

# ***TD 92/155 - Income tax: under what circumstances is an average cost method acceptable in determining cost price of newsprint for closing stock valuation?***

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⚠ This document has changed over time. This is a consolidated version of the ruling which was published on *20 July 2011*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, the Determination applies to transactions entered into both before and after its date of issue.

[*Note: This is a consolidated version of this document. Refer to the ATO Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.*]

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## Taxation Determination

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### **Income tax: under what circumstances is an average cost method acceptable in determining cost price of newsprint for closing stock valuation?**

1. Taxation Ruling IT 2289 deals with the question of the cost price valuation of trading stock. The Ruling states that newsprint should be valued using actual cost where the reels of newsprint can be readily identified both physically and in the records of the company.
2. A departure from the principles expressed in IT 2289, and the use of a method of valuation of newsprint which uses an averaging method, is only acceptable if the company can demonstrate all of the following:
  - (a) use of an actual cost basis is impractical and commercially unrealistic because the newsprint reels cannot be identified both physically and in the records of the company;
  - (b) the records kept in relation to newsprint satisfy the record keeping requirements of section 262A of the *Income Tax Assessment Act 1936*; and
  - (c) the averaging method used gives a reasonable and sufficiently accurate valuation of the closing stock for the purposes of section 70-45 of the *Income Tax Assessment Act 1997*.

**Commissioner of Taxation**  
17/09/92

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FOI INDEX DETAIL: Reference No. I 1213265

Previously Draft TD 92/D101

Related Rulings: IT 2289

Related Determinations: TD 92/156

Subject Ref: closing stock, cost price value, newsprint, trading stock.

Legislative Ref: ITAA1936 262A; ITAA 1997 70-45

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