

B-08.09

Aurora Wedding Gowns was burglarized in May of 20X5. It is unclear how many dresses were stolen. Aurora and its insurance company are currently working to estimate the dollar value of the stolen goods in order to reach a financial settlement under the existing property insurance policy.

Aurora's tax return prepared at the end of 20X4 revealed that the company ended 20X4 with a total inventory of \$189,000. Aurora uses the same inventory accounting methods for tax and accounting purposes.

The insurance company has contacted Aurora's suppliers and confirmed Aurora's claim that purchases for 20X5, prior to the date of the burglary, were \$376,000. All inventory was purchased, FOB destination.

20X5 Sales taxes collected by Aurora and remitted to the state, prior to the date of the theft, were \$48,000. The sales tax rate is 6% of sales.

An inventory was taken immediately after the burglary and the cost of dresses in stock was \$123,000.

Aurora consistently sells dresses at a gross profit margin of 45%.

Use the gross profit method to estimate the dollar value of stolen dresses.