

Paper 11- Indirect Taxation

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Full Marks: 100

Time allowed: 3 hours

The figures in the margin on the right side indicate full marks.
Working notes should form part of the answer.

Section – A

Answer question No. 1 which is compulsory and any four from rest of this section.

1. Answer the following questions:

(A) Multiple choice questions:

[5×1=5]

- (i) In the common portal, every claim of input tax credit of a registered person shall be credited to :
- (a) Electronic cash ledger
 - (b) Electronic credit ledger
 - (c) Electronic liabilities register
 - (d) Electronic credit register
- (ii) Which of the following shall not be included in value of supply?:
- (a) Commission
 - (b) Late fee or penalty
 - (c) GST
 - (d) Interest
- (iii) GST is payable in respect of services rendered to an employer by an employee on:
- (a) Regular basis in the course of employment
 - (b) Contract basis not in the course of employment
 - (c) Neither (a) nor (b)
 - (d) Both (a) and (b)
- (iv) Renting of a marriage hall owned by a Trust registered under section 12AA of the Income-tax Act, 1961 is not exempt from GST where:
- (a) Charges are more than ₹5,000 per day
 - (b) Charges are more than ₹1,000 per day
 - (c) Charges are more than ₹10,000 per day
 - (d) None of the above
- (v) The Chairperson of GST Council is:
- (a) Prime Minister of India
 - (b) Finance Minister of India
 - (c) Minister of State for Finance
 - (d) None of the above

Answer:

- (i) (b)
- (ii) (c)
- (iii) (b)
- (iv) (c)
- (v) (b)

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(B) Say True or False for the following question:

[5×1=5]

- (i) GST is payable once registered even if the turnover is less than the prescribed limit.
- (ii) Under GST law, every registered person whose aggregate turnover during a financial year exceeds ₹ 5 crore has to get his accounts audited by a chartered accountant or a cost accountant.
- (iii) When goods are imported into India, CGST is levied.
- (iv) Goods are classified in the GST regime in India using SAC code.
- (v) Amount paid on alimony for divorce is not considered as consideration.

Answer:

- (i) True
- (ii) False
- (iii) False
- (iv) False
- (v) True.

(C) Match the following:

[5×1=5]

	Column 'A'		Column 'B'
1.	Head-quarters of GST council	A.	Exempt Supply
2.	Transaction Value	B.	Destination based tax
3.	GST	C.	Non-Taxable Supply
4.	Interest on loans and advances	D.	New Delhi
5.	Sale of building	E.	When price is sole consideration

Answer:

- 1. D.
- 2. E.
- 3. B.
- 4. A.
- 5. C.

(D) Fill in the blanks:

[5×1=5]

- (i) Indirect taxes are _____ (progressive / regressive) in nature.
- (ii) GST Council has been created as per Article _____ of the amended Constitution.
- (iii) In case of death of a tax payer _____ can request for cancellation of registration.
- (iv) In case of supply of goods by a composite dealer, the registered person shall issue _____.
- (v) License to occupy land is treated as _____ (supply of services/non-supply of services).

Answer:

- (i) regressive
- (ii) 279A
- (iii) Legal heir
- (iv) Bill of Supply

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(v) Supply of services

2. (a) Write short note on 'Business' under GST Law.

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Answer:

Business includes:

- A. Any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit;
- B. Any activity or transaction in connection with or incidental or ancillary to sub-clause (A);
- C. Any activity or transaction in the nature of sub-clause (A), whether or not there is volume, frequency, continuity or regularity of such transaction;
- D. Supply or acquisition of goods including capital goods and services in connection with commencement or closure of business;
- E. Provisions by a club, association, society, or any such body of the facilities or benefits to its members;
- F. Admission, for a consideration, of persons to any premises;
- G. Services supplied by a person as the holder of an office which has been accepted by him in the course or furtherance of his trade, profession or vocation;
- H. Services provided by a race club by way of totalisator or a license to book maker in such club; and
- I. Any activity or transaction undertaken by Central Government, a State Government or any local authority in which they are engaged as public authorities.

(b) M/s Y Ltd. being a trader of laptops has two units in Chennai and in Mumbai.

Place	P.Y. Turnover ₹ in lakhs (Excluding taxes)
Chennai	52
Mumbai	12

You are required to answer the following:

- (i) M/s Y Ltd. is eligible for composition levy in the current year.
- (ii) If so, M/s Y Ltd. can opt composition scheme for Chennai location and normal scheme for Mumbai.
- (iii) Need to give separate intimations for opting composition scheme in each state.

[7]

Answer:

- (i) Yes, M/s Y Ltd. is eligible to avail the composition scheme in both the States namely Tamil Nadu and Maharashtra.
Since, M/s Y Ltd. has same PAN, and his aggregate turnover does not exceed ₹1.50 crore is eligible for composition levy, even though the company has multiple registrations under GST.
- (ii) No, M/s Y Ltd. cannot opt composition scheme for one location and normal scheme for another location.

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Where more than one registered person are having the same PAN, the registered person shall not be eligible to opt for the scheme unless all such registered persons opt to pay tax.

- (iii) Intimation to opt composition scheme in respect of any place of business in any State or Union Territory shall be deemed to be intimation in respect of all other places of business registered on the same PAN.

3. (a) Motor vehicle worth ₹20 lakh is sold by M/s Sundar Pvt. Ltd. to a customer in retail market and for which ₹5 lakh has been paid in cash and balance amount by way of cheque.

Find the following:

- (i) TCS under section 206C of the Income Tax Act, 1961 is applicable in the given case?
(ii) Who is required to collect TCS?
(iii) Value TCS if any?
(iv) Value of taxable supply under section 15 of CGST Act, 2017?
(v) Invoice price of M/s Sunder Pvt. Ltd.?

Note: Assume applicable TCS is @1% and GST @28%.

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Answer:

- (i) Yes, TCS is applicable in the given case.
(ii) Under section 206C the seller has to collect TCS @1% from purchaser while selling the specified items or services beyond specified limits. In the given case M/s Sundar Pvt. Ltd. must collect the TCS.
(iii) TCS = ₹20,000 (i.e. @ 1% on ₹20lakh)
(iv) Value of taxable supply under section 15 of CGST Act, 2017 is 20 lakh only.
(v) Invoice price

Particulars	Value in ₹
Cost of Motor Vehicle	20,00,000
Add: TCS under Sec 206C of IT Act, 1961	20,000
Sub-total	20,20,000
Add: GST 28% on 20 lakh	5,60,000
Invoice price	25,80,000

- (b) Mr. A sends goods to Mr. B on approval basis on 20th January 2019. Find the time of supply in the following independent cases:

- (i) If Mr. B accepts the goods on 10th February 2019.
(ii) If Mr. B accepts the goods on 1st September 2019.
(iii) If Mr. B returns the goods on 10th February 2019.
(iv) If Mr. B returns the goods on 1st September 2019.

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Answer:

S. No.	Particulars	Time of supply	Remarks
(i)	Mr. B accepts the goods on	10 th February 2019	• Time when it becomes known that supply is taken place (i.e.

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	10 th February 2019		10 th Feb. 2019) OR • Six months from the date of removal (i.e. 20 th July 2019) Whichever is earlier
(ii)	Mr. B accepts the goods on 1 st September 2019	21 st July 2019	1 st day after expiry of 6months from the date of removal.
(iii)	Mr. B returns the goods on 10 th February 2019	Not applicable	No tax will be payable. Since, goods returned within six months from the date of dispatch.
(iv)	Mr. B returns the goods on 1 st September	Mr. A- 21 st July 2019 Mr. B- 1 st September 2019	GST will be payable as the return is after six months from the date of dispatch. Both Mr. A and Mr. B are liable to pay GST.

4. (a) What are the provisions relating to issuance of invoice in case of “continuous supply of goods” and “continuous supply of services”? [2+3=5]

Answer:

In case of continuous supply of goods, where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued or, as the case may be, each such payment is received.

In case of continuous supply of services, invoice will be issued as follows:

- 1) Where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment;
- 2) Where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment;
- 3) Where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event.

- (b) The goods manufactured by Royal Ltd. have been exempted from GST w.e.f. 15th November 2019. Earlier these goods were liable to tax @18%. Its inputs were liable to GST @12%. Following information is supplied on 15th November 2019:

- (i) The inputs costing ₹1, 44,720 are lying in stock.
- (ii) The inputs costing ₹77,184 are in process
- (iii) The finished goods valuing ₹4,82,400 are in stock, the input cost is 50% of the value.

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(iv) The balance in electronic credit ledger account shows credit balance of ₹2,79,104.

(v) Royal Ltd. also purchased capital goods for ₹2,00,000 by paying GST 28% (invoice dated 10th July 2019)

The department has asked Royal Ltd. to reverse the credit taken on inputs referred above. However, Royal Ltd. contends that credit once validly is taken is indefeasible and not required to be reversed. Decide.

What would be your answer if the balance in electronic credit ledger receivable account as on 15th November 2019 were ₹29,104? [10]

Answer:

Statement showing amount to be paid by Royal Ltd. as on 15th November 2019

S. No.	Particulars	Amount to be paid ₹	Workings
(i)	Inputs lying in stock	17,366	₹1,44,720 x 12/100 = ₹17,366
(ii)	Inputs in process (i.e. work in progress)	9,262	₹77,184 x 12/100 = ₹9,262
(iii)	Inputs contained in finished goods lying in stock	28,944	₹4,82,400 x 50% x 12/100 = ₹28,944
(iv)	Capital goods	51,333	Useful life as per rule 44(1)(b) = 5 years (i.e. 60 months). No. of months capital goods have been in use = 4 months 5 days (i.e. 5 months) The useful remaining life in months = 55 months ₹2,00,000 x 28% x 55/60 = ₹51,333
	Amount to be paid by Royal Ltd.	1,06,906	

Amount payable by Royal Ltd. = ₹1,06,906

Less: ITC Receivable = ₹(2,79,104)

Excess ITC = ₹(1,72,198)

Excess ITC in electronic credit ledger of ₹1,72,198 shall lapse as 15th November 2019.

If the balance in electronic credit ledger as on 15th November 2019 is ₹29,104, then amount payable is as follows:

Amount payable by Royal Ltd. = ₹1,06,906

Less: ITC Receivable = ₹(29,104)

Excess ITC = ₹77,802

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5. (a) Mrs. Lakshmi, intending to start a new business in January 2020, furnishes the following information pertaining to the period upto 31.03.2020

Estimated supplies	₹
Intra-State supplies of taxable goods	14,00,000
Intra-state supplies of exempt services	4,00,000
Export sales	3,20,000
Supplies made as agent of a principal	2,40,000

Ascertain the aggregate turnover. She wants to know whether she should get herself registered for GST purposes. You are required to help her. Further, what will be the GST payable by her, if the GST rate for taxable goods supplied is 18%? [8]

Answer:

Computation of aggregate turnover

Estimated supplies	Amount in (₹)
Intra-State supplies of taxable goods	14,00,000
Intra-state supplies of exempt services	4,00,000
Export sales	3,20,000
Supplies made as agent of a principal	2,40,000
Aggregate turnover	23,60,000

Since the aggregate turnover exceeds ₹20 lakhs, Mrs. Lakshmi has to get her registered.

Computation of taxable supplies and GST

Estimated supplies	Amount in (₹)
Intra-State supplies of taxable goods	14,00,000
Intra-state supplies of exempt services	Nil
Export sales	Nil
Supplies made as agent of a principal	Nil
Aggregate taxable supplies	14,00,000
Estimated GST payable:	
CGST @9%	1,26,000
SGST @9%	1,26,000

- (b) A contract awarded by Bombay Municipal Corporation (BMC) for repair of a particular road to M/s B. Ltd. Of Mumbai with terms and conditions that the entire work should be completed within 30 days. However, there is a delay of 10 days to complete the work. BMC charged liquidated damages of ₹1, 20,000 and the same recovered from M/s B. Ltd.

Applicable rate of GST 18%

Find the following:

- (1) Who is liable to pay GST and on what amount?
- (2) Total GST liability if any.

Note: previous year turnover of M/s B Ltd. Was ₹88 lakh.

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Answer:

(1) It is supply of service.

M/s B Ltd being recipient of service is liable to pay GST on ₹1, 20,000 (Reverse Charge applicable). Since, the contractor has performed the contract, but there is a delay of 10 days.

(2) GST liability = ₹21,600

Note:

(i) It appears the liquidated damages recovered by local authority for delay in performance in contract will not be covered under exemption list of GST. The contract has been performed in such cases, GST will be payable on the same.

(ii) Services provided by Government or a local authority by way of tolerating non-performance of a contract for which consideration in the form of fines or liquidated damages is payable to the government or the local authority under such contract is exempted from GST.

6. (a) Mr. Harsha, a event organizer located in Malaysia, undertake to organize a comedy show of Mr. Bhrami of Hyderabad and Mr. Vadivelu of Chennai in India. The comedy shows are hosted in Telangana, Andhra Pradesh, Tamil Nadu and Pondicherry.

Gross value of contract is ₹60 crores.

State	No. of Days	Recipient of Service
Telangana	20	Mr. Bhrami
Andhra Pradesh	15	Mr. Bhrami
Tamil Nadu	14	Mr. Vadivelu
Pondicherry	01	Mr. Vadivelu
Total	50	

Find the place of supply of services, value of service and person liable to pay tax. [8]

Answer:

Place of supply of service	Value ₹ in crores	Who is liable to pay GST	Nature of GST
Telangana	24	Mr. Harsha being a non-resident	IGST
Andhra Pradesh	18	Mr. Harsha being a non-resident	IGST
Tamil Nadu	16.80	Mr. Harsha being a non-resident	IGST
Pondicherry	1.20	Mr. Harsha being a non-resident	IGST
Total	60		

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(b) Queen Hotel Ltd., provider of rooms, charged rent per day per room as follows:

Particulars	₹
Room rent	550
Furniture rent	400
Air-conditioner rent	150
Refrigerator rent	50
Less: discount	(50)
Net amount charged	1,100

During the month of Oct 20XX, 20 rooms are let out throughout the month, and balance 35 rooms are let out only for 15 days.

ITC available ₹7,500.

The following GST rates are applicable for the hotel industry:

CGST 6% and SGST 6%.

Find the GST liability if any for the month of Oct 20XX.

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Answer:

Working note:

(1) Since, value is ₹1,100, Hotel Queen Ltd., is liable to pay GST:

Room rent	550
Furniture rent	400
Air-conditioner rent	150
Refrigerator rent	50
Less: discount	(50)
Declared tariff	1,100

(2) Taxable services

(20 rooms x 31 days x ₹1,100) = ₹6,82,000

(35 rooms x 15 days x ₹1,100) = ₹5,77,500

Total taxable services = ₹12,59,500

Statement showing GST liability of Queen Hotel Ltd

Particulars	Value in ₹	
Taxable supply of services	12,59,500	
GST liability:		
	6% CGST	6% SGST
Output tax	75,570	75,570
Less: ITC	-3,750	-3,750
Total tax	71,820	71,820

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7. Short note (Answer any three questions)

- (a) Difference between Special Audit and Audit by Tax Authorities.
- (b) List out any 5 cases where generation of E-Way Bill is not necessary.
- (c) Items for which true and correct accounts are to be maintained.
- (d) Advantages of GST

[3x5=15]

Answer:

(a) Difference between Special Audit and Audit by Tax Authorities:

Components	Audit by tax authorities (Sec 65)	Special audit (Sec 66)
Conducted by	Conducted by officers of the department authorized by the commissioner.	Conducted by Chartered Accountant / Cost Accountant nominated by the commissioner.
Prior notice	Prior notice of 15 days is required.	No such notice/intimation is required.
Time for conclusion of the audit	The conclusion of the audit is given in 3 months, further extension of 6 months is allowed.	The conclusion of the audit is given in 90 days, further extension of 90 days is allowed.
Audit findings / report	Audit reports should be intimated soon upon completion of the audit.	Audit reports should be shown to deputy/ assistant commissioner.
Opportunity of being heard	No specific provision.	Yes, where material gathered during the audit is to be used in any proceeding against the auditee.

(b) Cases where generation of E-Way Bill is not necessary are:

- (i) The mode of transport is non-motor vehicle
- (ii) Goods transported under customs supervision or under custom seal
- (iii) Transit cargo transported to or from Nepal or Bhutan
- (iv) Empty cargo containers are being transported
- (v) Consignor transporting goods to or from between place of business and a weighbridge for weighment at a distance of 20kms, accompanied by a delivery challan.

(c) Every registered person is required to maintain a true and correct account of the following:

- (i) Production or manufacture of goods
- (ii) Inward and outward supply of goods or services, or both
- (iii) Stock of goods
- (iv) Input tax credit availed
- (v) Output tax payable and paid
- (vi) Any other particulars deemed necessary

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The above records must be maintained at each place of business registered under GST.

(d) Advantages of GST are as follows:

- (i) One Nation One Tax.
- (ii) Removal of bundled indirect taxes such as VAT, CST, CAD, SAD, Service Tax, and Excise.
- (iii) Removal of cascading effect of taxes i.e. removes tax on tax.
- (iv) Increased eases of doing business.
- (v) Lower cost of production, increase in demand will lead to increase in supply. Hence, this will ultimately lead to rise in the production of goods. Resultantly boost to make in India initiative.
- (vi) It will boost export and manufacturing activity, generate more employment and thus increase GDP with gainful employment leading to substantive economic growth.

Section – B

Answer question No. 8 which is compulsory and any one from rest of this section.

8. Answer the following questions:

[5×1=5]

(i) Which of the following is a taxable event for imported goods?

- (a) Unloading of imported goods at the customs port
- (b) Date of entry into Indian Territorial waters
- (c) Date of presentation of bill of entry
- (d) Date on which the goods cross the custom barrier

(ii) Goods which are same in all respects, including physical quantity is known as:

- (a) Similar goods
- (b) Identical goods
- (c) Alike goods
- (d) Indistinguishable goods

(iii) As per section 2(24) of the Customs Act, 1962, the person-in-charge of a vehicle carrying imported goods; deliver to the proper officer an import report within _____ after its arrival in the customs station, in the prescribes form

- (a) 12 hours
- (b) 18 hours
- (c) 24 hours
- (d) None of the above.

(iv) When the goods are sent from customs station for warehousing, proper officer shall affix _____ on the customer

- (a) Permanent lock
- (b) One time lock

- (c) Special mark
- (d) One time mark

- (v) The safeguard duty imposed shall be in force for a period of ____ from the date of its imposition and can be extended with the total period levy not exceeding ____.
- (a) 4 years, 10 years
 - (b) 3 years, 5 years
 - (c) 1 year, 5 years
 - (d) 5 years, 10 years

Answer:

- (i) (d)
- (ii) (b)
- (iii) (a)
- (iv) (b)
- (v) (a)

9. (a) In case of pilferage, state the conditions which are to be satisfied for exemption from duty. [3]

Answer:

In case of pilferage, Conditions to be satisfied for exemption from duty:

- (i) The imported goods should have been pilfered.
- (ii) The pilferage should have occurred after the goods are unloaded, but before the proper officer makes the order of clearance for home consumption or for deposit into warehouse.
- (iii) The pilfered goods should not have been restored back to the importer.

- (b) Compute the assessable value under the Customs Act, 1962 for an imported machine, based on the following information:

Particulars	US \$
(i) cost of the machine at the factory of the exporter	20,000
(ii) transport charges from the factory of exporter to port for shipment	800
(iii) handling charges paid for loading the machine in the ship	50
(iv) buying commission paid by the importer	100
(v) lighterage charges paid by the importer	200
(vi) freight and insurance (900+100) incurred from port of entry to inland container depot	1,000
(vii) ship demurrage charges	400
(viii) freight charges from exporting country to India (Insurance upto India is unascertainable)	4,000
(ix) loading, unloading and handling charges (includes \$100 incurred "at Indian port")	1,100
Date of bill of entry 20.3.2019: Exchange rate as notified by CBIC	₹68 per \$
Date of entry inward 25.3.2019: Exchange rate as notified by CBIC	₹65 per \$

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Answer:

Computation of assessable value

FOB Price [Item (i) + (ii) + (iii)]		\$20,850
Add: Rule 10(1)(a) [Item (iv) is not includible]		Not included
Customs FOB		\$20,850
Add: Cost of transport and loading, unloading and handling charges under Rule 10(2)(a)		\$5,600
Item (v) included as per Expl. To Rule 10(2)	200	
Item (vi) Cost of transshipment not included as per 5 th proviso to Rule 10(2)	-	
Item (vii) included as per Expl. To Rule 10(2)	400	
Item (viii) General freight charges upto India	4,000	
Item (ix) included on actual basis only "upto place of importation". Hence, charges incurred at place of Indian port not included in customs value	1,000	
Add: insurance under Rule 10(2)(b) [not given, assumed 1.125% of customs FOB]		\$234.5625
CIF or Assessable Value		26,684.5625
Exchange Rate		₹68 per \$
CIF or Assessable Value In ₹		18,14,550.25

10. (a) Determine the safeguard duty payable by X Ltd., Y Ltd., Z Ltd., and A Ltd. under Section 8B of the Customs Tariff Act, 1975 from the following:

Import of Sodium Nitrite from developing and developed countries from 26th February, 2019 to 25th February, 2020 (both days inclusive) are as follows:

Importer	Country of Import	₹ in crores
X Ltd.	Developing Country	70
Y Ltd.	Developing Country	72
Z Ltd.	Developing Country	52
A Ltd.	Developing Country	50
Others	Developed Country	2,256
	Total	2,500

Note: Safeguard duty is 30%.

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Answer:

Importer	Country of Import	₹ in crores	% of imports
X Ltd.	Developing Country	70	2.8%
Y Ltd.	Developing Country	72	2.88%
Z Ltd.	Developing Country	52	2.08%
A Ltd.	Developing Country	50	2%
Others	Developed Country	2,246	
	Total	2,500	9.76%

Safeguard duty is as follows:

Importer	₹ in crores	% of imports
X Ltd.	21	70 x 30%
Y Ltd.	21.60	72 x 30%
Z Ltd.	15.60	52 x 30%
A Ltd.	15	50 x 30%

Articles originating from more than one developing countries and imports from each developing country is less than 3%, safeguard duty can be imposed if imports from all such developing countries taken together exceed 9% of total imports of that article in India.

(b) Following particulars are available in respect of certain goods imported into India:

CIF value: US\$ 10,000

Exchange rate:

Notified by RBI ₹60 = 1 US\$

Notified by CBIC ₹58 = 1 US\$

Compute the following:

(i) FOB Value

(ii) Cost of insurance

(iii) Cost of freight and

(iv) Assessable value in rupees as per the Customs Act, 1962 and the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007. [8]

Answer:

As per Rule 10(2) proviso 3 of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007, where FOB value of goods and Cost of Insurance and Freight are not ascertainable, then the cost of insurance and transport shall be computed as follows:

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Particulars	As per Rule 10(2) proviso 3	Working
Cost of transport (i.e. freight not known)	$20\% \times (\text{FOB value} + \text{Cost of Insurance})$	$\text{CIF value} \times 20/120$
Insurance (i.e. not known)	$1.125\% \times (\text{FOB value} + \text{Cost of transport})$	$\text{CIF value} \times 1.125/101.125$
FOB Value	$\text{CIF value} - \text{cost of transport} - \text{cost of insurance}$	

CIF value in ₹5,80,000 (i.e. US\$ 10,000 x ₹58)

S.No.	Particulars	₹	Working
i	FOB Value	4,76,881	$₹5,80,000 - 96,667 - 6,452$
ii	Cost of insurance	6,452	$₹5,80,000 \times 1.125/101.125$
iii	Cost of transport	96,667	$₹5,80,000 \times 20/120$
iv	Assessable value	5,80,000	(CIF value = Assessable value)