Solution:

STATEMENT OF COST OF GOODS SOLD Name: Dell Computers Co.				
Particulars	Amount (LIFO)	Amount (FIFO)	Amount (Avg.)	Amount (Specific)
Gross Purchase of Goods	196,000	196,000	196,000	196,000
Add: Beginning Inventory	40,000	40,000	40,000	40,000
Cost of Goods Available for Sale	236,000	236,000	236,000	236,000
Less: Ending Inventory	(65,000)	(90,000)	(76,596.52)	(75,000)
Cost of Goods Sold	171,000	146,000	159,403.48	161,000

(2)

Income taxes would differ quite a lot, the difference being:

$$Difference = (171{,}000 - 146{,}000)\ \times 0.4 = \$10{,}000$$

Between FIFO & LIFO; and

$$Difference = (159{,}403.4\ - 146{,}000) \times 0.4 = \$5{,}361.40$$

Between LIFO & weighted average

(Solution to 7-68)

The differences would be as follows:

(a) In FIFO, the ending inventory is affected. However, it is offset by the purchase and so, we will not have any effect on the net income at all.
(b) In LIFO, the later purchase will affect it. This is as follows:

There are 200 units left. Assuming LIFO, use the earliest one only:

$Ending\ Inventory = 40{,}000 + 50{,}000 = 90{,}000$ while the $Purchase =\ 196{,}000 + 35{,}000$

Thus, we see that ending inventory increases significantly, causing the cost of goods sold to increase as well. This leads to decrease in gross margin.