

Solution:

(1)

To find the income tax for 2019, we note that out of 500,000 units that are sold, 340,000 came from the purchases (in accordance with LIFO) and the remaining 160,000 came from the reserves stored by the company.

According to LIFO, the recent one should be considered while preparing the cost of goods sold.

Thus, we have \$680,000 (340,000 units at \$2 per unit) + \$36,000 (30,000 units at \$1.2 per unit) + \$55,000 (50,000 units @ \$1.1 per unit) + \$80,000 (80,000 units @ \$1.0 per unit) = \$861,000 is the cost of goods sold.

Thus, we can find the income for 2019 as follows:

STATEMENT OF INCOME (in thousands of \$)	
Particulars	Amount
Sales	1,500
Deduct: Cost of Goods Sold	(861)
Gross Margin	639
Deduct: Other Expenses	(500)
Income Before Tax	139
Deduct: Income Tax	(55.6)
Net Income	83.4

Thus, the income taxes in 2019 were \$55,600.

(2)

STATEMENT OF INCOME (in thousands of \$)	
Particulars	Amount
Sales	1,500
Deduct: Cost of Goods Sold	(1,000)
Gross Margin	500
Deduct: Other Expenses	(500)
Income Before Tax	0
Deduct: Income Tax	(0)
Net Income	0

Thus, the income taxes will be 0 for 2019 if all requirements are met via that. The operating expenses should be changed, if they do not, then the above value is 0.