

Solution:

(1)

$$\text{Operating Profit (FIFO)} = 792 + 203 - 149 = \$846 \text{ million}$$

(2)

$$\text{Income Tax (LIFO)} = \$792 \text{ million} \times 0.34 = \$269.28 \text{ million}$$

$$\text{Income Tax (FIFO)} = \$846 \text{ million} \times 0.34 = \$287.64 \text{ million}$$

(3)

Whirlpool saved almost $\$287.64 - \$269.28 = \$18.36 \text{ million}$ in taxes due to LIFO. Thus, this is a good way of saving taxes, which can then be used for potential future investments.

Also, income tax involves cash flow, while others may not. Thus, cash flow is reduced, enhancing the statement of cash flow.