

Solution:

To estimate the cost of inventory destroyed, let us first tabulate all the values. The table of net gross profit becomes as follows:

STATEMENT OF GROSS PROFIT	
Name: Sellwood Antique Store	
Particulars	Amount (in \$)
Gross Sales	280,000
Less: Sales Returns & Allowances	(24,000)
Net Sales	256,000
Gross Purchases	159,000
Less: Purchase Returns & Allowances	(7,000)
Less: Cash Discount	(2,000)
Add: Freight Expenses	4,000
Total cost of merchandise	154,000
Add: Beginning Inventory	38,000
Less: Ending inventory	(51,200)
Cost of Goods Sold	1,40,800
Gross Profit	1,15,200

The table above shows the statement of gross profit for the time being. Using this table, we can see that the ending inventory is given by:

$$\text{Ending Inventory} = 51,200$$