

VALUATION UNDER THE CUSTOMS ACT 1962

MULTIPLE CHOICE QUESTIONS

1. The 'price' referred u/s 14(1) is to be calculated with reference to the rate of exchange as in force on the date on which _____.
 - (a) Entry Inwards is granted to the vessel
 - (b) Bill of entry is presented u/s 46
 - (c) Bill of Entry is presented u/s 46 or Entry inwards is granted to the vessel whichever is later
 - (d) Bill of Entry is presented u/s 46 or Entry inwards is granted to the vessel whichever is earlier
2. Tariff value u/s 14(2) is fixed by the _____.
 - (a) Central Government
 - (b) CBIC
 - (c) Commissioner (Appeals)
 - (d) Appellate tribunal
3. The rate of exchange for the conversion of Indian currency into foreign currency or foreign currency into Indian currency shall be determined _____.
 - (a) by RBI
 - (b) by CBIC
 - (c) by Central Government
 - (d) in accordance with GAAP
4. For the purposes of the Customs Tariff Act, 1975, or any other law for the time being in force, the value of the imported goods and export goods shall be the _____ of such goods.
 - (a) Transaction Value
 - (b) Wholesale price
 - (c) Resale price
 - (d) Retail price
5. As per Rule 2(2) of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, persons shall be deemed to be 'related' only if, any person directly or indirectly owns, controls or holds _____ or more of the outstanding voting stocks or shares of both of them.
 - (a) 5%
 - (b) 25%
 - (c) 26%
 - (d) 20%
6. The following costs and services, to the extent they are incurred by the buyer but have not been included in the price actually

paid or payable for the imported goods shall not be included in the price actually paid or payable for the imported goods.

- (a) Buying commission
- (b) Cost of containers which are treated as being one for customs purposes with the goods in question
- (c) Cost of packing
- (d) Local agents commission

7. The apportioned value of which of the goods and services, which are supplied directly or indirectly by the buyer free of charge or at reduced costs for use in connection with the production and sale for export of imported goods, shall not be included in the price actually paid or payable, of the imported goods.

- (a) Materials incorporated in the imported goods.
- (b) Tools used in the production of the imported goods.
- (c) Art work undertaken elsewhere than in India and necessary for the production of the imported goods.
- (d) Design work undertaken in India and necessary for the production of the imported goods.

8. Where cost of transportation, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation is not ascertainable; such cost shall be _____ of the goods.

- (a) 20% of the FOB value
- (b) 1.125% of the FOB Value
- (c) 20% of the [FOB Value + Cost of Insurance]
- (d) 1.125% of the CIF Value

9. The FOB Value of the goods is US \$ 10,000. Cost of Insurance is US \$ 1,000. Cost of transportation, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation is not ascertainable. It shall be _____.

- (a) US \$ 2,000
- (b) US \$ 2,200
- (c) US \$ 123.75
- (d) US \$ 110

10. Where the FOB value of the goods is not ascertainable but the sum of FOB value of the goods and the cost of insurance to the place of importation is ascertainable, the cost of transportation, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation shall be :

- (a) 20% [FOB Value + Cost of Insurance]
- (b) 20% of CIF value
- (c) 20%/120% of CIF value
- (d) 1.125% of [FOB Value + Cost of Insurance]

11. Which of the following statements is/are correct for 'similar goods' for valuation purposes under the Customs Act, 1962 :

- (i) 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.
- (ii) Similar goods are necessarily produced in the country in which goods being valued were produced.



(iii) Similar goods are necessarily produced by the same person who produced the goods being valued.

- (a) (i) and (ii)
 (b) Only (i)
 (c) (i) and (iii)
 (d) All of above

12. For computing the Customs Value, the exchange rate notified by which of the following agencies will be used or the conversion of Indian currency into foreign currency or foreign currency into Indian currency.

- (a) Central Board of Indirect taxes and customs
 (b) Reserve bank of India
 (c) Foreign dealers exchange association of India
 (d) Any of the above

13. From the following information determine the unit price in which the greatest quantity of goods are sold :

Sale quantity	Unit price
40 units	100
30 units	90
15 units	100
50 units	95
25 units	105
35 units	90
5 units	100

- (a) 90
 (b) 95
 (c) 100
 (d) 105

14. A material was imported by air at CIF price of 5,000 US \$. Freight paid was 1,500 US \$ and insurance cost was 500 US \$. The banker realized the payment from importer at the exchange rate of ₹ 71 per dollar. Central Board of Excise and Customs notified the exchange rate as ₹ 70 per US \$. Find the value of the material for the purpose of levying duty.

- (a) ₹ 2,87,000
 (b) ₹ 3,50,000
 (c) ₹ 2,54,362
 (d) ₹ 2,10,000

15. Examine the validity of the following statements with reference to the Customs Act, 1962 giving brief reasons :

- (i) Service charges paid to canalizing agent are not includible in the assessable value of imports.
 (ii) Inspection charges are not includible in the assessable value of the imported goods, if contract does not specify for certification by an independent agency.
- (a) Both the statements are invalid
 (b) Both the statements are valid
 (c) Statement (i) is valid and (ii) is invalid
 (d) Statement (ii) is valid and (i) is invalid

16. Determine the assessable value of imported goods in the following cases :

Particulars	US \$
FOB value	1,000
Freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	Not known
Insurance charges	10

- (a) \$ 1,010
 (b) \$ 1,210
 (c) \$ 1,000
 (d) \$ 1,325

17. Determine the assessable value of imported goods in the following cases :

Particulars	US \$
FOB value plus insurance charges	1,010
Freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	Not known

- (a) 1,212
 (b) 1,010
 (c) 1,223.3625
 (d) 1,110

18. Determine the assessable value of imported goods in the following cases :

Particulars	US \$
FOB value	1,000
Sea freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	60
Insurance charges	Not known

- (a) 1,071.25
 (b) 1,060
 (c) 1,223.3625
 (d) 1,011.25

19. Determine the assessable value of imported goods in the following cases :

Particulars	US \$
FOB value plus sea freight and loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	1,060
Insurance charges	Not known

- (a) 1,060
 (b) 1,160
 (c) 1,272
 (d) 1,071.925

20. Determine the assessable value of imported goods in the following cases :

Particulars	US \$
FOB value	1,000
Air freight, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	250
Insurance charges	10

- (a) 1210
 (b) 1260
 (c) 1261.25
 (d) 1211.25

21. Which of the following statements is/are correct for 'similar goods' for valuation purposes under the Customs Act, 1962:

- (i) 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.



- (ii) Similar goods are necessarily produced in the country in which goods being valued were produced.
- (iii) Similar goods are necessarily produced by the same person who produced the goods being valued.
- (a) (i) and (ii)
- (b) Only (i)
- (c) (i) and (iii)
- (d) All of above

22. Under the Customs Act, 1962, the relevant date for determining the rate of exchange in case of imported goods is:

- (a) Date when the vessel arrives in India
- (b) Date of presentation of bill of entry
- (c) Date of examination of goods by proper officer
- (d) Date of deposit of duty

23. What can be the reasons of doubting the truth or accuracy of value declared in case of export goods?

- (a) significant variation in value at which goods of like kind and quality, exported at or about the same time in comparable quantities in a comparable commercial transaction, were assessed.
- (b) the significantly higher value compared to the market value of goods of like kind and quality at the time of export.
- (c) the mis-declaration of goods in parameters such as description, quality, quantity, year of manufacture or production.
- (d) Any of the above

24. An importer imports some materials @ \$ 20000 USD on CIF basis. Following dollar rate are available on the date of presentation of bill of entry –

Particulars	₹
RBI Floor rate	74.26
Interbank closing rate	74.30
Rate notified by CBIC under section 14(3)(a)(i) of Customs Act	74.41
Rate at which bankers realised the payment from importer	74.48

Find the assessable value for customs purpose.

- (a) ₹ 14,85,200
- (b) ₹ 14,86,000
- (c) ₹ 14,88,200
- (d) ₹ 14,89,600

25. A material was imported by air at CIF price of 5,000 US \$. Freight paid was 1,500 US \$ and insurance cost was 500 US \$. The banker realized the payment from importer at the exchange rate of ₹ 71 per dollar. Central Board of Excise and Customs notified the exchange rate as ₹ 70 per US \$. Find the value of the material for the purpose of levying duty.

- (a) ₹ 2,87,000
- (b) ₹ 3,50,000
- (c) ₹ 2,54,362
- (d) ₹ 2,10,000

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26. The FOB Value of the goods is not ascertainable. The sum of FOB Value and Cost of Insurance is US \$ 11,000. Cost of transportation, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation is not ascertainable. It shall be _____

- (a) US \$ 2,000
- (b) US \$ 2,200
- (c) US \$ 123.75



(d) US \$ 110

27. In case of importation of goods by air, even if the actual cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation is ascertainable, the same shall not exceed _____.

- (a) 20% of FOB Value of goods
- (b) 1.125% of FOB Value of goods
- (c) 20% of [FOB Value of Goods and cost of Insurance]
- (d) 20% of CIF value of goods

28. FOB Value of Goods – US \$ 10,000. Air freight US \$ 2,500. Cost of insurance US \$ - 100. Assessable Value will be US \$ _____.

- (a) 12,100
- (b) 12,600
- (c) 12,101.25
- (d) 12,221

29. FOB Value of Goods – US \$ 10,000. Sea freight US \$ 2,500. Cost of insurance US \$ - 100. Assessable Value will be US \$ _____.

- (a) 12,100
- (b) 12,600
- (c) 12,101.25
- (d) 12,221

30. In case the cost of insurance to the place of importation is not ascertainable, such cost shall be _____.

- (a) 20% of FOB Value of goods
- (b) 1.125% of FOB Value of goods
- (c) 20% of [FOB Value of Goods and Cost of transport]
- (d) 20% of CIF value of goods

31. Where the FOB value of the goods is not ascertainable but the sum of FOB value of the goods and the cost of transport associated with the delivery of the imported goods to the place of importation is ascertainable, the cost of insurance to the place of importation shall be _____.

- (a) 20% of [FOB Value of Goods and Cost of transport]
- (b) 1.125% of CIF Value of goods
- (c) 1.125% of [FOB Value of Goods and Cost of transport]
- (d) Nil

32. If more than one transaction value of identical goods is found, _____ shall be used to determine the value of the imported goods.

- (a) Highest Value
- (b) Lowest Value
- (c) Average value
- (d) Median Value

33. If neither the imported goods nor identical nor similar imported goods are sold at or about the same time of importation of the goods being valued, then the value of imported goods shall be based on the unit price at which the imported goods or identical or similar imported goods are sold in India, at the earliest date after importation but before the expiry of _____ after such importation.

- (a) 90 days
- (b) 60 days
- (c) 45 days
- (d) 30 days



34. Deductive value is arrived after making which of the following deductions from the unit price at which the greatest aggregate quantity of goods are sold.

- (a) The commission usually paid or agreed to be paid in connection with sales in India of imported goods of the same class or kind.
- (b) The usual costs of transport and insurance and associated cost incurred within India.
- (c) The customs duties and other taxes payable in India by reason of importation or sale of the goods.
- (d) All of the above.

35. What cannot be the basis for determining the value of goods as per Residual method of valuation of goods?

- (a) Minimum customs values.
- (b) Arbitrary or fictitious values.
- (c) The price of the goods for the export to a country other than India.
- (d) All of the above

ANSWERS TO MCQ'S

Question No.	Answer
1.	(b) The 'price' referred under section 14(1) is to be calculated with reference to the rate of exchange as in force on the date on which Bill of entry is presented u/s 46.
2.	(b) Tariff value u/s 14(2) is fixed by the CBIC.
3.	(b) The rate of exchange for the conversion of Indian currency into foreign currency or foreign currency into Indian currency shall be determined by CBIC.
4.	(a) For the purposes of the Customs Tariff Act, 1975, or any other law for the time being in force, the value of the imported goods and export goods shall be the transaction value of such goods.
5.	(a) As per Rule 2(2) of Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, persons shall be deemed to be 'related' only if, any person directly or indirectly owns, controls or holds 5% or more of the outstanding voting stocks or shares of both of them.
6.	(a) According to Rule 10(1)(a) of Valuation Rules, 2007, the following costs and services, to the extent they are incurred by the buyer but have not been included in the price actually paid or payable for the imported goods – (i) commission and brokerage, except buying commission;

		<p>(ii) the cost of containers which are treated as being one for customs purposes with the goods in question i.e. cost of containers imported along with the goods;</p> <p>(iii) cost of packing whether for labour or materials.</p>
7.	(d)	<p>According to Rule 10(1)(b), the value, apportioned as appropriate of the following goods and services, which are supplied directly or indirectly by the buyer free of charge or at reduced costs for use in connection with the production and sale for export of imported goods, to the extent that such value has not been included in the price actually paid or payable, namely –</p> <p>(i) materials, components, parts and similar items incorporated in the imported goods;</p> <p>(ii) tools, dies, moulds and similar items used in the production of the imported goods;</p> <p>(iii) materials consumed in the production of the imported goods;</p> <p>(iv) engineering, development, art work, design work, and plans and sketches undertaken elsewhere than in India and necessary for the production of the imported goods.</p>
8.	(a)	Where cost of transportation, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation is not ascertainable; such cost shall be 20% of the FOB value of the goods.
9.	(a)	In case cost of transportation, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation is not ascertainable. It shall be 20% of FOB Value of goods i.e. 20% of US \$ 10,000 = US \$ 2,000.
10.	(a)	Where the FOB value of the goods is not ascertainable but the sum of FOB value of the goods and the cost of insurance to the place of importation is ascertainable, the cost of transportation, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation shall be 20% of such sum i.e. 20% of [FOB Value + Cost of Insurance].
11.	(a)	<p>As per Rule 2(1)(f), "Similar goods" means imported goods,–</p> <p>(a) which 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;</p> <p>(b) produced in the country in which the goods being valued were produced; and</p> <p>(c) produced by the same person who produced the goods being valued, or where no such goods are available, goods produced by a different person, but shall not include imported goods where engineering, development work, art work, design work, plan or sketch undertaken in India were completed directly or indirectly by the buyer on these imported goods free of charge or at a reduced cost</p>

		for use in connection with the production and sale for export of these imported goods.																								
12.	(a)	For the purpose of valuation under customs laws, rate notified by CBIC (Board) shall be taken into account.																								
13.	(a)	<p>Total quantity sold unit price—</p> <table border="1"> <thead> <tr> <th>Total quantity</th> <th>Unit price</th> </tr> </thead> <tbody> <tr> <td>65</td> <td>90</td> </tr> <tr> <td>50</td> <td>95</td> </tr> <tr> <td>60</td> <td>100</td> </tr> <tr> <td>25</td> <td>105</td> </tr> </tbody> </table> <p>The greatest number of units sold at a particular price is 65, therefore, the unit price in the greatest aggregate quantity is 90.</p>	Total quantity	Unit price	65	90	50	95	60	100	25	105														
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15.	(d)	<p>(i) The statement is not valid. Since the canalizing agent is not the agent of the importer nor does he represent the importer abroad, purchases by canalizing agency from foreign seller and subsequent sale by it to Indian importer are independent of each other. Hence, the commission or service charges paid to the canalizing agent are includible in the assessable value as these can-not be termed as buying commission.</p> <p>(ii) The statement is valid. Where there is no requirement in the contract for independent inspection and the inspection is carried out by foreign supplier on his own and is not required for the purpose of fulfilling the condition of the contract, then such charges incurred on inspection are not includible in assessable value.</p>																								

16.	(b)	Computation of Assessable value (CIF value)—	
		Particulars	₹
		FOB value	1,000
		Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation [20% of FOB value in terms of first proviso to rule 10(2) of CVR]	200
		Cost of insurance [Including in terms of Rule 10(2)(b) of CVR]	10
Assessable value [CIF value]		1,210	
17.	(a)	Computation of Assessable value (CIF value)—	
		Particulars	₹
		FOB value plus insurance charges	1,010
		Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation [20% of sum of FOB value of the goods and the cost of insurance in terms of second proviso to rule 10(2) of CVR]	202
		Assessable value [CIF value]	1,212
18.	(a)	Computation of Assessable value (CIF value)—	
		Particulars	₹
		FOB value	1,000
		Add: Cost of sea transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation [Includible in terms of rule 10(2)(a) of CVR]	60
		Insurance [1.125% of sum of FOB value of the goods in terms of third proviso to rule 10(2) of CVR]	11.25
Assessable value [CIF value]		1,071.25	
19.	(d)	Computation of Assessable value (CIF value)—	
		Particulars	₹
		FOB value plus sea freight and loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation	1,060
		Add: Insurance [1.125% of sum of FOB value of the goods and sea freight and loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation in terms of fourth proviso to rule 10(2) of CVR]	11.925
		Assessable value [CIF value]	1,071.925

20.	(a)	Computation of Assessable value (CIF value)—	
		Particulars	₹
		FOB value	1,000
		Add: Cost of air transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation is restricted to 20% of FOB value when transportation of goods is through air [Fifth proviso to rule 10(2) of CVR]	200
		Cost of insurance	10
Assessable value [CIF value]		1,210	
21.	(a)	<p>“Similar goods” means imported goods,—</p> <p>(a) which 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;</p> <p>(b) produced in the country in which the goods being valued were produced; and</p> <p>(c) produced by the same person who produced the goods being valued, or where no such goods are available, goods produced by a different person, but shall not include imported goods where engineering, development work, art work, design work, plan or sketch undertaken in India were completed directly or indirectly by the buyer on these imported goods free of charge or at a reduced cost for use in connection with the production and sale for export of these imported goods. [Rule 2(1)(f)]</p>	
22.	(b)	The relevant date for determining exchange rate is the date of presentation of bill of entry.	
23.	(c)	<p>The proper officer shall have the power to raise doubts on the declared value based on certain reasons, which may include,—</p> <p>(a) significant variation in value at which goods of like kind and quality, exported at or about the same time in comparable quantities in a comparable commercial transaction, were assessed.</p> <p>(b) the significantly higher value compared to the market value of goods of like kind and quality at the time of export.</p> <p>(c) the misdeclaration of goods in parameters such as description, quality, quantity, year of manufacture or production.</p>	
24.	(c)	The assessable value for customs purpose shall be $\$ 20,000 \times ₹ 74.41 = ₹ 14,88,200$.	
25.	(a)	Computation of assessable value —	
		Particulars	Amount
		CIF value	5000 US \$
		Less: Freight	1500 US \$

		<p>Less: Insurance</p> <p>Therefore, FOB value</p> <p>Assessable value for Customs purpose</p> <p>FOB value</p> <p>Add: Freight (20% of FOB value)</p> <p>Add: Insurance (actual)</p> <p>CIF for customs purpose</p> <p>Exchange rate as per CBIC</p> <p>Assessable value (₹ 70 × 4100 US \$)</p>	<p>500 US \$</p> <p>3000 US \$</p> <p>3000 US \$</p> <p>600 US \$</p> <p>500 US \$</p> <p>4100 US \$</p> <p>₹ 70 per US \$</p> <p>₹ 2,87,000</p>															
26.	(b)	Cost of transportation, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation if not ascertainable shall be 20% of FOB Value and Cost of Insurance i.e. 20% of US \$ 11,000 = US\$ 2,200.																
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		<table border="1"> <thead> <tr> <th>Particulars</th> <th></th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>FOB value of machine</td> <td>\$</td> <td>10,000</td> </tr> <tr> <td>Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation (Actual)</td> <td>\$</td> <td>2,500</td> </tr> <tr> <td>Add: Cost of Insurance charges to the place of importation (Actual)</td> <td>\$</td> <td>100</td> </tr> <tr> <td>CIF Value being Assessable Value</td> <td>\$</td> <td>12,600</td> </tr> </tbody> </table>	Particulars		Amount	FOB value of machine	\$	10,000	Add: Cost of transport, loading, unloading and handling charges associated with the delivery of the imported goods to the place of importation (Actual)	\$	2,500	Add: Cost of Insurance charges to the place of importation (Actual)	\$	100	CIF Value being Assessable Value	\$	12,600	
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30.	(b)	In case the cost of insurance to the place of importation is not ascertainable, such cost shall be 1.125% of FOB Value of goods.
31.	(c)	Where the FOB value of the goods is not ascertainable but the sum of FOB value of the goods and the cost of transport associated with the delivery of the imported goods to the place of importation is ascertainable, the cost of insurance to the place of importation shall be 1.125% of [FOB Value of Goods and Cost of transport].
32.	(b)	As per Rule 4 of Valuation Rules, 2007, if more than one transaction value of identical goods is found; lowest value shall be used to determine the value of the imported goods.
33.	(a)	If neither the imported goods nor identical nor similar imported goods are sold at or about the same time of importation of the goods being valued, then the value of imported goods shall be based on the unit price at which the imported goods or identical or similar imported goods are sold in India, at the earliest date after importation but before the expiry of 90 days after such importation.
34.	(d)	Deductive value is the unit price at which imported goods or identical goods or similar imported goods are sold in the greatest aggregate quantity, to persons who are not related to the sellers in India at the time when declaration for value is presented, after making the following deductions from unit price — (a) either the commission usually paid or agreed to be paid or the additions usually made for profits and general expenses in connection with sales in India of imported goods of the same class or kind; (b) the usual costs of transport and insurance and associated cost incurred within India; (c) the customs duties and other taxes payable in India by reason of importation or sale of the goods.
35.	(d)	As per Rule 9(2) of Valuation Rules, 2007, the following shall not be considered in determining the value under this method,— (i) the selling price in India of the goods produced in India; (ii) a system which provides for the acceptance for customs purposes of the highest of the two alternative values; (iii) the price of goods on the domestic market of the country of exportation; (iv) the cost of production other than the computed value of identical goods or similar goods as determined in Rule 8; (v) the price of the goods for the export to a country other than India; (vi) minimum customs values; (vii) arbitrary or fictitious values.

