Solution:

A tabular calculation will help to simplify the calculation. Let us create a sales statement till May 3, 2018. The statement is as follows:

STATEMENT OF INCOME
(Amount in $)

For: 2018, May 3

Particulars		**Amount**
Net Sales:		
Gross Sales	280,000	
Deduct: Sales Returns & Allowance	(24,000)	
Net Sales		**256,000**
Cost of Goods Sold:		
Gross Purchases	159,000	
Freight In Expenses	4,000	
Deduct: Purchase Returns & Allowance	(7,000)	
Cash Discount on Purchases	(2,000)	
Cost of Goods Acquired	154,000	
Inventory, December 31, 2017	38,000	
Cost of Goods Available for Sale	192,000	
Deduct: Inventory, May 3, 2018	(51,200)	
Net Cost of Goods Sold		**140,800**
Gross Profit		**115,200**

Some calculations to support above values:

- Gross Profit = 45% of net sales = 45% of \$256,000 = \$115,200.
- Net Cost of Goods Sold = Net Sales – Gross Profit = \$140,800.
- Other values are added according to their importance.

Thus, based on the above table, we can see that the value of inventory on May 3, 2018, was **\$51,200.** This is the estimate of the inventory that was destroyed due to earthquake.