Solution:

(1)

The comparative statement is as follows:

Particulars	Amount (in thousands of $) in	
	(a)	(b)
Net Sales	5,000	5,000
Cost of Goods Sold:		
Purchase of Goods	2,700	4,300
Beginning Inventory	0	0
Goods Available for Sale	2,700	4,300
Deduct: End Inventory	(400)	(1,200)
Net Cost of Goods Sold	2,300	3,100
Gross Margin	2,700	1,900
Deduct: Other Expenses	1,400	1,400
Income Before Tax	1,300	500
Deduct: Income Tax	(520)	(200)
Net Income	780	300
Divide: No of shares (100,000)		
Earnings Per Share (in $)	7.8	3.0

(2)

The comparative statement is as follows:

Particulars	Amount (in thousands of $) in	
	(a)	(b)
Net Sales	5,000	5,000
Cost of Goods Sold:		
Purchase of Goods	2,700	4,300
Beginning Inventory	0	0
Goods Available for Sale	2,700	4,300
Deduct: End Inventory	(600)	(2,200)
Net Cost of Goods Sold	2,100	2,100
Gross Margin	2,900	2,900
Deduct: Other Expenses	1,400	1,400
Income Before Tax	1,500	1,500
Deduct: Income Tax	(600)	(600)
Net Income	900	900
Divide: No of shares (100,000)		
Earnings Per Share (in $)	9.0	9.0

(3)

Fleming should use the FIFO method. While the LIFO method saves taxes, the FIFO method ensures that the shareholders get to see higher income. Since it is in the first year of its business, it needs to show that it is earning higher and earn the stockholders’ trust.

(4)

(a)

Particulars	Amount (in thousands of $)			
	FIFO	LIFO	FIFO (Purchased)	LIFO (Purchased)
Net Sales	5,500	5,500	5,500	5,500
Cost of Goods Sold:				
Purchase of Goods	6,800	6,800	5,200	5,200
Beginning Inventory	600	400	2,200	1,200
Goods Available for Sale	7,400	7,200	7,400	6,400
Deduct: End Inventory	(3,200)	(2,800)	(3,200)	(2,000)
Net Cost of Goods Sold	4,200	4,400	4,200	4,400
Gross Margin	1,300	1,100	1,300	1,100
Deduct: Other Expenses	800	800	800	800
Income Before Tax	500	300	500	300
Deduct: Income Tax	(175)	(105)	(175)	(105)
Net Income	325	195	325	195
Divide: No of shares (100,000)				
Earnings Per Share (in $)	3.25	1.95	3.25	1.95

(b)

Interestingly, there are no differences in the income between the purchase and not purchase.

(C)

LIFO assumed the prices to be different.

(d)

Total cash outflow is as follows:

- Under FIFO
  - Without purchase: 600 + 175 = $775,000
  - With purchase: 600 + 175 = $775,000
- Under LIFO
  - Without purchase: 520 + 105 = $625,000
  - With purchase: 200 + 105 = $305,000

(e)

This is very interesting now, under LIFO there are huge savings in the income taxes if they decide to purchase the 400,000 pounds early. This could be very beneficial for the company.

Thus, the company can decide to opt for the LIFO with advanced purchase.