ 243	$ 254	$ 235

Employee Benefit Plans

401(k) Plan - Dell has a defined contribution retirement plan (the "401(k) Plan") that complies with Section 401(k) of the Internal Revenue Code. Substantially all employees in the U.S. are eligible to participate in the 401(k) Plan. Effective January 1, 2008, Dell matches 100% of each participant's voluntary contributions, subject to a maximum contribution of 5% of the participant's compensation, and participants vest immediately in all Dell contributions to the 401(k) Plan. Dell's contributions during Fiscal 2013, Fiscal 2012, and Fiscal 2011 were $175 million, $168 million, and $132 million, respectively. Dell's contributions are invested according to each participant's elections in the investment options provided under the Plan. Investment options include Dell common stock, but neither participant nor Dell contributions are required to be invested in Dell common stock.

Deferred Compensation Plan - Dell has a non-qualified deferred compensation plan (the "Deferred Compensation Plan") for the benefit of certain management employees and non-employee directors. The Deferred Compensation Plan permits the deferral of base salary and annual incentive bonus. The deferrals are held in a separate trust, which has been established by Dell to administer the Plan. The assets of the trust are subject to the claims of Dell's creditors in the event that Dell becomes insolvent. Consequently, the trust qualifies as a grantor trust for income tax purposes (known as a "Rabbi Trust"). In accordance with the accounting provisions for deferred compensation arrangements where amounts earned are held in a Rabbi Trust and invested, the assets and liabilities of the Deferred Compensation Plan are presented in long-term investments and accrued and other liabilities, respectively, in the Consolidated Statements of Financial Position. The assets held by the trust are classified as trading securities with changes recorded to interest and other, net. These assets were valued at $112 million at February 1, 2013, and are disclosed in Note 2 and 3 of the Notes to Consolidated Financial Statements. Changes in the deferred compensation liability are recorded to compensation expense.

NOTE 15 - SEGMENT INFORMATION

Through Fiscal 2013, Dell managed its business in four global customer-centric operating segments: Large Enterprise, Public, Small and Medium Business, and Consumer. Large Enterprise includes sales of IT infrastructure and service solutions to large global and national corporate customers. Public includes sales to educational institutions, governments, health care organizations, and law enforcement agencies, among others. SMB includes sales of complete IT solutions to small and medium-sized businesses. Consumer includes sales to individual consumers and retailers around the world.

The business segments disclosed in the accompanying Consolidated Financial Statements are based on this organizational structure and information used by Dell's management to evaluate the business segment results. Dell's measure of segment operating income for management reporting purposes excludes broad based long-term incentives, amortization of intangible assets, and severance and facility actions and acquisition-related costs.

In the first quarter of Fiscal 2013, Dell made certain segment realignments in order to conform to the way Dell managed segment performance through Fiscal 2013. These realignments affected all of Dell's operating segments, but primarily consisted of the transfer of small office business customers from its SMB operating segment to its Consumer segment. Dell has recast prior period amounts to provide visibility and comparability. None of these changes impacts Dell's previously reported consolidated net revenue, gross margin, operating income, net income, or earnings per share.
On January 10, 2013, Dell announced its intention to replace its current segment reporting structure described above with the following four product and services business units in the first quarter of Fiscal 2014:

- End-User Computing Group ("EUC")
- Enterprise Solutions Group ("ESG")
- Dell Services
- Dell Software Group

EUC will include notebooks, desktop PCs, thin client products, tablets, third-party software, and client-related peripherals. ESG will include servers, networking, storage, converged infrastructure offerings, and ESG related peripherals. Dell Services will include a broad range of IT and business services, including support and deployment services, infrastructure, cloud, and security services, and applications and business process services. The Dell Software Group will include systems management, security, and information management.

The following table presents net revenue by Dell's reportable global segments as well as a reconciliation of consolidated segment operating income to Dell's consolidated operating income:

	Fiscal Year Ended		
	February 1, 2013	**February 3, 2012**	**January 28, 2011**
		(in millions)	
Net revenue:			
Large Enterprise	$ 17,781	$ 18,786	$ 18,111
Public	14,828	16,070	16,377
Small and Medium Business	13,413	13,547	12,608
Consumer	10,918	13,668	14,398
Total	$ 56,940	$ 62,071	$ 61,494
Consolidated operating income:			
Large Enterprise	$ 1,553	$ 1,889	$ 1,490
Public	1,238	1,584	1,446
Small and Medium Business	1,505	1,581	1,383
Consumer	(11)	433	180
Segment operating income	4,285	5,487	4,499
Broad based long-term incentives[a]	(312)	(352)	(350)
Amortization of intangible assets	(613)	(391)	(349)
Severance and facility actions and acquisition-related costs [a][b]	(348)	(313)	(227)
Other[c]	-	-	(140)
Total	$ 3,012	$ 4,431	$ 3,433

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(a) Broad based long-term incentives include stock-based compensation and other long-term incentive awards. See Note 14 of the Notes to Consolidated Financial Statements for additional information.

(b) Acquisition-related costs consist primarily of retention payments, integration costs, and consulting fees.

(c) Other includes a $100 million settlement for an SEC investigation and a $40 million settlement for a securities litigation lawsuit that were both incurred in the first quarter of Fiscal 2011.

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For Fiscal 2013, segment assets consisted primarily of accounts receivable, net. Prior to Fiscal 2013, Dell's segment assets also included inventories. However, beginning in the first quarter of Fiscal 2013, Dell no longer manages inventory by segment. The following table presents total assets by Dell's reportable segments:

	February 1, 2013	February 3, 2012 [a]
	(in millions)	
Total segment assets:		
Corporate	$ 40,247	$ 37,575
Large Enterprise	3,054	2,729
Public	1,940	1,873
Small and Medium Business	1,161	1,107
Consumer	1,138	1,249
Total	$ 47,540	$ 44,533

(a) Segment assets previously reported have been recast for the segment realignment discussed above. This segment realignment did not impact Dell's previously reported consolidated current assets or consolidated total assets.

The following table presents depreciation expense by Dell's reportable business segments:

	Fiscal Year Ended		
	February 1, 2013	February 3, 2012	January 28, 2011
		(in millions)	
Depreciation expense:			
Large Enterprise	$ 166	$ 162	$ 180
Public	138	145	170
Small and Medium Business	125	133	146
Consumer	102	105	125
Total	$ 531	$ 545	$ 621

The following tables present net revenue and long-lived asset information allocated between the U.S. and foreign countries:

	Fiscal Year Ended		
	February 1, 2013	February 3, 2012	January 28, 2011
		(in millions)	
Net revenue:			
United States	$ 28,231	$ 30,404	$ 31,912
Foreign countries	28,709	31,667	29,582
Total	$ 56,940	$ 62,071	$ 61,494

	February 1, 2013	February 3, 2012
	(in millions)	
Long-lived assets:		
United States	$ 1,448	$ 1,577
Foreign countries	678	547
Total	$ 2,126	$ 2,124

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The allocation between domestic and foreign net revenue is based on the location of the customers. Net revenue and long-lived assets from any single foreign country did not constitute more than 10% of Dell's consolidated net revenues or long-lived assets during Fiscal 2013, Fiscal 2012, or Fiscal 2011.

The following table presents net revenue by product and services categories:

	Fiscal Year Ended		
	February 1, 2013	February 3, 2012	January 28, 2011
		(in millions)	
Net revenue:			
Enterprise Solutions and Services:			
Enterprise Solutions:			
Servers and networking	$ 9,294	$ 8,336	$ 7,609
Storage	1,699	1,943	2,295
Services	8,396	8,322	7,673
Third-party software and peripherals	9,257	10,222	10,261
Client:			
Mobility	15,303	19,104	18,971
Desktop PCs	12,991	14,144	14,685
Net revenue	$ 56,940	$ 62,071	$ 61,494

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16 - SUPPLEMENTAL CONSOLIDATED FINANCIAL INFORMATION

Supplemental Consolidated Statements of Financial Position Information

The following table provides information on amounts included in accounts receivable, net, inventories, net, property, plant, and equipment, net, accrued and other liabilities, deferred revenue, and other non-current liabilities, as well as prepaid expenses as of February 1, 2013, and February 3, 2012.

	February 1, 2013	February 3, 2012
	(in millions)	
Accounts receivable, net:		
Gross accounts receivable	$ 6,701	$ 6,539
Allowance for doubtful accounts	(72)	(63)

Total	$ 6,629	$ 6,476
Inventories, net:		
Production materials	$ 593	$ 753
Work-in-process	283	239
Finished goods	506	412
Total	$ 1,382	$ 1,404
Prepaid expenses[a]	$ 446	$ 362
Property, plant, and equipment, net:		
Computer equipment	$ 2,591	$ 2,309
Land and buildings	1,957	1,843
Machinery and other equipment	752	782
Total property, plant, and equipment	5,300	4,934
Accumulated depreciation and amortization	(3,174)	(2,810)
Total	$ 2,126	$ 2,124

(a) Prepaid expenses are included in other current assets in the Consolidated Statements of Financial Position.

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Supplemental Consolidated Statements of Financial Position Information (cont.)

	February 1, 2013	February 3, 2012 [a]
	(in millions)	
Accrued and other current liabilities:		
Compensation	$ 1,182	$ 1,604
Warranty liability	492	572
Income and other taxes	807	432
Other	1,163	1,132
Total	$ 3,644	$ 3,740
Deferred revenue:		
Deferred extended warranty revenue	$ 7,103	$ 7,002
Other deferred services revenue	497	378
Total deferred services revenue	7,600	7,380
Deferred revenue - Dell software	552	-
Other deferred revenue	192	213
Total deferred revenue	$ 8,344	$ 7,593
Short-term portion	$ 4,373	$ 3,738
Long-term portion	3,971	3,855
Total deferred revenue	$ 8,344	$ 7,593

Other non-current liabilities:		
Warranty liability	$ 270	$ 316
Unrecognized tax benefits, net	2,908	2,563
Deferred tax liabilities	918	405
Other	91	89
Total	$ 4,187	$ 3,373

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(a) Certain prior year amounts have been reclassified from accrued and other liabilities and other non-current liabilities on the Consolidated Statements of Financial Position to short-term deferred revenue and long-term deferred revenue, respectively, to conform to the current year presentation.

Supplemental Consolidated Statements of Income

The table below provides details of interest and other, net for Fiscal 2013, Fiscal 2012, and Fiscal 2011:

	Fiscal Year Ended		
	February 1, 2013	February 3, 2012	January 28, 2011
		(in millions)	
Interest and other, net:			
Investment income, primarily interest	$ 100	$ 81	$ 47
Gains on investments, net	35	8	6
Interest expense	(270)	(279)	(199)
Foreign exchange	(18)	5	4
Other	(18)	(6)	59
Interest and other, net	$ (171)	$ (191)	$ (83)

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Valuation and Qualifying Accounts

Fiscal Year	Description	Balance at Beginning of Period	Charged to Income Statement	Charged to Allowance	Balance at End of Period
Trade Receivables:					
2013	Allowance for doubtful accounts	$ 63	$ 100	$ 91	$ 72
2012	Allowance for doubtful accounts	$ 96	$ 90	$ 123	$ 63
2011	Allowance for doubtful accounts	$ 115	$ 124	$ 143	$ 96
Customer Financing Receivables[a]:					
2013	Allowance for financing receivable losses	$ 202	$ 158	$ 168	$ 192

2012	Allowance for financing receivable losses	$	241	$	144	$	183	$	202
2011	Allowance for financing receivable losses	$	237	$	258	$	254	$	241
Trade Receivables:									
2013	Allowance for customer returns	$	86	$	694	$	668	$	112
2012	Allowance for customer returns	$	102	$	607	$	623	$	86
2011	Allowance for customer returns	$	79	$	581	$	558	$	102

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(a) Charge-offs to the allowance for financing receivable losses for customer financing receivables includes principal and interest.

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NOTE 17 - UNAUDITED QUARTERLY RESULTS

The following tables present selected unaudited Consolidated Statements of Income for each quarter of Fiscal 2013 and Fiscal 2012:

	Fiscal Year 2013			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions, except per share data)			
Net revenue	$ 14,422	$ 14,483	$ 13,721	$ 14,314
Gross margin	$ 3,067	$ 3,138	$ 2,872	$ 3,109
Net income	$ 635	$ 732	$ 475	$ 530
Earnings per share:				
Basic	$ 0.36	$ 0.42	$ 0.27	$ 0.30
Diluted	$ 0.36	$ 0.42	$ 0.27	$ 0.30
Cash dividends declared per common share	$ -	$ -	$ 0.08	$ 0.08
Weighted-average shares outstanding:				
Basic	1,759	1,747	1,735	1,738
Diluted	1,774	1,753	1,742	1,748

	Fiscal Year 2012			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in millions, except per share data)			
Net revenue	$ 15,017	$ 15,658	$ 15,365	$ 16,031
Gross margin	$ 3,432	$ 3,525	$ 3,469	$ 3,385
Net income	$ 945	$ 890	$ 893	$ 764
Earnings per share:				
Basic	$ 0.50	$ 0.48	$ 0.49	$ 0.43
Diluted	$ 0.49	$ 0.48	$ 0.49	$ 0.43
Weighted-average shares outstanding:				

Basic	1,908	1,858	1,813	1,778
Diluted	1,923	1,871	1,828	1,796

NOTE 18 - SUBSEQUENT EVENT

Merger Agreement

On February 5, 2013, Dell announced that it had signed a definitive agreement and plan of merger (the "merger agreement") pursuant to which it will be acquired by Denali Holding Inc. ("Parent"), a Delaware corporation owned by Michael S. Dell, the Chairman, Chief Executive Officer and founder of Dell, and investment funds affiliated with Silver Lake Partners, a global private equity firm ("Silver Lake"). Following completion of the transaction, Mr. Dell will continue to lead Dell as Chairman and Chief Executive Officer and will maintain a significant equity investment in Dell by contributing his Dell shares to Parent and making a cash investment in Parent. Subject to the satisfaction or permitted waiver of closing conditions set forth in the merger agreement, the merger is expected to be consummated before the end of the second quarter of the fiscal year ending January 31, 2014.

At the effective time of the merger, each share of Dell's common stock issued and outstanding immediately before the effective time, other than certain excluded shares, will be converted into the right to receive $13.65 in cash, without interest (the "merger consideration"). Shares of common stock held by the Parent and its subsidiaries, shares held by Mr. Dell and certain of Mr. Dell's related parties (together with Mr. Dell, the "MD Investors"), and by Dell or any wholly-owned subsidiary of Dell will not be entitled to receive the merger consideration.

Dell's stockholders will be asked to vote on the adoption of the merger agreement and the merger at a special stockholders meeting that will be held on a date to be announced. The closing of the merger is subject to a non-waivable condition that the merger agreement be adopted by the affirmative vote of the holders of (1) at least a majority of all outstanding shares of common stock and (2) at least a majority of all outstanding shares of common stock held by stockholders other than Parent and its subsidiaries, the MD Investors, any other officers and directors of Dell or any other person having any equity interest in, or any right to acquire any equity interest in, Parent's merger subsidiary or any person of which the merger subsidiary is a direct or indirect subsidiary. Consummation of the merger is also subject to certain customary conditions. The merger agreement does not contain a financing condition.

The merger agreement places limitations on Dell's ability to engage in certain types of transactions without Parent's consent during the period between the signing of the merger agreement and the effective time of the merger. During this period, Dell may not repurchase shares of its common stock or declare dividends in excess of the quarterly rate of $0.08 per share authorized under its current dividend policy. In addition, with limited exceptions, Dell may not incur additional debt other than up to $1.8 billion under its existing commercial paper program, $2.0 billion under its revolving credit facilities, $1.5 billion under its structured financing debt facilities, and up to $25 million of additional indebtedness. Further, other than in transactions in the ordinary course of business or within specified dollar limits and certain other limited exceptions, Dell generally may not acquire other businesses, make investments in other persons, or sell, lease, or encumber its material assets.

Parent has obtained equity and debt financing commitments for the transactions contemplated by the merger agreement, the aggregate proceeds of which, together with the proceeds of a rollover investment of Dell shares in Parent by the MD Investors, an investment in subordinated securities and the available cash of Dell, will be sufficient for Parent to pay the aggregate merger consideration and all related fees and expenses. The commitment of financial institutions to provide debt financing for the transaction is subject to a number of customary conditions, including the execution and delivery by the borrowers and the guarantors of definitive documentation consistent with the debt commitment letter.

Pursuant to the terms of a “go-shop” provision in the merger agreement, during the period beginning on the date of the merger agreement and expiring after March 22, 2013, Dell and its subsidiaries and their respective representatives may initiate, solicit and encourage any alternative acquisition proposals from third parties, provide nonpublic information to such third parties and participate in discussions and negotiations with such third parties regarding alternative acquisition proposals. Under the terms and conditions set forth in the merger agreement, before the company stockholder approvals adopting the merger agreement, the Board of Directors may change its recommendation, including in order to approve, and may authorize Dell to enter into, an alternative acquisition proposal if the special committee of the Board of Directors that recommended approval of the merger has determined in good faith, after consultation with outside counsel and its financial advisors, that such alternative acquisition proposal would be more favorable to Dell's stockholders, taking into account all of the terms and conditions of such proposal (including, among other things, the financing, likelihood and timing of its consummation and any adjustments to the merger agreement).

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The merger agreement contains certain termination rights for Dell and Parent. Among such rights, and subject to certain limitations, either Dell or Parent may terminate the merger agreement if the merger is not completed by November 5, 2013.

The terms of the merger agreement did not impact Dell's Consolidated Financial Statements as of and for the fiscal year ended February 1, 2013.

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ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A - CONTROLS AND PROCEDURES

Exhibits 31.1 and 31.2 to this report include the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 under the Securities Exchange Act of 1934 (the “Exchange Act”). This Item 9A includes information concerning the controls and control evaluations referred to in those certifications.

Management's Report on Internal Control over Financial Reporting

Management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d(f) under the Exchange Act) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures which (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets, (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, (c) provide reasonable assurance that receipts and expenditures are being made only in accordance with appropriate authorization of management and the board of directors, and (d) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

In connection with the preparation of this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of February 1, 2013, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of that evaluation, management has concluded that our internal control over financial reporting was effective as of February 1, 2013. The effectiveness of our internal control over financial reporting as of February 1, 2013, has been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, as stated in their report, which is included in “Part II - Item 8 - Financial Statements and Supplementary Data.”

Changes in Internal Control over Financial Reporting

Dell's management, with the participation of Dell's Chief Executive Officer and Chief Financial Officer, has evaluated whether any change in Dell's internal control over financial reporting occurred during the fourth quarter of Fiscal 2013. Based on their evaluation, management concluded that there has been no change in Dell's internal control over financial reporting during the fourth quarter of Fiscal 2013 that has materially affected, or is reasonably likely to materially affect, Dell's internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of February 1, 2013. Based on that evaluation, our management has concluded that our disclosure controls and procedures were effective as of February 1, 2013.

Inherent Limitations in Internal Controls

Our system of controls is designed to provide reasonable, not absolute, assurance regarding the reliability and integrity of accounting and financial reporting. Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be met. These inherent limitations include the following:

- Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes.
- Controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override.
- The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.
- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures.
- The design of a control system must reflect the fact that resources are constrained, and the benefits of controls must be considered relative to their costs.

ITEM 9B - OTHER INFORMATION

None.