

The regional value content of Good B is calculated as follows:

$$\begin{aligned}
 RVC &= \frac{NC - VNM}{NC} \times 100 \\
 &= \frac{\$22.80 - \$13.00}{\$22.80} \times 100 \\
 &= 42.9\%
 \end{aligned}$$

The regional value content of Good B is 42.9 percent, and Good B, therefore, does not qualify as an originating good.

Situation 3

A producer located in a NAFTA country produces Good B, which is subject to a regional value-content requirement of 50 percent under the net cost method. Good B satisfies all other applicable requirements of these Regulations. The producer self-produces Material A, which is used in the production of Good B. The costs to produce Material A are the following:

Product costs:	
Value of originating materials	\$1.00
Value of non-originating materials	7.50
Other product costs	1.50
Period costs: (including \$0.20 in excluded costs)	0.50
Other costs	0.10
Total cost of Material A	\$10.60

Additional costs to produce Good B are the following:

Product costs:	
Value of originating materials	\$0.00
Value of non-originating materials	5.50
Other product costs	6.50
Period costs: (including \$0.20 in excluded costs)	0.50
Other costs	0.10
Total additional costs	\$12.60

The producer designates Material A as an intermediate material under subsection 7(4). Material A qualifies as an originating material under paragraph 4(2)(a). Therefore, the value of non-originating materials used in the production of Material A is not included in the value of non-originating materials for the purposes of calculating the regional value content of Good B. The net cost of Good B is calculated as follows: