**Solution:**

(1)

|  |  |  |  |
| --- | --- | --- | --- |
| STATEMENT OF INCOME | | | |
| Particulars | Amount (in $) using | | |
| FIFO | LIFO | Avg. Cost |
| Net Sales  Cost of Goods Sold:  Purchase of Goods  Beginning Inventory | 2,260  1,580  400 | 2,260  1,580  400 | 2,260  1,580  400 |
| Goods Available for Sale  Deduct: End Inventory | 1,980  (860) | 1,980  (580) | 1,980  (726) |
| Net Cost of Goods Sold | 1,120 | 1,400 | 1,254 |
| Gross Margin  Deduct: Other Expenses | 1,140  (600) | 860  (600) | 1,006  (600) |
| Income Before Tax  Deduct: Income Tax (40%) | 540  (216) | 260  (104) | 406  (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  Cost of Goods Sold:  Purchase of Goods  Beginning Inventory | 2,260  1,580  400 | 2,260  1,580  400 |
| Goods Available for Sale  Deduct: End Inventory | 1,980  (860) | 1,980  (700) |
| Net Cost of Goods Sold | 1,120 | 1,280 |
| Gross Margin  Deduct: Other Expenses | 1,140  (600) | 980  (600) |
| Income Before Tax  Deduct: Income Tax (40%) | 540  (216) | 380  (152) |
| Net Income | 324 | 228 |