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