

IN THE HIGH COURT OF DELHI AT NEW DELHI

29.01.2009

Present: Mr. R. D. Jolly, Advocate for the Appellant.

ITA No. 16/2009 INDO RAMA SYNTHETIC (I) LTD.

Two questions A and B have been proposed.

So far as the second proposed question is concerned, it stands covered against the revenue by virtue of the decision of this Court in Commissioner of Income Tax vs. Woodward Governor India P. Ltd., (2007) 294 ITR 451 (Delhi).

In regard to the first question, the AO has observed that the assessee was following a different method for valuing inventory upto the last year. The assessee has changed the method of valuation of inventory, which has resulted in the inventory being shown at a lower value. It is not in dispute that the change is a result of the recommendation of the Institute of Chartered Accountants of India and in consonance with accounting standard-2 (AS-2) on 'Valuation of inventories'.

We do not go further than the decision of CIT, Tamil Nadu v. Carborundum Universal Ltd (1984) 149 ITR 759 (Mad) against which a Special Leave Petition was preferred which was dismissed. In the said case of Carborundum Universal Ltd (supra), the Division Bench of Madras High Court observed as follows:

'merely because the new method adopted by the assessee was detrimental to the Revenue, that alone can never be the basis for denying the right to change the method. Further, even though the change of the method has resulted in a detriment to the Revenue in the year in question, since the

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method is to be followed consistently year after year in future, this apparent detriment to the Revenue will get adjusted and disappear . Therefore, in view of the findings of the Tribunal that the change of the method is bona fide and

is intended to be followed in future, year after year, the change has to be accepted by the Revenue, notwithstanding the fact that during assessment year which is the first year when change of method is brought about it has resulted in a prejudice or detriment to the Revenue. So long as the method of valuation adopted by the assessee gets recognition from the practicing accountants and the commercial world for valuation of stock-in-trade, the adoption of that method cannot be questioned by the Revenue unless the adoption of that method is found to be not bona fide or restricted for a particular year.'

We are in respectful agreement with the aforementioned decision of the Madras High Court.

The tribunal affirmed the order of the CIT (A) and has observed that the choice of the method of valuation of inventories rests with the assessee. Furthermore, it has been followed consistently by the assessee in subsequent year.

No substantial question of law arises for our consideration.

The appeal is dismissed.

VIKRAMAJIT SEN, J.

RAJIV SHAKDHER, J.

JANUARY 29, 2009

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