

**IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH: 'C' NEW DELHI**

**BEFORE SHRI G.S. PANNU, HON'BLE VICE PRESIDENT  
&  
SHRI K.N. CHARY, JUDICIAL MEMBER**

**ITA No.-1499/Del/2019  
(Assessment Year:2014-15)**

Prudent-Agri Commodities  
India Private limited,  
RNM Centre, 68/2, Janpath,  
New Dlehi.

ACIT  
Vs. Special Range-7,  
C.R. Building, I.P. Estate,  
New Delhi.

**PAN No. AAGCP9228E  
Appellant**

**Respondent**

**Revenue by** Sh. Gaurav Dudeja, Sr. DR  
**Assessee by** Kanchan Kaushal, Adv.  
Sh. Rishabh Malhotra, Adv.

Date of hearing: 30.12.2020

Date of Pronouncement : 30.12.2020

**ORDER**

**PER K. NARASIMHA CHARY, JM**

Aggrieved by the order dated 21/12/2018 in appeal No. 324/17-18 passed by the learned Commissioner of Income Tax (Appeals)-XXV, New Delhi ("Ld. CIT(A)") in the case of Prudent Agri Commodities India Private Limited (resultant company post-merger with the Sunder Agri Commodities India Private Limited), for the assessment year 2014-15, assessee preferred this appeal on 3 grounds. Ld. AR, however the time of arguments, gave up grounds No. 1 and 2 and confined the arguments to ground No. 3 in respect of the disallowance of forward losses basing on the closing stock for the

assessment year 2013-14, which would be the opening stock for the assessment year 2014-15.

2. Brief facts of the case are that the assessee is a private limited company incorporated under the provisions of the Companies Act, 1956 and is mainly engaged in the trading of agricultural commodity i.e. cotton; that during the immediately preceding year i.e. AY 2013-14, the assessee has valued its closing stock based on Net Realizable Value (NRV), in accordance with the provisions, of Accounting Standards (AS) - 2 'Valuation of Inventories' notified under section 211(3C) of Companies Act, 1956; and that based on the accounting policy mentioned above as followed by the assessee, the closing stock had been valued at a value of INR 909,339,489 which is lower than cost price of inventory amounting to INR 935,581,336.

3. Learned Assessing Officer, however, brushed aside the contentions raised by the assessee and considered the value of closing stock at cost instead of NRV and made an adjustment of INR 2,62,41,856 on account of valuation of closing stock adopted by the assessee. Aggrieved by such disallowance, the assessee preferred an appeal for the AY 2013-14 before the Ld. CIT(A) and the same is pending disposal. For this year also learned Assessing Officer ignored the fact that the closing stock of the preceding year would be the opening stock for the current year, and disallowed the brought forward losses for the impugned assessment year to the extent of Rs. 2,62,41,856 i.e. the additions made in the immediately preceding year. Appeal preferred by the assessee against this order was dismissed by the Ld. CIT(A), with the observations that,-

*"The AO had disallowed the brought forward losses in earlier year. The same have to be factored in during the current period as the issue stands decided against the appellant as of now. The brief facts are that during AY 2013-14 order u/s 143(3) dated 29.03.2016 was passed at a total loss of*

*Rs. 56,44,239/- as against returned loss of Rs. 3,18,86,095/- thereby reducing the losses. Hence the available loss frob/f with the appellant is Rs.56,44,239/-. The AO had confronted this to the appellant vide note sheet dated 28.11.2016. There is no provision for keeping such disallowances in abeyance. The AO restricted the set-off of brought forward loss to Rs. 56,44,239/-. On the facts as discussed supra, this ground is decided against the appellant. The action of the AO is upheld”*

4. Aggrieved by such findings of the Ld. CIT(A) the assessee preferred this appeal.

5. At the outset, Ld. AR submitted that the assessee is contemplating to settle its litigation for AY 2013-14 and AY 2014-15 by opting for Vivad-se-Vishwas Scheme, but the above issue is seriously impacting the carried forward losses of the company, and accordingly prayed, that a direction may be passed in the case of the appellant holding that the value of closing stock as on the close of AY 2013-14 would be the value of opening stock as on the opening day of next Assessment Year i.e. AY 2014-15 in consonance with the decision rendered by this Hon’ble Tribunal in the case of Pee Empro Exports Pvt.Ltd. in ITA No.6589/Del/2019.

6. He brought to our notice relevant finding in the above case in support of his submission that for the purpose of setting the matter under the Vivad-se-Vishwas Scheme, the clarification is necessary as to the treatment of the closing stock of the earlier year as the opening stock of the current year. The relevant portion reads thus,-

*“We are of the view that the value of closing stock as computed by the Assessing Officer needs to be accepted as such. However, same method is to be applied for valuation of opening stock, which is to be re-determined by reducing the value of opening stock by 9.22%. It is an admitted position that same rate needs to be applied to compute the value of opening stock and/or closing stock. It may also be pointed out that the value of closing stock as on the close of the year would be the*

value of opening stock as on the opening day of next Assessment Year. Accordingly, we hold so.”

7. Ld. DR does not dispute the acceptability of the principal in accordance with which the Ld. AR seeks relief in this matter. The closing stock of the previous year has to be treated as the opening stock of the current year and there cannot be any quarrel to it. Because the assessee is playing this direction/clarification in order to get the matter stated under the Vivad-se-Vishwas Scheme, in the absence of any dispute as to the principle involved in this, we are of the considered opinion that there is no harm in issuing such clarification and we accordingly direct the authorities to treat the closing stock of the assessment year 2013-14 as the opening stock for the assessment year 2014-15. We accordingly clarify that the authorities may treat the closing stock of the Assessment Year 2013-14 as the opening stock for the assessment year 2014-15. With this observation we dispose of this appeal.

8. In the result, appeal of the assessee is allowed for statistical purpose.

Order pronounced in the open court immediately after the conclusion of the hearing in the Virtual Court on 30/12/2020.

**Sd/-**  
**(G.S. PANNU)**  
**VICE PRESIDENT**

**Sd/-**  
**(K. NARSIMHA CHARY)**  
**JUDICIAL MEMBER**

Dated: 30.12.2020  
\*Kavita Arora, Sr. PS

Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals)
5. DR: ITAT

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ASSISTANT REGISTRAR

ITAT NEW DELHI