

[For departmental use]

[Exercise-02]

e-Exercise Book

On

*100% Export Oriented Unit
Scheme (EOUs)*

Note:

In this **e-Exercise Book**, the reader can check his understanding and knowledge about **100% EOU Scheme in the Customs and Excise Department**. Though all efforts have been made to make this exercise book error free, but it is possible that some errors might have crept into it. If you notice any errors or if you have any suggestion to improve this exercise book, the same may be brought to our notice through email on the e-mail addresses: rtinacenkanpur@yahoo.co.in or goyalcp@hotmail.com. This may not be a perfect **e-Exercise Book** and all are requested to assist us to make it better.

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Setting up an EOU, mechanism of Unit Approval Committee (UAC), Procedure for approval of an EOU, Sector Specific Requirement for approval as an EOU.

Take the following Quiz & Test your knowledge

Identify the most appropriate choice by choosing the correct option out of four options given below.

1. What is the minimum investment limit for EOUs?

- a) Rs 1 lakh
- b) Rs 10 lakh
- c) Rs 1 crore
- d) Rs 10 crore

2. The minimum investment criterion is applicable to which of the following?

- a) Software Technology Park
- b) Handicraft
- c) Agriculture
- d) Food Processing

3. The Export Oriented Units (EOUs) are governed by the provisions of the following chapter of the Foreign Trade Policy (FTP) and its procedures, as contained in the Handbook of Procedure (HBP).

- a) 6
- b) 7
- c) 8
- d) 9

4. Consider the following statements.

- a) 100% foreign direct investment (FDI) is permitted through Automatic Route.
- b) Proposals for setting up EOUs requiring industrial license also require clearance by the Board of Approval (BOA) and Department of Industrial Policy and Promotion (DIPP).

Which of the above statements are correct?

- a) Only a
- b) Only b
- c) Both a and b

d) None of the above

5. Consider the following statements.

- a) The EOUs basically function under the administrative control of the Development Commissioner of the Special Economic Zones, whose jurisdiction has been notified by the Ministry of Commerce
- b) The provisions of the Customs and Central Excise law in respect of the EOUs are administered by the Chief Commissioners of Customs and Central Excise, who work under the control of Central Board of Excise & Customs.

Which of the above statements are correct?

- a) Only a
- b) Only b
- c) Both a and b
- d) None of the above

6. Which bond needs to be signed for the EOUs to conduct their operations?

- a) B17
- b) B18
- c) B19
- d) B20

7. What is the amount taken for B17 bond?

- a) Amount equal to 15% of the duty forgone on the sanctioned requirement of capital goods plus the duty forgone on raw materials required for 3 months.
- b) Amount equal to 20% of the duty forgone on the sanctioned requirement of capital goods plus the duty forgone on raw materials required for 3 months.
- c) Amount equal to 25% of the duty forgone on the sanctioned requirement of capital goods plus the duty forgone on raw materials required for 3 months.
- d) Amount equal to 30% of the duty forgone on the sanctioned requirement of capital goods plus the duty forgone on raw materials required for 3 months.

8. Consider the following statements regarding the difference between EOU and SEZ.

- a) Supplies made to EOU by Indian supplier are 'deemed exports' and supplier is entitled to benefits of 'deemed export'.
- b) Supplies to SEZ are 'Physical Exports' and all export benefits are available.
- c) Central Sales Tax (CST) paid on purchases is refundable (but not local tax) in case of EOU.
- d) In case of SEZ unit, supplier does not have to pay CST.

Which of the following statements are correct?

- a) a and b
- b) a, b and c
- c) a, b, c and d

d) None of the above

9. Consider the following statements:

- a) Under the EOU scheme, the units are NOT allowed to import or procure from DTA or bonded warehouses in DTA/ International exhibitions in India, without payment of duty all types of goods
- b) the goods prohibited for import are also permitted in case of EOU

Which of the above statements are correct?

- a) a only
- b) b only
- c) both a and b
- d) None of the above

10. On the policy front, all decisions relating to the EOUs are taken by the Board of Approvals (BOA). Under which ministry this Board of Approval is set up?

- a) Ministry of Finance
- b) Ministry of Commerce
- c) Ministry of Micro, small and medium enterprises
- d) None of the above

11. Consider the following statements:

- a) EOUs which satisfy the conditions of large tax payer has been transferred to the LTUs.
- b) EOUs basically function under the administrative control of the Commissioners of Central Excise

Which of the above statements are correct?

- a) a only
- b) b only
- c) both a and b
- d) None of the above

12. Consider the following statements:

- a) Validity of LOP may be extended further up to 3 years by competent authority.
- b) Proposals for extension beyond six years shall be considered in exceptional circumstances, on a case-to-case basis by CBEC.

Which of the above statements are incorrect?

- a) a only
- b) b only
- c) both a and b
- d) None of the above

13. Only projects having a minimum investment of Rs 1 Crore in plant & machinery shall be considered for establishment as EOUs. However,

- a) this shall not apply to existing units and units in EHTP / STP / BTP, Handicrafts / Agriculture / Floriculture / Aquaculture/Animal Husbandry / Information Technology, Services, Brass Hardware and Handmade jewellery Sectors
- b) BoA may also allow establishment of EOUs with a lower investment criteria

Which of the above statements are incorrect?

- a) a only
- b) b only
- c) both a and b
- d) None of the above

14. What is the time duration within which Unit Approval Committee has to approve or reject an application for setting up an EOU?

- a) 10 days
- b) 15 days
- c) 20 days
- d) 30 days

Administrative control, Customs bonding, procedure for bonding, execution of bond and its related provisions, payment of Merchant Overtime or Cost Recovery Charges.

15. With regard to clearance of import cargo, the EOUs are placed in a special category, eligible for fast track clearance through the Customs on the strength of procurement certificate. Who issues that procurement certificate?

- a) Commissioner of Customs
- a) Development Commissioner
- b) Assistant/Deputy Commissioner
- c) None of the above

16. Who administers the provisions of the Customs and Central Excise law in respect of the EOUs?

- a) Development Commissioner of the SEZs
- b) Jurisdictional Commissioner of Central Excise
- c) Board of approval
- d) None of the above

17. **The work relating to the EOUs located in port cities/towns or within the municipal limits of port cities/towns is handled by**

- a) jurisdictional Commissioner of Customs
- b) jurisdictional Commissioner of Central Excise
- c) Development Commissioner
- d) None of the above

18. **Consider the following statements:**

- a) Advance DTA sale is not covered under B-17 Bond
- b) For Advance Sale, separate bond is required to be executed with the Assistant / Deputy Commissioner (Customs/ Central Excise)

Which of the above statements are correct?

- a) a only
- b) b only
- c) both a and b
- d) None of the above

ANSWERS

Q. No.	Answer
1	C
2	D
3	A
4	C
5	A
6	A
7	C
8	C
9	D

10	B
11	C
12	A
13	C
14	B
15	D
16	B
17	B
18	C