

Solution:

(1)

STATEMENT OF GROSS MARGIN
(in millions of \$)

Particulars	LIFO		Lower-of-LIFO-or-Market	
	2018	2019	2018	2019
Sales	20	8	20	8
Deduct: Cost of Goods sold	(14)	(13)	(14)	(9)
Gross Margin	6	(5)	6	(1)

(2) Since the company is U.S. based, it follows U.S. GAAP, and it requires that the LCM method be applied on the current replacement cost.

Thus, the new inventory valuation would be \$9 million since they have already reduced it.