

Solution:

Let us tabulate all the values to arrive at an estimate for the cost of goods that is destroyed by fire.

STATEMENT OF INCOME
(Amount in thousands of \$)

Name: Nguyen Company

| Particulars | Amount |
|--------------------------------------|---------------|
| Net Sales | 200 |
| Cost of Goods Sold: | |
| Gross Purchase | 170 |
| Freight In Expense | 15 |
| Deduct: Purchase Returns & Allowance | (10) |
| Cost of Acquisition of Goods | 175 |
| Inventory, January 1 | 70 |
| Cost of Goods Available for Sale | 245 |
| Deduct: Inventory, March 9 | (85) |
| Net Cost of Goods Sold | 160 |
| Gross Profit | 40 |

The calculations supporting the above table are as follows:

- The gross profit is 20% of the sales i.e. 20% of 200 = 40.
- The net cost of goods sold is $200 - 40 = 160$
- The other values are added as per their importance.

Thus, based on above table, we see that the inventory on March 9 was valued at \$85,000.

If we assume no inventory shrinkage, then this is the value of items that was destroyed by fire.