

MCQ & Case Studies on GST Valuation



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Multiple Choice Questions

Test your Knowledge!

Question 1 –

The Valuation is covered in which Chapter of CGST Act, 2017?

(a) V

(b) IX

(c) IV

(d) II

Answer – option (c) IV

Test your Knowledge!

Question 2 –

Certain entities/persons are termed as Related Persons. Which of the below is not related persons as per CGST Act, 2017?

- (a) Officers or directors of one another's business
- (b) Directly or indirectly owns, controls or holds less than 24% of outstanding shares
- (c) Husband and Wife
- (d) Legally recognised partners in business

Answer – option (b)

Test your Knowledge!

Question 3 –

A Ltd made sales to B Ltd. They have an agreement and have issued documents for post sales discount to B Ltd. What should the parties do to qualify as discount as per Sec 15 of CGST Act?

- (a) Enter into an agreement after the supply of goods
- (b) Issue document specifically linked to relevant invoices
- (c) No need to reverse the ITC by B Ltd
- (d) A Ltd should have shown discount on invoice itself.

Answer – option (b)

Test your Knowledge!

Question 4 –

What will be the value of supply if Bajaj Electronics supply Sony television set for Rs 85000 along with the exchange of an old TV and if the price of the Sony television set without exchange is Rs 1,00,000, the open market value of the Sony television set is:

- A. Rs 85,000
- B. Rs 1,00,000
- C. Rs 15,000
- D. Rs 1,15,000

Answer – option (B)

Test your Knowledge!

Question 5 –

Mr. Santa located in Nashik purchases 10,000 Hero ink pens worth Rs 4,00,000 from Lekhana Wholesalers located in Mumbai. Mr. Mohan's wife is an employee in Lekhana Wholesalers. The price of each Hero pen in the open market is Rs 52. The supplier additionally charges Rs 5,000 for delivering the goods to the recipient's place of business. The value of such supply will be:

- A. Rs 5,20,000
- B. Rs 5,25,000
- C. Rs 4,00,000
- D. Rs 4,05,000

Answer – option (D)

Test your Knowledge!

Question 6 –

As per Rule 31 of the CGST Rules, residual method for determination of value of supply of goods or services or both will apply when:

- A. Value of supply cannot be determined under Rules 27 to 30
- B. Value of supply determined is more than the open market value of goods
- C. Value of supply determined is more than the Value of supply of like kind and quality
- D. All of the above

Answer – option (A)

Test your Knowledge!

Question 7 –

Rule 30 of the CGST Rules inter alia provides value of supply of goods or services or both based on cost shall be _____% of cost of production or manufacture or the cost of acquisition of such goods or the cost of provision of such services:

- A. 100%
- B. 90%
- C. 10%
- D. 110%

Answer – option (D)

Test your Knowledge!

Question 8 –

If the goods are supplied to related persons then how should the taxable person ascertain the value of supplies?

- A. Seek the help of the GST officer
- B. Use the arm's length price as required under the Income Tax law
- C. Identify the prices at which goods are sold by the unrelated person to his customer
- D. As per Rule 28 of the CGST Rules

Answer – option (D)

Test your Knowledge!

Question 9 –

The value of supply of goods and services shall be the _____

- A. Transaction Value
- B. MRP
- C. Market Value
- D. None of the above

Answer – option (A)

Test your Knowledge!

Question 10 –

The value of supply should include

- A. Any non-GST taxes, duties, cesses, fees charged by supplier separately
- B. Interest, late fee or penalty for delayed payment of any consideration for any supply of goods or services
- C. Subsidies directly linked to the price except subsidies provided by the Central and State Government
- D. All of the above

Answer – option (D)

Test your Knowledge!

Question 11 –

When can the transaction value be rejected for computation of value of supply

- A. When the buyer and seller are related and price is not the sole consideration
- B. When the buyer and seller are related or price is not the sole consideration
- C. It can never be rejected
- D. When the goods are sold at very low margins

Answer – option (A)

Case Studies

Case Study 1

1. AK Pvt Ltd has provided the following particulars relating to goods sold by it to AA Pvt Ltd.

Particulars	INR
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods	5,000
CGST and SGST chargeable on the goods	10,440
Packing Charges (not included in price above)	1,000

- AK Pvt Ltd received INR 2,000 as a subsidy from NGO on sale of such goods. The price of INR 50,000 of the goods is after considering such subsidy.
- AK Pvt Ltd offers 2% discount on the list price of the goods which is recorded in the invoice of goods .
- ***Determine the value of taxable supply made by AK Pvt Ltd.***

Solution to case Study:

- **Answer:**

Computation of value of taxable supply

Particulars	INR
List price of the goods (exclusive of taxes and discounts)	50,000
Tax levied by Municipal Authority on the sale of such goods [Includible in the value as per section 15(2)(e)]	5,000
CGST and SGST chargeable on the goods [Not includible in the value as per section 15(2)(e)]	
Packing Charges [Includible in the value as per section 15(2)(c)]	1,000
Subsidy received from a non-Government body [Since subsidy is received from a non-Government body, the same is included in the value in terms of section 15(2)(e)]	2,000
Total	58,000
Less: Discount @2% on INR 50,000 [Since discount is known at the time of supply, it is deductible from the value in terms of section 15(3)(a)]	1,000
Value of taxable supply	57,000

Case Study 2

ABC, a money changer, has exchanged US \$ 10,000 to Indian rupees @ ₹ 64 per US \$. Mr. A wants to value the supply in accordance with rule 32(2)(b) of CGST Rules.

Determine the value of supply made by Mr. A.

Solution to case Study:

Answer:

As per rules 32(2)(b) of CGST Rules, the value in relation to the supply of foreign currency, including money changing, is deemed to be –

Particulars	₹	₹
Value of currency exchanged in Indian rupees [₹64 * US \$ 10,000]	6,40,000	
Up to ₹ 1,00,000	1,000	
For ₹ 5,40,000 [0.50% * ₹ 5,40,000]	2700	
Value of supply		3700

Case Study 3 -

- Make My Trip is an air travel agent. Compute the value of supply of service made by him during June 2018 with the help of following particulars furnished by him-

Particulars	Basic Fare (₹)	Other charges and fee (₹)	Taxes (₹)	Total value of tickets (₹)
Domestic Bookings	1,00,900	9,510	4,990	1,15,400
International Bookings	3,16,880	20,930	15,670	3,53,480

Solution to case Study:

- Answer: Computation of value of supply of services made by Make My Trip for the month of June 18.

Particulars	(₹)	(₹)
Basic fare in case of domestic bookings	1,00,900	
Value of supply @ 5% [A]		5,045
Basic fare in case of International bookings	3,16,880	
Value of supply @ 10% [B]		31,688
Value of supply [A] + [B] (rounded off)		36,733

THANK YOU