

In case value of stock shown by assessee was low Method of valuation of closing stock cannot be changed

Summary – The Chennai ITAT in a recent case of Khazanchi Jewellers (P.) Ltd., (the Assessee) held that in case value of stock shown by assessee was low Method of valuation of closing stock cannot be changed

Facts

- The assessee-company filed its return.
- The Assessing Officer made addition on gross profit of certain amount by alleging that the assessee had resorted to suppressing the value of the closing stock
- On appeal, the Commissioner (Appeals) held that the additions made by the Assessing Officer were on assumptions and presumptions and without rejecting the books of account maintained by the assessee, thus, the Assessing Officer could not resort to estimation of gross profit.
- On revenue's appeal to the Tribunal:

Held

- The ITAT held that on perusal of the assessment order, it is clear that Assessing Officer arrived at the estimated value of the closing stock on the ground that value of closing stock shown by the assessee was very low. The assessment order also shows that while the assessee had filed detailed explanation as to how he arrived at the value of closing stock, the Assessing Officer simply rejected the explanation and computed the valuation of the closing stock by adopting weighted average cost method .
- The Assessing Officer had not pointed out any defects in the method of accounting followed by the assessee nor disputed the quantity of purchases and sales. The Assessing Officer is bound to accept the regular and accepted method of accounting adopted by the assessee and he cannot impose another method on the assessee, in the absence of any defects in the method of accounting followed by the assessee. Therefore, the addition made by the Assessing Officer cannot be sustained in the eyes of law, viewed from any angle. Thus, there is no any reason to interfere with the order of the Commissioner (Appeals).