

Solution:

(1)

STATEMENT OF GROSS MARGIN (in millions of \$)		
Particulars	LIFO	LIFO with LCM
2018:		
Net Sales	20	20
Cost of Goods Sold	(14)	(14)
Less: Inventory Write Down due to Market	0	(4)
Gross Margin (Loss) for 2018	6	2
2019:		
Net Sales	8	8
Cost of Goods Sold	(13)	(9)
Gross Margin (Loss) for 2019	(5)	(1)

(2)

If the company intends to continue the production line, the inventory should be valued at cost under LIFO unless market value is lower.

The final inventory valuation would be \$10 million under LCM and \$13 million under LIFO.