Chapter 4

VALUATION

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	Total No. of Illusttrations	04		25

01. Sec 14:- Valuation of Goods

MCQ 04.01.01.00

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

[Hint:- Refer Sec 14]

MCQ 04.01.02.00

The relevant date for determining the rate of exchange in case of imported goods is: [Study Mat][CA Final MTP Series 2 Nov 23]

a. date when the vessel leaves the exporter's port for India.
b. date of presentation of bill of entry.
c. date of examination of goods by proper officer.
d. date of deposit of duty.

[Hint:- Refer proviso to Sec 14(1)]

MCQ 04.01.02.01

M/s Vinit Overseas Ltd. exported some goods (which are leviable to export duty) to USA by air for an FOB price of US $ 3,00,000. Other relevant details are as follows:

Particulars	Date	Rate of duty	Assume rate of exchange notified by CBIC	Assume rate of exchange prescribed by RBI
Presentation of Shipping Bill	09.02.2025	10%	1 US$ = 84	1 US$ = 83
Let export order	11.02.2025	12%	1 US$ = 82	1 US$ = 81

The Export duty payable by M/s Vinit Overseas Ltd. will be: [CA Final Sep 25 Exam]

a. ₹ 30,24,000
b. ₹ 29,52,000
c. ₹ 29,88,000
d. ₹ 24,60,000

[Hint: Sec 16 of Customs Act- Duty rate (12%) on date of Let export order is relevant. Sec 50- Rate notified by CBIC (1US $ = ₹84) on date of filing shipping bill (aircraft) is relevant. Thus, export duty = US $ 3,00,000 * ₹84 * 12% = ₹30,24,000]

02. Rule 2(2):- Related Persons

MCQ 04.02.03.00

For valuation purposes under the Customs Act, 1962, which of the following transactions would be considered as having been made between related persons?

i. A foreign company - A Ltd. having a joint venture with Indian company - B Ltd. in the name of AB Ltd., an Indian company. A Ltd. holds 51% shareholding in AB Ltd. The transactions between A Ltd. and AB Ltd.
ii. A foreign company - A Ltd. having a joint venture with Indian company - B Ltd. in the name of AB Ltd. The transactions between A Ltd. and B Ltd.
iii. A Inc., a company in USA, holding 4% of share capital of importer company - B Ltd., an Indian company. The transactions between A Inc. and B Ltd.

Choose the most appropriate option. [Study Mat]

(a) (i), (ii) and (iii)
(b) (i) and (iii)
(c) (i) and (ii)
(d) (ii) and (iii)

[Hint:- Refer Rule 2(2)]

03. Rule 3(2):- Conditions for T.V.

MCQ 04.03.04.00

The transaction value of imported goods is not accepted for valuation purposes when:

(i) the use of the imported goods by the buyer is subject to the restrictions imposed by the seller which substantially affect the value of goods.
(ii) the buyer and seller are not related.
(iii) price is not the sole consideration for sale. [Study Mat]

a. (i) and (iii)
b. Only (1)
c. Only (iii)
d. (1), (ii) and (iii)

[Hint:- Refer Rule 3(2)]

MCQ 04.03.05.00

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

[Hint:- Refer Rule 3(2)]

04. Sec 14(1):- Transaction Value (T.V.):-

MCQ 04.04.06.00

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

[Hint:- Transaction value is the price actually paid or payable]

Rule 10(1):- Adjustment in T.V.

MCQ 04.04.07.00

Which of the following is not includible in the transaction value of goods under rule 10(1) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007? [Study Mat] [CA Final MTP Mar 23]

a. Buying Commission b. Royalties

c. License fees d. Cost of packing

[Hint:- Refer Rule 10(1)]

MCQ 04.04.08.00

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

[Hint:- Refer Rule 10(1)]

Rule 10(2):- Cost of Transaportation & Insurance

MCQ 04.04.09.00

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

[Hint:- Transport cost to the place of importation is includible]

MCQ 04.04.10.00

For determining the CIF price of the imported goods, certain additions have to be made to the value of imported goods under rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007. If cost of insurance is not ascertainable from the documents submitted before the customs authorities, then such amount is determined as follows:

(i) 20% of free on- board value of imported goods

(ii) 1.125% of free on- board value of imported goods

(iii) Where free on-board value is not ascertainable, but sum of free on-board value and cost of transport, loading, unloading and handling charges up to place of importation is ascertainable; then 1.125% of such sum

(iv) Where free on-board value is not ascertainable, but sum of free on-board value and cost of transport, loading, unloading and handling charges up to place of importation is ascertainable; then 20% of such sum.

Choose the most appropriate option.

[Study Mat][CA Final MTP I May 25]

a. (i) or (iii) b. (i) or (iv)

c. (ii) or (iii) d. (ii) or (iv)

[Hint:- Refer Rule 10(2) along with all proviso]

MCQ 04.04.11.00

Certain goods were imported by air. The free on board value of goods is ₹ 100. The cost of transport, loading, unloading and handling charges up to place of importation is ₹ 25. The cost of insurance is ₹ 10. For the purposes of rule 10(2) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, which of the following shall be added to the value of imported goods? [Study Mat] [CA Final MTP May 24]

a. Cost of transport, loading, unloading and handling charges – ₹ 25; and Cost of insurance ₹ 10
b. Cost of transport, loading, unloading and handling charges – ₹ 25; and Cost of insurance ₹ 1.125
c. Cost of transport, loading, unloading and handling charges – ₹ 20; and Cost of insurance ₹ 1.125
d. Cost of transport, loading, unloading and handling charges – ₹ 20; and Cost of insurance ₹ 10

[Hint:- Refer Rule 10(2) along with all proviso]

05. Valuation under different rules:-

Rule 4/ Rule 5:- Transaction value of Identical goods/Similar goods

MCQ 04.05.12.00

Which of the following statements is/are not correct for 'identical' goods' for valuation purposes under the Customs Act, 1962?

(i) Identical goods are same in all respects, including physical characteristics, quality and reputation as the goods being valued except for minor differences in appearance that do not affect the value of goods.
(ii) Identical goods can be produced in any country.
(iii) Identical goods are produced by same person who produced the goods being valued, or where no such goods are available, goods produced by a different person. **[Study Mat]**

a) (i), (ii) and (iii) b) (i) and (iii)
c) Only (ii) d) Only (iii)

[Hint:- Refer Rule 2(1)(d)- Identical goods]

MCQ 04.05.13.00

Which of the following statements is correct in relation to value of imported goods determined under rule 4 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, i.e. transaction value of identical goods? [CA Final RTP May 23] [Study Mat]

a) The transaction value of identical goods in a sale at any commercial level and in substantially the same quantity as the goods being valued shall be used to determine the value of imported goods.
b) The transaction value of identical goods in a sale at same commercial level and in any quantity as the goods being valued shall be used to determine the value of imported goods.
c) The transaction value of identical goods in a sale at same commercial level and in substantially the same quantity as the goods being valued shall be used to determine the value of imported goods.
d) The transaction value of identical goods in a sale at any commercial level and in any quantity as the goods being valued shall be used to determine the value of imported goods.

[Hint:- Refer Rule 4/5]

MCQ 04.05.14.00

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. 20XY	500 M.T.	20000 per M.T.	Dubai
Mar. 20XY	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. 20XX	100 M.T.	30000 per M.T.	Egypt
Oct. 20XX	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:

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

[Hint:- Refer Rule 4/5]

MCQ 04.05.15.00

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

a. ₹ 3.5 lakhs b. ₹ 6 lakhs

c. ₹ 5.5 lakhs d. ₹ 8.5 lakhs

[Hint:- Refer Rule 4/5 - if more than 1 transaction values of identical/ similar goods are available, then lowest of them shall be the value]

Rule 7:- Deductive Value

MCQ 04.05.16.00

For the purpose of rule 7 (Deductive Value) of the Customs (Determination of Value of Imported Goods) Rules, 2007, determine the unit price in greatest aggregate quantity: A Ltd. makes two sales. In the first sale, 500 units are sold at a price of ₹ 95. In the second sale, 400 units are sold at a price of ₹ 100. [CA Final RTP Nov 19]

[Study Mat]

a. 95 b.100

c. Average of 95 and 100 i.e. (95+100)/2 = 97.5

d. Insufficient data

[Hint:- Refer Rule 7]

Rule 8:- Computed Value

MCQ 04.05.17.00

Determine the 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.XX but the bill of entry was filed by Mr. Kunal on 25.3.XX. Insurances is not ascertainable. The exchange rates are as follows:

Rates given by	25.3.XX	1.4.XX
RBI	₹ 55 per $	₹ 57 per $
CBIC	₹ 58 per $	₹ 60 per $

a. ₹ 207060 b. ₹ 214200

c. ₹ 203000 d. ₹ 205219

[Hint:- Refer Rule 8- here, Assessable Value = ((₹3400 + ₹100 + (3400*1.125%)) * ₹58 per $]

Rule 9- Residual Method

MCQ 04.05.18.00

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

[Hint:- Refer Rule 9]

06. Sec 19:- Determination of duty where goods consists of articles liable to different rates of duty

MCQ 04.06.19.00

Mr. Vishal provided coaching service through video lectures on pen drive along with books in a kit. He exported his services to Dubai and wants to know the duty rate to be imposed on export service. Tariff rate on coaching service is 18% and on books the rates are nil. But the exporter does not have any evidence to produce before the officer for different rates. The service of Mr. Vishal will be chargeable at the rate of:

a.18%

b. Nil rate

c. 0%

d.18% on pen drive value & nil rate on books value

[Hint:- Refer Sec 19]

07. Combined Questions:-

MCQ 04.07.20.00

Which of the following statements is not correct in the context of valuation of imported goods? [Study Mat]

a. Buying commission is not includible in the value of imported goods.

b. Rate of exchange notified by CBIC on date of presentation of bill of entry is to be considered,, in case of imported goods.

c. For imports by air, the cost of transport, loading, unloading and handling charges up to place of importation cannot exceed 20% of free on board value of goods.

d. Social welfare surcharge is leviable on basic customs duty, integrated tax and GST compensation cess.

[Hint:- Social Welfare Surcharge is levied on basic custom duty only]

MCQ 04.07.21.00

Calculate the export duty from the following details

i. **FOB value of goods : US $ 50,000**

ii. **Shipping bill presented on 11-02-XX**

iii. **Let export order given by the proper officer on 15-02-XX**

iv. **Exchange rates & duty rates notified by CBIC are as follows:**

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

a. ₹ 3,00,000 b. ₹ 3,10,000

c. ₹ 3,60,000 d. ₹ 3,72,00

[Hint:- Rate = 12% which is on date of let export order, rate of exchange = ₹60 per $ i.e. on date of presentation bill of entry, export duty = US $50000 *₹60 * 12%]

MCQ 04.07.21.01

Determine the total duties payable under the customs law if Mr. Gaurishankar imported rubber from Malaysia at landed price (exclusive of duties) of ₹ 25 lakh. It has been notified by the Central Government that share of imports of rubber from the developing country against total imports to India exceeds 5%. Safeguard duty notified on this product is 30% and basic customs duty is 10%. Ignore integrated tax and agriculture infrastructure and development cess. [CA FINAL MTP 11 Nov 24]

(a) ₹ 10,25,000 (b) ₹ 10,00,000

(c) ₹ 11,75,000 (d) ₹ 9,00,000

[Hint:-BCD- 250000 (10% of 25Lakhs)+SWS - 25000 + Safeguard duty- 750000 (30% of ₹25 Lakhs)]

MCQ 04.07.22.00

Which of the following duties are excluded while computing social welfare surcharge (SWS)? [Study Mat]

i. **Safeguard duty**

ii. **Countervailing duty**

iii. **Social welfare surcharge itself**

iv. **Anti-dumping duty to protect domestic industry**

Choose the most appropriate option. [CA Final MTP Series 2 Nov 23]

(a) (i), (ii), (iii) and (iv) (b) (1), (ii) and (iv)

(c)(i), (iii) and (iv) (d) (i), (ii) and (iii)

[Hint:- It is levied on basic custom duty only]

MCQ 04.07.23.00

Social welfare surcharge is payable on-

(i) Basic customs duty

(ii) IGST

(iii) Anti-dumping duty

(iv) GST compensation cess

Choose the most appropriate option [CA Final MTP April 23]

a) Only (1) b) (i) + (ii) + (iii)

c) (i) + (ii) + (iv) d) (i) + (iii)

[Hint:- It is levied on basic custom duty only]

MCQ 04.07.24.00

Which of the following statements is/are not correct for 'similar' goods' for valuation purposes under the Customs Act, 1962? [CA Final MTP Series 1 Nov 23]

(a) Similar goods although not alike in all respects, have like characteristics and like component materials which enable them to perform the same functions and to be commercially interchangeable with the goods being valued having regard to the quality, reputation and the existence of trade mark.

(b) Similar goods must necessarily be produced in the country in which goods being valued were produced.

(c) Similar goods must always be produced by the same

person who produced the goods being valued.

(d) Both (a) and (b)

Answer:-

04.01.01	c
04.01.02	b
04.01.02.01	a
04.02.03	c
04.03.04	a
04.03.05	b
04.04.06	b
04.04.07	a
04.04.08	b
04.04.09	a
04.04.10	c
04.04.11	d
04.05.12	c
04.05.13	c
04.05.14	c
04.05.15	c

04.05.16	a
04.05.17	d
04.05.18	a
04.06.19	a
04.07.20	d
04.07.21	c
04.07.21.01	a
04.07.22	a
04.07.23	a
04.07.24	c