

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

! This cover sheet is provided for information only. It does not form part of *TD 92/155 - Income tax: under what circumstances is an average cost method acceptable in determining cost price of newsprint for closing stock valuation?*

! This ruling contains references to repealed provisions, some of which may have been rewritten. The ruling still has effect. Paragraph 32 in [TR 2006/10](#) provides further guidance on the status and binding effect of public rulings where the law has been repealed or repealed and rewritten. The legislative references at the end of the ruling indicate the repealed provisions and, where applicable, the rewritten provisions.

! This document has changed over time. This is a consolidated version of the ruling which was published on *29 November 2006*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part 4VAAA 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.

---

---

## Taxation Determination

---

---

### **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 subsection 31(1).

**Commissioner of Taxation**

17/09/92

---

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: ITAA 6(1); ITAA 31(1)

ATO Ref: BANTD2

---

ISSN 1038 - 3158