Solution:

(1)

STATEMENT OF INCOME

Name: Texas Instruments

Particulars	Amount as per FIFO	LIFO	Average
Net Sales	2,260	2,260	2,260
Gross Purchase of items	1,580	1,580	1,580
Add: Beginning Inventory	400	400	400
Cost of Goods Available for Sale	1,980	1,980	1,980
Less: Ending Inventory	(860)	(720)	(726)
Cost of Goods Sold	1,120	1,260	1,254
Gross Profit	1,140	1,000	1,006
Add: Other Income (Expenses)	(600)	(600)	(600)
Income Before Tax	540	400	406
Income Tax Applicable	(216)	(160)	(162.4)
Net Income	324	240	243.6

(2)

There is a difference of almost $56 when we used LIFO instead of FIFO. This is a huge savings in income tax caused by LIFO.

(3)

STATEMENT OF INCOME

Name: Texas Instruments

Particulars	Amount as per (a)	(b)
Net Sales	2,260	2,260
Gross Purchase of items	1,580	1,580
Add: Beginning Inventory	400	400
Cost of Goods Available for Sale	1,980	1,980
Less: Ending Inventory	(860)	(700)
Cost of Goods Sold	1,120	1,280
Gross Profit	1,140	980
Add: Other Income (Expenses)	(600)	(600)
Income Before Tax	540	380
Income Tax Applicable	(216)	(152)
Net Income	324	228

(Solution to 7-70)

For FIFO, the calculation is as follows:

$$Purchase = +\$400, Ending\ Inventory = +\$400$$

Since both increased, the cost of goods sold remains same and so, the gross margin and the income tax does not change at all.

For LIFO, the calculation is as follows:

$$Purchase = +\$400$$

$$Ending\ Inventory = (300 + 560 + 240) - (720) = +\$280$$

The ending inventory could not offset the purchase increase, which resulted in higher cost of goods sold and hence, lower gross margin by $\$120$.

The income taxes would decrease by $48. Thus, the net income decreases by $72.