



excess stock of gold and silver ornaments was found. In the statement recorded during the course of survey, the assessee agreed for the additional income on account of excess stock of Gold and Silver amounting to Rs.14,57,764/-. A return of income was filed in which excess stock of Rs.5,76,072/- only was declared in the Trading account for the pre-survey period. The assessee was called upon to explain as to why the remaining excess stock offered at the time of survey was not declared. The assessee tendered an explanation to the effect that certain purchase bills were omitted to be recorded and after considering such purchase bills there was no excess stock other than that declared. The Assessing Officer (AO) did not agree with the assessee's contention. After reproducing question Nos. 14 to 17 from the statement of the assessee recorded at the time of survey, he opined that the excess stock with reference to the amounts surrendered ought to have been offered for taxation. Such amount was calculated at Rs.8,81,692/- and added to the total income. The Id. CIT(A) echoed the assessment order on this score by observing that the assessee unsuccessfully tried to make good the excess stock found at the time of survey by recording certain purchase bills later, all of which were either in cash below Rs.20,000/- or on credit for an

amount less than Rs.10,000/- each. As against that no other regular purchase transaction was in this fashion. He further observed that such alleged purchase bills were not brought to the notice of the survey party at the time of survey and also there was no reference to such purchase bills in the statement of the assessee recorded at the time of survey.

4. Having heard both the sides through Virtual Court and gone through the relevant material on record, it is noticed that the assessee was maintaining regular books of account which were found to be complete at the time of survey as there is no such adverse finding in the statement of the assessee recorded at the time of survey. On the basis of such books of account, a trading account was prepared by the assessee deducing a figure of closing stock on the date of survey, which was given for consideration to the survey party. Simultaneously, physical stock was also taken. Difference was found in the quantity of Silver as well as Gold which was valued at market price thereby computing the excess stock of Rs.14.57 lakh. Later on, the assessee filed a letter with the AO sometime in May, 2010 claiming that certain purchase bills were omitted to be recorded in the books of account at the time of survey, against which the

stock was inventorized. It was thus claimed that if such bills were considered, the difference remains only to the tune of Rs.5.76 lakh which was offered for taxation. I have examined the statement of the assessee recorded at the time of survey, from which it is apparent that there is no mention anywhere about the incomplete books of account or certain purchases having not been recorded. Once the assessee itself furnished trading account as on the date of survey prepared on the strength of the books of account regularly maintained by him, there can be no point in accepting the version put up by the assessee after three months of survey alleging that certain purchase bills were there which were not recorded in the books of account found at the time of survey.

5. Be that as it may, the Id. CIT(A) has examined the veracity of such purchase bills and noted that all such alleged purchase transactions were below Rs.20,000/- each and such bills reflected departure from the regular purchases made by the assessee during the year which were recorded in the books of account. In that view of the matter, the contention of the assessee about the omission in recording of certain purchase bills in the books of account at the time of survey, cannot be accepted.

6. However, it is noted from the statement of the assessee, whose English version has been given at page 32 onwards of the paper book, that in Question No.15, the survey team recorded that “*the stock in your shop is physically counted and found stock of gold ornaments net weight 1184.550 grams, today’s market rate Rs.16,500 per 10 grams, and accordingly total value is of Rs.19,54,340/- and silver ornaments net weight 29018 grams, today’s market rate Rs.26.000/- per kg and accordingly total value Rs.7,54,469 . . .*”. From the above question, it is apparent that the survey party has computed total stock of Gold at Rs.19,54,340/- and Silver at Rs.7,54,469/- on the basis of *market rate* as on the date of survey. It was on this basis that the excess stock of Rs.14.57 lakh was computed. I have seen from the Auditor’s report in Form no. 3CD that the assessee was valuing its stock at Cost price. This deciphers that the opening stock was also valued at Cost price. In that view of the matter, the difference in stock at the time of survey ought to have been calculated w.r.t. the Cost price and not its Market rate. I have examined the trading account of the assessee split in two parts, i.e. before survey and after survey. If the amount of surrender of Rs.5.76 lakh is excluded, the rate of gross profit in both the periods comes to roughly 17% each. In order to bring

down the value of closing stock as on the date of survey from market price to cost price, the amount of gross profit is required to be unloaded from the market price taken by the survey team for ascertaining the excess value of stock purchased by the assessee. If such gross profit rate of 17% is applied to the market value of stock determined by the authorities as on the date of survey to Rs.27.08 lakh, a reduction in the value of stock would be warranted to the tune of Rs.4,60,360/- for finding out its cost price to the assessee. This amount of Rs.4.60 lakh is, therefore, directed to be excluded from the addition of Rs.8,81,692/- made and confirmed by the authorities in this regard. This ground is thus partly allowed.

7. The only other ground is against the confirmation of addition of Rs.73,228/- being difference in cash as per cash book and physical cash found at the time of survey. The facts and circumstances of this ground are *mutatis mutandis* similar to that of excess stock inventory. The survey team counted physical cash and tallied it with the cash in hand as per cash book. There was excess cash of Rs.73,228/- which was accepted by the assessee as an additional income, but not offered for taxation in the return of income. The assessee made

up the cash book later on to present that there was no difference. However, nothing of this sort was stated at the time of survey that the cash book was not complete or certain transactions were omitted to be recorded. Following the view taken hereinabove, the contention of the assessee for the acceptance of books of account produced after the date of survey, cannot be countenanced. Thus, the resultant addition on account of excess stock at Rs.73,228/- is hereby confirmed.

8. In the result, the appeal is partly allowed.

Order pronounced in the Open Court on 27<sup>th</sup> January, 2021.

**Sd/-**  
**(R.S.SYAL)**  
**उपाध्यक्ष/ VICE PRESIDENT**

पुणे Pune; दिनांक Dated : 27<sup>th</sup> January, 2021  
*Satish*

**आदेश की प्रतिलिपि अग्रेषित / Copy of the Order is forwarded to :**

1. अपीलार्थी / The Appellant;
2. प्रत्यर्थी / The Respondent;
3. आयकर आयुक्त(अपील) /  
The CIT (Appeals)-1, Kolhapur
4. The Pr. CIT-1, Kolhapur
5. विभागीय प्रतिनिधि, आयकर अपीलीय अधिकरण, पुणे "SMC" /  
DR 'SMC', ITAT, Pune;
6. गार्ड फाईल / Guard file.

**आदेशानुसार/ BY ORDER,**

**// True Copy //**

Senior Private Secretary  
आयकर अपीलीय अधिकरण ,पुणे / ITAT, Pune

		Date	
1.	Draft dictated on	27-01-2021	Sr.PS
2.	Draft placed before author	27-01-2021	Sr.PS
3.	Draft proposed & placed before the second member	--	JM
4.	Draft discussed/approved by Second Member.	--	JM
5.	Approved Draft comes to the Sr.PS/PS		Sr.PS
6.	Kept for pronouncement on		Sr.PS
7.	Date of uploading order		Sr.PS
8.	File sent to the Bench Clerk		Sr.PS
9.	Date on which file goes to the Head Clerk		
10.	Date on which file goes to the A.R.		
11.	Date of dispatch of Order.		

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