

Solution:

(1)

STATEMENT OF INCOME			
Particulars	Amount (in \$) using		
	FIFO	LIFO	Avg. Cost
Net Sales	2,260	2,260	2,260
Cost of Goods Sold:			
Purchase of Goods	1,580	1,580	1,580
Beginning Inventory	400	400	400
Goods Available for Sale	1,980	1,980	1,980
Deduct: End Inventory	(860)	(580)	(726)
Net Cost of Goods Sold	1,120	1,400	1,254
Gross Margin	1,140	860	1,006
Deduct: Other Expenses	(600)	(600)	(600)
Income Before Tax	540	260	406
Deduct: Income Tax (40%)	(216)	(104)	(162.4)
Net Income	324	156	243.6

(2)

The difference in tax is almost \$112.

(3)

STATEMENT OF INCOME		
Particulars	Amount (in \$) using	
	(a)	(b)
Net Sales	2,260	2,260
Cost of Goods sold:		
Purchase of Goods	1,580	1,580
Beginning Inventory	400	400
Goods Available for Sale	1,980	1,980
Deduct: End Inventory	(860)	(700)
Net Cost of Goods Sold	1,120	1,280
Gross Margin	1,140	980
Deduct: Other Expenses	(600)	(600)
Income Before Tax	540	380
Deduct: Income Tax (40%)	(216)	(152)
Net Income	324	228