

# 4

# Valuation



Think GST !  
Think Vishal Sir...!!



1. Duties of customs on imported goods or export goods can be:

- a. Specific duty
- b. Ad-valorem duty
- c. Either a & b above
- d. None of the above

Ans: (a) (b) (c) (d)

2. Ad-valorem duty means:

- a. Duty levied on quantity
- b. Duty levied on the basis of value
- c. Both of the above
- d. None of the above

Ans: (a) (b) (c) (d)

3. For the purpose of Customs Tariff Act, 1975, or any other law for the time being in force, the value of imported goods and export goods shall be:

- a. Tariff value
- b. MRP based value
- c. Transaction value
- d. any of the above

Ans: (a) (b) (c) (d)

4. As per section 14(1) of Customs Act, transaction value means:

- a. Price paid to the seller of imported goods
- b. Price paid by the buyer of export goods
- c. Both a & b above
- d. Price actually paid or payable for goods

Ans: (a) (b) (c) (d)

5. In case of imported goods, transaction value also includes:

- a. Commission and brokerage
- b. Cost of transportation at the place of importation
- c. Landing charges at the Indian port
- d. Only b & c above

Ans: (a) (b) (c) (d)

6. State whether the following statement is true or false

As per section 14(1) of Customs Act, 1962, transaction value means price actually paid or payable for the goods when sold for export to India or export from India for delivery at the time and place of importation or exportation as the case may be where buyer and seller are not related and price may or may not be the sole consideration

- a. True
- b. False

Ans: (a) (b)

7. The value of imported goods shall not include:

- a. Cost of freight & insurance upto place of importation
- b. Landing Charges
- c. Cost of transport at or beyond the place of importation
- d. Both b & c above

Ans: (a) (b) (c) (d)

#### Conversion dates for foreign exchange rate

8. In case of imported goods, the conversion from foreign currency to Indian currency shall be done with reference to the rate of exchange prevalent on the date of:

- a. Filing bill of entry for clearance from warehouse for home consumption u/s 68
- b. Filing bill of entry for home consumption u/s 46
- c. Filing bill of entry warehousing u/s 46
- d. Either b or c above

Ans: (a) (b) (c) (d)

9. Mr. Vinod imported mobile from US worth \$ 850 on 1/1/19, and presented the bill of entry for warehousing on 5/1/19. Later on he file the bill of entry clearance for home consumption on 15/1/19. The exchange rates for \$ available on various dates are as follows:

Date	Rate by RBI (₹)	Rate by CBIC (₹)
1/1/19	60.00/\$	59.50/\$
5/1/19	61.20/\$	62.00/\$
15/1/19	60.35/\$	60.60/\$

Calculate the value of imported mobile.

- ₹ 50575
- ₹ 52700
- ₹ 52700
- ₹ 52020

Ans: (a) (b) (c) (d)

10. The exchange rate prevalent on the date of filing ----- shall be considered for conversion of value of export goods in case of goods exported by vehicle.

- Bill of entry
- Bill of lading
- Shipping bill
- Bill of export

Ans: (a) (b) (c) (d)

11. Arnav Industries exported readymade garments for ₹ 50,00,000 through vessel. The exchange rate at the time of:-

- Contract made for Export: ₹1= ₹ 215.
- Date of filling shipping bill : ₹1= ₹ 221
- Date of let export order: ₹1= ₹ 211

The RBI rate were constant as ₹ 220 State the exchange rates which shall be considered for conversion of value into Indian currency.

- ₹ 215
- ₹ 211
- ₹ 221

d. ₹ 220

Ans: (a) (b) (c) (d)

12. Which of the following agency/agencies can notify the exchange rates?

- Central Board of Indirect Taxes & Customs
- The Reserve Bank of India
- Foreign Exchange Dealers' Association of India
- All of the above

Ans: (a) (b) (c) (d)

13. For the purpose of valuation under customs laws, rate of exchange notified by ----- shall be taken for conversion.

- Central Board of Direct Taxes
- Central Board of Excise and Customs
- Central Board of Indirect Taxes and Customs
- Reserve Bank of India

Ans: (a) (b) (c) (d)

### Section 14(2) Tariff Value

14. The tariff values for any class of imported goods or export goods may be fixed by:

- Central Board of Indirect Taxes and Customs
- Central Board of Excise and Customs
- Central Board of Direct Taxes
- None of above

Ans: (a) (b) (c) (d)

15. The board has fixes tariff value for goods imported by Mr. Rohan but he filed the bill of entry on the basis of transaction value. The customs officer rejected the bill of entry of Mr. Rohan on the contention that transaction value cannot be accepted for those goods for which board had given tariff

value. State whose contention is valid as per the provision of law.

- a. contention of Officer is invalid
- b. contention of Officer is valid
- c. contention of Mr. Rohan is valid
- d. Both a & c of the above

Ans: (a) (b) (c) (d)

16. Platinum Ltd. imported some goods from Canada. The tariff value notified for such goods by the board was ₹ 527000 and the transaction value was ₹520000. State the value to be taken by Platinum Ltd. for the purpose of customs valuation.

- a. ₹ 527000
- b. ₹ 520000
- c. Either a or b above
- d. None of the above

Ans: (a) (b) (c) (d)

17. Identify the transaction value in the following case

List price of the imported goods was ₹ 1000/-, quantity discount offered by the supplier was ₹ 100/- and price payable to the supplier was ₹ 900/- and cash discount ₹ 100/- if payment is made within 30 days. Mr. Raj made payment on 29<sup>th</sup> days.

- a. ₹ 1000
- b. ₹ 900
- c. ₹ 800
- d. Either b or c above

Ans: (a) (b) (c) (d)

18. Mr. Avdhesh enters into contract with the supplier of USA to purchase goods after 4 months. The contract price was ₹ 800000. Due to recession in international market the price of the goods reduced to ₹ 650000. The special discount offered by the seller to Mr. Avdhesh was ₹ 50000. Such special discount is not offered generally to all

the buyers. Identify the transaction value to be declared by Mr. Avdhesh in his bill of entry.

- a. ₹ 800000
- b. ₹ 750000
- c. ₹ 650000
- d. ₹ 600000

Ans: (a) (b) (c) (d)

### Rule 10: Adjustment in Transaction value

19. The value of imported goods shall be the transaction value adjusted in accordance with:

- a. Rule 12
- b. Rule 10
- c. Rule 3
- d. Rule 4

Ans: (a) (b) (c) (d)

20. Adjustments in transaction value as per rule 10 includes:

- i. Free assistance by the buyer in the form goods or services
- ii. Moulds and dies supplied at reduced cost by the buyer
- iii. Buying commission paid to local agent
- iv. Engineering and design work undertaken in India
- v. Transport charges paid as a condition of sale by the buyer on behalf of the seller.

Choose the correct alternative

- a. i, ii, iii
- b. All of the above except (iv) Above
- c. All of the above except (iii) Above
- d. All of the above except (iii) & (iv) above

Ans: (a) (b) (c) (d)

21. Rule 10(2) includes adjustment in Transaction Value for:

- a. Cost of transport & cost of insurance
- b. Cost of insurance & landing charges
- c. Cost of transport, cost of insurance & landing charges
- d. Cost of transport & landing charges

Ans: (a) (b) (c) (d)

22. Mr. Bahubali imported crude oil from Iraq in huge containers. The containers were returned to the supplier by Mr. Bahubali as he executes a bond for re-export of such containers within the extended time of eight months. The cost of imported crude is ₹ 50 lakhs which includes the cost of container which is ₹ 50 thousand. Calculate the transaction value.

- a. ₹ 50 lakhs
- b. ₹ 50.50 lakhs
- c. ₹ 49.50 lakhs
- d. ₹ 0.50 lakhs

Ans: (a) (b) (c) (d)

23. Which of the following is not included in transaction value?

- i. Commission paid to canalizing agent
- ii. Buying commission paid to local agent
- iii. Cost of container which is non-returnable
- iv. Engineering and art work undertaken in India
- v. Dividend distributed by the seller to the buyer

- a. i, ii, iii
- b. ii, iv & v above
- c. ii, iii & iv above
- d. i & iii above

Ans: (a) (b) (c) (d)

24. As per rule 10(1) (c), royalty & licence fees paid in relation to imported goods shall be included in the transaction value even though such royalty or fees is not actually paid or payable.

State whether the above given statement is correct in the eyes of law.

- a. Correct
- b. Incorrect

Ans: (a) (b)

25. The value of goods and services provided by the buyer to the seller which are incorporated in imported goods shall be included in the transaction value only if such goods or services are supplied free of cost and not at reduced cost.

State whether the statement is true or false

- a. True
- b. False

Ans: (a) (b)

26. Suzuki Ltd. from Japan sold automobiles to Maruti Ltd. India worth ₹ 50 crores. Maruti Ltd. paid indirectly ₹ 5 crores to Suzuki Ltd. for knowhow as a condition of sale. Such payment is made for process to be carried out in India after importation of automobiles. State whether such additional payment for knowhow to be used in India made by Maruti Ltd. be includible in transaction value or not.

- a. Includible
- b. Not includible

Ans: (a) (b)

27. Value of imported goods means transaction value and includes:

- a. Cost of transport
- b. Cost of insurance till clearance
- c. Cost of transport, loading, unloading and handling charges associated with the delivery of

imported goods and cost of insurance, upto the place of importation

d. Both a & b above

Ans: (a) (b) (c) (d)

28. Transaction value includes cost of transport, loading unloading and handling charges incurred for delivery of imported goods at the Custom station. State true or false

a. True

b. False

Ans: (a) (b)

29. Charges incurred for delivery of goods to the place of importation such as loading and handling charges incurred at the ..... shall be includible in the transaction value.

a. Load port

b. Indian port

c. Local port

d. Both a & b above

Ans: (a) (b) (c) (d)

30. Ajanta Ltd. imported wrist watches from USA for ₹ 15 lakhs. The cost of transport through vessel is not ascertainable but the sum of free on board value of the goods and the cost of insurance is ₹ 15.35 lakhs. Calculate the cost of transport in case of Ajanta Ltd.

a. ₹ 2.5 lakhs

b. ₹ 3 lakhs

c. ₹ 3.07 lakhs

d. ₹ 2.56 lakhs

Ans: (a) (b) (c) (d)

31. If cost of transport, loading unloading & handling charges is not ascertainable, then such cost shall be:

a. Nil

b. 20% of FOB value of goods

c. 20% of FAS value of goods

d. 20% of CIF value of goods

Ans: (a) (b) (c) (d)

32. Cost of insurance shall be..... where actual amount of insurance is not ascertainable but the sum of free on board value of the goods and the cost referred to clause (a) of rule 10(2) is ascertainable

Fill in the blank

a. 20% of FOB cum transport value of goods

b. 1.125% of FOB value of goods

c. 20% of FOB value of goods

d. 1.125% of FOB cum transport value of goods

Ans: (a) (b) (c) (d)

33. In case of import of goods by sea route, FOB cum transport value is ₹ 20 lakhs, where actual cost of transport & cost of insurance is ₹ 1.5 lakh & ₹ 0.5 respectively. The cost of insurance includible in transaction value is:

a. Actual cost i.e. ₹ 0.5 lakh

b. 1.125% of FOB i.e. ₹ 0.208 lakh

c. 1.125% of FOB cum transport i.e. ₹ 0.225 lakh

d. 20% of FOB cum transport i.e. ₹ 4 lakhs

Ans: (a) (b) (c) (d)

34. Costs related to transshipment of goods from port to ICD, port to port, CFS to ICD or port to airport & vice versa within India will be ..... from transaction value

Fill in the blank

a. included

b. excluded

Ans: (a) (b)

35. The cost of transport referred to in clause (a) of rule 10(2) includes:

a. Ship demurrage charges of normal vessels

- b. Ship demurrage charges of vessels from which goods are not cleared with 30 days
- c. Ship demurrage charges of chartered vessels
- d. All of the above

Ans: (a) (b) (c) (d)

36. Mr. Kumar imported storage tanks from China. The goods were loaded on big mother vessels. Due to non-availability of berth on Mumbai port Mr. Kumar brought the goods on the dock by small boats. State whether Mr. Kumar can include such cost incurred on small boats in his transaction value (T.V.).

- a. Yes, such cost is includible in T.V.
- b. No, such cost is excludible from T.V.
- c. No, such cost is includible subject to some condition
- d. Yes, such cost is includible in T.V. with the prior permission of the proper officer

Ans: (a) (b) (c) (d)

**Rule 3: Transaction Value**

37. Rathi Brothers imported books from UK for £ 2000 with the condition that such books should not be sold on shops other than authorized shops of the seller. Rathi Brothers filed bill of entry by declaring transaction value (T.V.) but the officer rejected their T.V. State whether the officer can do so

- a. Yes, the officer can reject the T.V. on the basis of rule 10(1)
- b. Yes, the officer can reject the T.V. on the basis of rule 3(2)
- c. No, the officer cannot do so
- d. No, the officer has to accept the T.V. as the parties are not related to each other

Ans: (a) (b) (c) (d)

38. The conditions of rule 3(2) for acceptance of T.V. are:

- a. There is no restriction as to disposition or use of goods subject to some exceptions
- b. The buyer & seller are not related
- c. Both of the above
- d. None of the above

Ans: (a) (b) (c) (d)

39. Mr. Daruwala imported wine from Singapore and filed his bill of entry by declaring the transaction value. The restriction imposed by the seller is that the buyer should not sale those goods in Wardha District as the supply of wine is prohibited by law in Wardha. Is the transaction value of Mr. Daruwala, acceptable?

- a. Acceptable as no condition of sale is imposed by the seller
- b. Acceptable as restriction is imposed by law
- c. Not acceptable as restriction is imposed by the seller
- d. Not acceptable as restriction is related to disposition of the goods

Ans: (a) (b) (c) (d)

40. In case of sale of goods to a related party, transaction value is accepted where:

- a. the relationship does not influence the price
- b. the declared value of the goods closely approximates to the transaction value of identical or similar goods to unrelated buyer in India
- c. the declared value of the goods closely approximates to the deductive or computed value for identical or similar goods
- d. All of the above

Ans: (a) (b) (c) (d)

41. Rio Ltd. USA holds 61% share in Jio Ltd. India. Rio Ltd. supplied some goods to Jio Ltd. through vessel at ₹ 45 lakhs on FOB basis. The identical goods were sold to an unrelated party Trio Ltd. India at ₹ 42 lakhs on FAS basis. The officer can:

- a. Accept the transaction value as relationship did not influence the price
- b. Reject the transaction value as buyer and seller are related
- c. Reject the transaction value as sale to unrelated buyer is at lower price
- d. Both b & c above

Ans: (a) (b) (c) (d)

42. Mr. Devgan an importer from Bangalore imported Product "P" from Singapore. The aircraft carrying the goods reaches Nagpur Airport first and from there goods are transhipped to Bangalore airport. Determine the assessable value of the imported goods from the following particulars:

Particulars	US \$
Price of "P" at exporter's factory	3000
Freight from factory of the exporter to load airport	170
Loading and handling charges at the load airport	220
Transport charges from Nagpur airport to Bangalore airport	150
Freight from load airport to India	375

Though the aircraft arrived on 15.04.2018, the bill of entry for home consumption was presented by Mr. Devgan on 10.04.2018. The exchange rates notified by board on 15.04.2018

was ₹ 62 per US \$ and on 10.04.2018 was ₹ 60 per US \$.

- a. ₹ 225900
- b. ₹ 237188
- c. ₹ 235795
- d. ₹ 228188

Ans: (a) (b) (c) (d)

### Rule 2 : Identical & Similar Goods

43. In the context of imported goods, "Identical goods" means goods which are same in respect of:

- a. Physical characteristics of imported goods
- b. Quality of imported goods
- c. Reputation of imported goods
- d. All of the above

Ans: (a) (b) (c) (d)

44. Identical goods must be same in all respect including quality, color, use, characteristics etc., even minor differences are not allowed although such differences does not affect the price of the goods being valued.

State true or false

- a. True
- b. False

Ans: (a) (b)

45. For the purpose of valuation rules, in case of identical or similar goods, choose the correct alternative from the following:

- a. Produced in the same country in which goods being valued were produced
- b. Produced by the same manufacturer or producer
- c. Produced by different manufacturer or producer,



- where no such goods were available from same person
- d. All of the above

Ans: (a) (b) (c) (d)

**Rule 4 /Rule 5 : Transaction value of Identical or Similar goods**

46. The customs officer found more than one transaction value in case of goods imported by Sagar Industries Ltd., while applying the valuation rules. State which of the transaction value to be considered by the officer for computation of custom duty.
- highest of such values
  - average of all such values
  - lowest of all such values
  - identical or similar value

Ans: (a) (b) (c) (d)

47. Mr. Batliwala, the dealer in dry fruits ordered some dry fruits, the details of which are as follows:

Date of import	Quantity	Value Declared (₹)	Country of Export
Jan. 2019	500 M.T.	20000 per M.T.	Dubai
Mar. 2019	450 M.T.	20500 per M.T.	Dubai

Import of similar goods by some other dealers were also found by the officer, which are as follows:

Date of import	Quantity	Value Declared (₹)	Country of Export
Dec. 2018	100 M.T.	30000 per M.T.	Egypt
Oct. 2018	210 M.T.	25500 per M.T.	Saudi Arabia

The officer rejected the transaction value declared by Mr. Batliwala. The action taken by the officer is:

- Valid, as the value declared by other importer is greater than that of Mr. Batliwala
- Valid, as value of similar goods is available
- Invalid, as the value of similar goods is not available for same quantity and also the country of origin are not the same
- Both a & b above

Ans: (a) (b) (c) (d)

48. Mr. Raj an importer has import 1000 M.T. of oil from Dubai at ₹ 3.5 lakhs. The customs officer finds GST that at the time of importation of this consignment, there were following imports of oil from Dubai:

Quantity	Unit price (₹)
500 M.T.	10 lakhs
800 M.T.	8.5 lakhs
950 M.T.	6 lakhs
1100 M.T.	5.5 lakhs

If an officer wants to reject the transaction value declared by the importer then which of the price is to be considered by the officer for the calculation of customs duty.

- ₹ 3.5 lakhs
- ₹ 6 lakhs
- ₹ 5.5 lakhs
- ₹ 8.5 lakhs

Ans: (a) (b) (c) (d)

**Rule 7: Deductive Value**

49. If the imported goods are sold in India for which value of similar or identical goods is not available at or about the same time, then the value shall be based on the earliest date after importation but before the expiry of:
- thirty days after such importation

- b. sixty days after such importation
- c. ninety days after such importation
- d. ninety days before such importation

Ans: (a) (b) (c) (d)

50. Compute the deductive value from the following details

Particulars	Amount
Sale price of imported goods in India	10000
Profit included in sale price	1500
Commission paid to the local agent	200
Import duty paid	350
Insurance charges	100
Cost of transport	120
General expenses such as storage charges	150

The value of imported goods shall be:

- a. 8500
- b. 7580
- c. 8150
- d. 8000

Ans: (a) (b) (c) (d)

51. For the purpose of deductive value, unit price is the price at which greatest aggregate quantity sold to person who are:

- a. related to the sellers in India
- b. importer
- c. not related to the sellers in India
- d. All of the above

Ans: (a) (b) (c) (d)

### Rule 8: Computed Value

52. Computed value of imported goods is the sum of:

- i. The cost of materials and fabrication or other processing done on imported goods
- ii. The amount of profit and other expenses incurred in the country of exportation
- iii. The cost of transport upto the place of importation
- iv. The cost of Insurance upto the place of importation
- v. The landing charges at the place of importation

Choose the correct alternative from the following:

- a. i, iii, & v only
- b. i, ii, & v only
- c. i, ii, iii, iv & v
- d. i, ii, iii & iv only

Ans: (a) (b) (c) (d)

53. Determine the computed value of Microwave imported by Mr. Kunal from an exporter in Japan on the basis of following information:

Particulars	US \$
Raw material price	2500
Processing charges	500
Other expenses	150
Usual Profit	250
Cost of Transport	100
Landing charges	70

The vessel arrived on 1.4.18 but the bill of entry filed by Mr. Kunal on 25.3.18. Insurances is not ascertainable. The exchange rates are as follows:

Rates given by	25.3.18	1.4.18
RBI	₹ 55 per \$	₹ 57 per \$
CBIC	₹ 58 per \$	₹ 60 per \$

- a. ₹ 207060
- b. ₹ 214200
- c. ₹ 203000
- d. ₹ 205219

Ans: (a) (b) (c) (d)

**Rule 9: Residual Method**

54. Mr. Vasu imported iron bars from Egypt but the value cannot be determined under rules 4 to 8 of customs valuation rules, then value of such imported goods shall be determined using .....
- a. Residual Method
  - b. Reasonable means
  - c. Either a or b above
  - d. None of above

Ans: (a) (b) (c) (d)

55. Where transaction value is not acceptable under rule 3 then officer can directly apply rule 9 for determining the transaction value of an importer.

State true or false

- a. True
- b. False

Ans: (a) (b)

**Customs Valuation (Determination of value of export goods) Rule, 2007**

56. In case of export, goods of like kind and quality which perform same function and are commercially interchangeable must not be produced by the different person.

- a. True
- b. False

Ans: (a) (b)

57. The adjustment factors which are to be considered by the proper officer for determining the value of export goods includes:

- a. Differences in date of exportation
- b. Differences in quantity level

- c. Differences in quality, composition & design
- d. All of the above

Ans: (a) (b) (c) (d)

58. The proper officer can also make adjustments for differences in value of export goods for domestic freight, insurance charges as well as landing charges depending on the place of exportation

- a. True
- b. False

Ans: (a) (b)

59. Social welfare surcharge is applicable @ 10% on the amount of assessable value and basic custom duty.

- a. True
- b. False

Ans: (a) (b)

60. Social welfare surcharge is levied at the rate of:

- a. 10% of assessable value + basic custom duty
- b. 10% of basic custom duty + additional custom duty
- c. 10% of basic custom duty
- d. 10% of assessable value

Ans: (a) (b) (c) (d)

61. Calculate the export duty from the following details

- i. FOB value of goods : US \$ 50,000
- ii. Shipping bill presented on 11-02-18
- iii. Let export order given by the proper officer on 15-02-18
- iv. Exchange rates & duty rates notified by CBIC are as follows:

Date	Rate of exchange	Rate of duty
11-02-18	₹ 60 per \$	10%
15-02-18	₹ 62 per \$	12%

a. ₹ 3,00,000

b. ₹ 3,10,000

c. ₹ 3,60,000

d. ₹ 3,72,000

Ans:- (a) (b) (c) (d)

**Answers:-**

1	c	11	c	21	a	31	b	41	a	51	c	61	c
2	b	12	d	22	c	32	d	42	d	52	d		
3	d	13	c	23	b	33	a	43	d	53	d		
4	d	14	a	24	b	34	b	44	b	54	c		
5	a	15	b	25	b	35	c	45	d	55	b		
6	b	16	a	26	a	36	a	46	c	56	b		
7	d	17	c	27	c	37	b	47	c	57	d		
8	d	18	b	28	b	38	c	48	c	58	b		
9	c	19	b	29	a	39	b	49	c	59	b		
10	d	20	d	30	c	40	d	50	b	60	c		