

Solution:

(1)

STATEMENT OF GROSS MARGIN (in £)		
Name: Mehrabi Company		
Particulars	Amount (FIFO)	Amount (LIFO)
Net Sales	444,000	444,000
Gross Purchase		
January	154,000	154,000
July	240,000	240,000
Total gross purchase	394,000	394,000
Add: Beginning Inventory	84,000	84,000
Less: Ending Inventory	(96,000)	(72,000)
Cost of Goods Sold	382,000	406,000
Gross Margin	62,000	38,000

(2)

The FIFO would yield higher gross margin for the company and by the following margin:

$$\text{Margin} = (62,000 - 38,000) \times 0.6 = 14,400$$