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