

Solution:

(1)

STATEMENT OF GROSS MARGIN (in thousands of £)		
Particulars	Amount using	
	FIFO	LIFO
Net Sales	444	444
Cost of Goods sold:		
Net Purchases	394	394
Beginning Inventory	84	84
Cost of Goods Available for sale	478	478
Deduct: End Inventory	(208)	(140)
Net Cost of Goods sold	270	338
Gross Margin	174	106

(2)

The FIFO inventory method would result in more cash, and the difference is given by:

$$\text{Difference} = 0.6 \times £(174 - 106) = £40,800$$