**Solution:**

(1)

|  |  |  |
| --- | --- | --- |
| STATEMENT OF GROSS MARGIN  (in thousands of ₤) | | |
| Particulars | Amount using | |
| FIFO | LIFO |
| Net Sales  Cost of Goods Sold:  Net Purchases  Beginning Inventory  Cost of Goods Available for Sale  Deduct: End Inventory  Net Cost of Goods Sold | 444  394  84 | 444  394  84 |
| 478  (208) | 478  (140) |
| 270 | 338 |
| Gross Margin | 174 | 106 |

(2)

The FIFO inventory method would result in more cash, and the difference is given by: