

**CHAPTER 5:
ANALYSIS OF RESPONSES**

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Statute and Regulations:

The Tariff Act of 1930, as amended (the Tariff Act)

 Section 777 - access to information

 Section 782 - conduct of investigations and reviews

Department of Commerce (“Department”) Regulations

 Section 351.301 - time limits for submission of data

 Section 351.303 - filing, format, service, and certification of documents

 Section 351.304(c) - treatment of business proprietary information

Statement of Administrative Action (“SAA”)

 Section C.4 - procedural requirements for antidumping

 investigations (see page 194 of the SAA)

Antidumping Agreement

 Article 6 - evidence

I. BASIC FILING REQUIREMENTS

Filing of Documents with the Central Records Unit

The analyst should begin by checking that all of the filing requirements of section 351.303 of the Department’s regulations have been met. Responses must be filed electronically using E&C’s ACCESS. Users may file documents at the website <https://access.trade.gov> following the instructions on the site, ACCESS External User Guide and in the [“Handbook on Electronic Filing Procedures”](#).

Electronic Media Submissions

In most cases, we require the submission of sales listings and certain other information on

electronic media. See 19 CFR 353.303(c)(3). A printout of the data contained on the media is also required and should reflect the data exactly. Respondent has the option of providing a printout of sample transactions, but it must do so for at least every 50th transaction. The printout is used to ensure that the media are properly formatted with the data in the proper columns and the decimals properly placed.

Electronic media must always be forwarded to the analyst via the CRU. In situations where respondents are unable to furnish their responses on electronic media or need some modification to our requirements, they must advise the Department within 14 days of the receipt of the initial antidumping questionnaire. See 19 CFR 351.301(c)(2)(iv). Under 19 CFR 351.303(c)(3), the Department may modify electronic reporting requirements per section 782(c) of the Act.

Business Proprietary Information

Where business proprietary information is involved, the responses must indicate whether the respondent agrees to release of the document under administrative protective order (APO). If there is no statement regarding APO release, let the APO Coordinator know immediately. Other labeling requirements of the regulations include case number, document classification, proceeding segment, and office assigned. The regulations also prescribe certain other requirements like document dimensions, certificates of service (including, where appropriate, APO versions) and accuracy. See 19 CFR 353.303(d). The analyst should check that the response meets these requirements. Particular attention should be given to certificate of service and response certification requirements.

As with all documents, business proprietary information must be properly summarized or accompanied by an acceptable explanation of why it cannot be summarized. See 19 CFR 351.304(c) and Chapter 3 (access to information). If the response is filed improperly, respondent (or, where applicable, its representative) should be notified accordingly so that the response filing can be corrected.

Forwarding Copies of Sections D and E to Accounting

For market economy investigations, and some administrative reviews, the team accountant is required to analyze Sections D and E of the questionnaire response, so always ensure that the accountant has received his or her copy and knows the time frame for issuing a supplemental questionnaire. Non-market economy program managers will let you know whether to forward this information to Accounting on a case-by-case basis.

BASIC FILING REQUIREMENTS CHECKLIST

___ Appropriate number of proprietary and non-proprietary copies filed.

- ___ Proprietary and non-proprietary versions filed properly.
- ___ Statement regarding APO release included.
- ___ Certificate of service included.
- ___ Certifications of accuracy of factual information from a representative and a company official.
- ___ Electronic media (e.g., CD-ROM) included.
- ___ All exhibits are legible.
- ___ Full (or sample) printout of sales listings included.
- ___ Section D (CV and COP), and Section E (Value Added in the United States) included and delivered to the team accountant.
- ___ APO and public versions sent to all interested parties whose representatives have been granted access to the APO.
- ___ Public version served on parties who were not granted access to the APO.

II. ANALYSIS OF THE TECHNICAL ADEQUACY OF A RESPONSE

A. General Checks

Comparing the Narrative Response to the Questions Asked

We want to determine whether the respondent has answered the questions posed in our questionnaire. Thus, the analyst should begin the analysis by comparing the response to the actual questionnaire in order to ensure that all questions have been properly answered. Where a question is not applicable to the respondent's situation, the response should so indicate. The analyst should also review the content of the response to each question to ensure that the reply actually addresses the question.

The sales listing should be reviewed to ensure that all adjustments discussed in the narrative are included. In addition, the analyst should check to ensure that dates of sale are reported clearly in the narrative for all transactions and that the units of quantity are reported clearly. If the respondent sells on a varying quantity basis (e.g., pounds and kilograms), there must be a column reporting the quantities on a uniform basis and any conversion factor used must be reported.

Be sure to check that the hard copy matches any submitted electronic copies of the narrative.

Reporting Currency

The currency for each value element must be reported. Prices and expenses must be reported in the currency in which they were incurred. If a particular expense is incurred in a different currency for individual sales, separate columns must be established for each element in each currency. If any of these items are not clear, the respondent should be asked to clarify them in a supplemental questionnaire.

Language Translation

The response should then be reviewed to ensure that all information in a foreign language is accompanied by a full English translation. See 19 CFR 351.303(e). Depending on the significance of material, translation of key sections may be sufficient. Also, the response should be reviewed to ensure that all exhibits are legible. The response should be checked to ensure that all numerical data and narrative portions of the response are typewritten.

B. Reviewing Questionnaire Section A Responses

Ascertaining Affiliations

It is important to review the financial statements submitted as part of the Section A questionnaire response. A review of this material will provide information regarding the corporate structure and any possible company affiliations. The information contained in the statements may also serve to confirm that the correct legal entity has been chosen as the respondent in the proceeding.

Determining the Existence of CEP Sales

Often, the response to Section A is received prior to the full questionnaire response. In those instances, the Section A response gives us a head start for making decisions regarding the selection of the appropriate comparison market for NV and the use of constructed export price (CEP) or export price (EP) as the basis of the starting price for U.S. sales.

The analyst must check that the respondent has reported data concerning the volume and value of sales for the respective markets for the POI or POR.

Level of Trade

The information requested concerning the organization of the respondent's company, market

structure of the industry, channels of trade, and the function of the purchasers in the respective markets is essential to the analyst's understanding of the industry. Information, such as specific types of customers, stages in the marketing process, and selling functions along the channels of distribution (e.g., inventory maintenance services, delivery services, technical services, extension of credit, etc.) is used in market economy cases to make comparisons at the same level of trade or as part of the basis for adjustments for differences in level of trade, and in non-market economy cases to evaluate which entity in the transaction chain is considered properly an exporter eligible for a separate rate.

Date of Sale

Although the Department will usually use the date of the invoice as the date of sale, parties may present, or the Department may find, evidence that another date is more appropriate. This date must be supported by documents or other evidence and should be as close as possible to the point at which all of the substantive terms of sale are fully committed to. It is essential that questions concerning the date of sale be addressed as soon as possible since the resolution of this matter will determine which sales are reported in respondent's sales database. Also, any discrepancies between the narrative response and the electronic submissions should be explained in a supplemental questionnaire response and resolved as soon as possible.

Knowledge at Time of Sale

Where a producer respondent's sales are to trading companies, exporters, or resellers, it is vital to understand whether the producer respondent knew or should have known at the time of sale that the merchandise was destined for the U.S. market. There are many things to consider in determining knowledge, such as examining the destination on its shipping documents. If the respondent did not know that the merchandise was destined for the U.S., then this respondent would not report this sale as a U.S. sale. Instead, the Department requires that the first seller in the supply chain, if that seller is a respondent, to have knowledge that the sale is destined for the U.S. market, to report that sale as a U.S. sale. This determination of the knowledge of the destination also applies where a respondent is a trading company or is a producer that purchases subject merchandise from another producer. If the original producer of the merchandise knew or should have known at the time of sale that the merchandise was destined for the U.S. market, then that producer, if a respondent, should report that sale as a U.S. sale, not the producer who resells it.

Respondent's Accounting Period

Often, records are maintained on an annual or quarterly basis. In some countries (e.g., India), fiscal periods may not coincide with the calendar month. Respondent's should explain whether the reported sales and expense allocation conforms to our POI or POR or to the respondent's accounting system. If the respondent is unable to report its data for the POI/POR, it must

inform the Department of this problem within 14 days after receipt of the initial questionnaire. See 782(c)(1) of the Tariff Act, and 19 CFR 351.301(c)(2)(iv).

SECTION A CHECKLIST

- ___ Quantity and value of sales are reported separately for each like product category.
- ___ Quantity and value of sales data are provided for the required markets; all currency conversion rates used are provided.
- ___ Quantity and value of sales data are reported separately for EP and CEP sales.
- ___ Organizational chart/full description of the corporate structure is included.
- ___ Affiliations with customers and/or suppliers are fully described.
- ___ The classes of customers and their functions are fully described. This is generally an issue only in market-economy cases.
- ___ Channels of trade/distribution in the industry are fully described. Functions performed and services offered in each distribution channel to each class of customer in the U.S. and, for market economy cases, comparison markets are fully described.
- ___ There is a clear indication of the date on which all sales terms are agreed upon. As noted above, the date of sale will normally be the date of invoice, as recorded in the exporter's or producer's records maintained in the ordinary course of trade unless there is satisfactory evidence to the contrary. Exceptions may apply on a case-specific basis.
- ___ The sales process for each channel of distribution is fully described.
- ___ Where sales are made through resellers, there is an indication that the producer respondent does/does not know the ultimate destination of the merchandise. Information concerning sales of subject merchandise supplied by an unaffiliated producer is included, and is in sufficient detail, including whether the supplier had knowledge of the ultimate destination of the merchandise purchased by the respondent or its affiliate at the time of sale.
- ___ A description of the types of sales agreements negotiated in the U.S. and, in market-economy cases, comparison markets and sample sales documentation generated in the sales process (e.g., sales contract, purchase order, order confirmation, invoice,

shipping documentation) are provided.

___ Price lists and discount/rebate schedules are provided in English.

___ A description of respondent's accounting and financial reporting practices is provided, including the respondent's normal accounting period.

___ English versions or translations of the following financial documents for the two most recently completed fiscal years plus all subsequent monthly or quarterly statements: (1) chart of accounts; (2) audited, consolidated and unconsolidated financial statements (including footnotes and auditor's opinion); (3) internal financial statements or profit and loss reports for the merchandise under investigation or review; (4) financial statements (including the auditor's report if available) of all affiliates involved in the production or sale of subject merchandise in the U.S. and, in market economy cases, comparison market, of all affiliated suppliers to these affiliates, and the parent(s) of these affiliates; and (5) any financial statement or report filed with the local or national government of the country in which the respondent is located.

___ Detailed descriptions of the merchandise produced or sold by the respondent, and the production process involved, are included, along with technical drawings, catalogues, brochures and other documentation that are translated into English.

___ Complete explanations of the differences and similarities of the merchandise under investigation or review sold in the comparison market and the merchandise that was exported to the United States.

___ A key to product codes assigned to the merchandise in the normal course of business is included.

___ Information concerning value added in the United States is provided and is in sufficient detail.

If the respondent believes that the value added in the United States exceeds substantially the value of the subject merchandise that has been further processed, the information provided should include a weighted-average net price for the POI or POR charged to the affiliated importer for each product included in the investigation or administrative review that has been further manufactured and the weighted-average net price for the POI or POR charged to the unaffiliated U.S. customers for each further manufactured final product.

___ Information concerning exports through intermediate countries (transshipments) is included and is in sufficient detail.

C. Reviewing Questionnaire Sections B and C Responses

Checking Data with SAS: The Data Integrity Program

Run the SAS data integrity program on the respondent's Sections B and C data for market economy cases or, for non-market economy cases, Section C data. The program will perform many individual tests on the data and will output observation-specific information as to such anomalies as missing data, or sales outside of the period entered by the analyst running the program. It will also generate a min/max table. Then, from these data list, determine what data appear aberrational and may require additional clarification from the respondent. The analyst should check for incorrectly labeled data, missing data, data that are different when comparing the data in the narrative response to the data in the database, or the same expense or adjustment listed in different currencies. If any inconsistencies or potential inaccuracies are found, clarifying questions should be incorporated into additional supplemental questionnaires.

Reviewing the Narrative

Date of Sale: The analyst should ascertain if the respondent indicated whether there were any changes in the material terms of sale (i.e., quantity (outside agreed tolerances), price, material specifications, and delivery terms) between the purchase order confirmation and issuance of the invoice, which would affect sales during the period. If the response indicates that change orders or amendments exist between the order confirmation and invoice date, the frequency of these changes should be requested so that we can make a judgment concerning the proper date of sale. We typically use the invoice date as the date of sale.

Terms of sale: Terms of sale (e.g., FOB, CIF, etc.) for each sale must be included in the sales listing and must be described fully in the narrative.

Packing Costs: A breakout of packing costs (both material and labor) must be provided. Any allocations must be described and formulas included, together with worksheets, where appropriate. The description of comparison market/third-country packing should be compared to U.S. packing to help determine whether all costs involved in the latter have been captured.

Discounts and Rebates: Each discount or rebate must be listed separately. The starting price reported must be the price before any rebates or discounts are deducted. Rebate and discount policies must be fully described. Where rebates or discounts are based on quantities purchased over an extended period of time, including sales outside the POI or POR, the rebates or discounts must be allocated over all applicable sales and fully described. Generally, discounts and rebates are applicable only in market economy cases.

Differences in Physical Characteristics: Physical differences between the items sold in the

comparison market and those sold to the United States must be fully described. For instance, claims for adjustment based on differing prices for material inputs or on differing labor or overhead costs due to varying production runs are not based on differences in physical characteristics of the merchandise and, thus, not allowed. The claimed adjustments must be limited to differences in direct manufacturing costs between physically non-identical merchandise. Material, labor, and direct variable factory overhead costs must be reported separately for each model in the sales listing. This information enables us to calculate the appropriate adjustments for physical differences between the U.S. model that is possibly dumped and the comparison market model that we have selected as the appropriate comparison product. Differences in physical characteristics is not relevant to non-market economy cases.

Cost of Manufacture: These data should be compared to any cost of production data submitted in response to Section D. Diagrams and photos of the production process may be helpful and we may want to request them in a supplemental questionnaire if the respondent has not already submitted them. Cost of manufacture applies only to market economy cases.

Payment Terms: Payment terms must be fully described. Differences in imputed credit expenses must be based on actual payment experience rather than nominal payment terms. The methodology for calculating the number of days credit was extended must be fully described and include all formulas used for the calculations--particularly when a number other than the actual number of days between the shipment date and the payment date has been reported. The source or calculation of interest rates used in the calculation of credit expense must be fully described. Other factors, such as compensating balances, interest on compensating balances and pre-payment, must be fully described and calculation formulas included. This information enables us to adjust the reported amounts if appropriate and assists in the verification of the data. Credit expenses are generally not calculated in non-market economy cases. However, payment terms have been crucial considerations in certain bona fides analyses regarding non-market economy cases so analysts should review such information, asking clarifying questions as appropriate.

Technical Services: The specific terms of sale under which the technical services are provided must be explained in detail. All costs claimed for technical services must be isolated by cost category and described fully. Any reimbursements for technical services must be reported. All allocations must be described and formulas reported. Technical services are generally not relevant to non-market economy cases. However, as it could conceivably be a consideration in certain situations, such as bona fides analyses, analysts should review any such information, asking clarifying questions as appropriate.

Allocation: Expenses should be reported in the sales listing on a per-unit rather than an aggregate basis. For example, where the respondent spent \$500 to ship 1000 units, the reported amount should be \$0.50--not \$500. Where expenses are incurred in different currencies for individual sales, they should be listed in separate columns on the computer printouts of the sales listing in the

currency in which they were incurred.

If expenses have been allocated between products or shipments, include the allocation formula. The response should include worksheets showing how the allocations were made. This review enables the analyst to determine whether the allocations appear reasonable. For instance, items such as freight and handling expenses are usually incurred on the basis of quantity (weight, pieces, or cubic measurement) while such expenses as insurance and brokerage are usually based on value. All allocations should normally be made on the basis in which the costs were incurred. Where an allocation appears to be inappropriate, corrections or further explanation should be requested in the supplemental questionnaire. See Chapters 7 and 8 for more information on allocations.

Commissions: The terms under which commissions are paid must be reported and all allocation formulas included. The response must indicate the relationship of the respondent to the commission recipient. Commissions paid to company employees should be reported as being paid to affiliated parties. Where commissions are paid in the U.S. market and not in the exporting country or third-country market, indirect selling expenses in the exporting country or third-country market must be reported for purposes of calculating the offset for the U.S. commissions.

Warranties: Full descriptions of all reported adjustments based on warranties, guarantees or servicing must be included. Warranty and guarantee experience for prior periods (usually three years) must be reported so that we have a reasonable basis for calculating the adjustment should POI or POR expenses be unrepresentative of historical warranty costs. Fixed and variable expenses should be reported separately. If actual expenses were incurred during the POI or POR, these expenses should be reported.

The response should indicate whether the terms of the warranty or guarantee offered by the respondent vary among markets and/or customer category. In addition, the respondent should indicate whether all of the products under investigation or review are subject to the same warranty or guarantee provisions. Warranty expenses should be allocated over all products on which the respondent provided a warranty/guarantee. If there is a relationship between warranty expenses and technical service expenses, the relationship must be explained in detail. Any payments pursuant to product liability claims must be reported in detail and related allocations included. This information is needed to calculate the correct adjustment and to verify the data efficiently. Actual product liability claims paid should be reported separately from insurance premiums paid. Warranties are generally not relevant to non-market economy cases. However, as it could conceivably be a consideration in certain situations, such as bona fides analyses, analysts should review any such information, asking clarifying questions as appropriate.

Royalties: If the respondent pays royalties on the sale or manufacture of the merchandise under investigation or review, the full details of the conditions of the royalty agreement, payments and the products covered must be included. Royalties are generally not relevant to non-market economy

cases. However, as it could conceivably be a consideration in certain situations, such as bona fides analyses, analysts should review any such information, asking clarifying questions as appropriate.

Warehousing Expenses: General warehousing expenses should be reported separately from pre-shipment warehousing expenses involving merchandise designated for individual customers. The respondent's short-term borrowing rate should be included and the respondent should indicate where inventory carrying costs have been included, if they are reported separately. In NME cases, only the existence and nature of warehousing need be identified and explained, as a surrogate value will ultimately be used, if appropriate, unless warehousing can be considered a market economy input. See Chapter 10 for more information.

Level of Trade/CEP Offset: Where adjustments for differences in level of trade or CEP offset are reported, the respondent must furnish complete information on the selling functions performed by the respondent and differences in pricing and costs for customers at these different levels. Even if a level of trade claim is not made, the Department analyzes the response to the extent possible and determines if additional information is needed to make this determination. See Chapter 8 for more information on level of trade analysis. While NME analysis does not involve levels of trade or CEP offsets, it is critical to gather and review selling function information, particularly for situations involving more than one exporter in an intra-NME transaction chain so as to permit the Department to properly evaluate which entity, if any, in the chain ought to be considered eligible for a separate rate.

Other Expenses: Any other expense incurred relative to exporting country or third-country sales are needed to determine whether they should be included in the adjustments to NV. Also, all selling expenses that are not directly related to the sales under consideration should be reported separately and the basis for any allocations should be included. All payments to third parties should be reported and explained clearly in order to allow us to determine whether it is proper to treat them as adjustments to the comparison market price.

SECTION B AND SECTION C CHECKLIST¹

¹ Note that there is no Section B in NME cases as the normal value is based on factors of production in Section D. Also, for NME cases, please refer to explanatory notes above to determine the relevance of the items in this checklist for the Section C analysis.

- ___ The narrative response coincides with the data contained in the electronic media.
- ___ Sales of the foreign-like product to purchasers in the comparison market total at least 5 percent of the volume of sales of subject merchandise exported to the United States.
- ___ CEP sales are reported separately from EP sales.
- ___ Sales made through affiliated vs. unaffiliated parties for shipment to the United States are reported separately.
- ___ The names of all unaffiliated importers are clearly identified for all administrative review EP transactions.
- ___ Changes between order date and invoice date are described and quantified to help in determining the appropriate date of sale.
- ___ Date of sale is reported in accordance with the instructions in Section A.
- ___ Sales prices are reported net of taxes rebated or not collected when the product is exported (e.g., value added tax).
- ___ Terms of sale (e.g., FOB) are indicated for each sale and are fully described.
- ___ Product codes assigned in the ordinary course of business and control numbers assigned to each unique product are included. Identify whether any additional criteria were added to the CONNUM.
- ___ Estimated expenses are reported for merchandise which was sold during the POI but was not shipped at the time of the response.
- ___ All expenses are reported on a per-unit basis.
- ___ The expenses reported reflect the terms of sale.
- ___ All expenses are reported in the currency in which they were incurred.
- ___ Where an expense is incurred in different currencies on different sales, they are presented in the sales listing in different columns.
- ___ All allocations of expenses are explained and all formulas and calculation worksheets are

included.

- ___ A description of all expenses incurred by the respondent to transport the merchandise from the factory (place of shipment) to the customer, including warehousing, is provided. If the respondent is an unaffiliated reseller that physically takes possession of the merchandise, then these expenses should be reported from the point of shipment of the reseller.
- ___ Packing costs are fully reported with a proper breakout of materials, labor and overhead in calculation worksheets.
- ___ Rebate and discount policies are fully described.
- ___ Each rebate or discount granted is reported separately on the sales listing, and is calculated net of taxes rebated or not collected when the product is exported.
- ___ Where discounts or rebates are based on quantities purchased over a period of time that extends beyond the POI or POR, they are only allocated over all applicable sales.
- ___ Any level of trade adjustment or CEP offset reported is fully explained and calculation worksheets provided.
- ___ Terms under which commissions are paid are described.
- ___ Allocations of these commissions are described.
- ___ Relationships to commission recipients, including employees, are included. For commission payments to affiliated selling agents, evidence is provided that such payments were made at arm's-length by reference to commission payments to unaffiliated selling agents in the comparison market and other markets.
- ___ Interest rates used in the calculation of credit costs are fully described. Such interest rates are based on short-term borrowings in the currency in which the sales are denominated.
- ___ The methodology used to determine the number of days for which credit was extended is fully described.
- ___ Other factors affecting net credit costs are described, including compensating balances.
- ___ Description of conditions under which customers are charged interest for late payment is included and interest income received is reported in the sales listing on a transaction-specific basis.

- ___ Claims for pre-shipment warehousing expenses include an indication of whether the expenses are incurred on behalf of a particular customer as a condition of sale or if inventory can be specifically associated with particular customers.
- ___ Post-shipment warehousing expenses are reported as part of movement expenses specifically by sale less any reimbursements received from the customer.
- ___ Expenses for various categories of advertising are reported. There is an indication of whether any advertising expense is incurred on behalf of a particular customer.
- ___ Advertising expenses for the foreign-like product that have been assumed by the respondent on behalf of its customers are reported separately from expenses incurred by the respondent to advertise to its customers. The latter type of advertising expenses are reported as part of indirect selling expenses.
- ___ Actual or anticipated reimbursements for advertising are reported.
- ___ Allocations of advertising expenses are fully explained.
- ___ Full descriptions of warranties, guarantees and servicing are provided.
- ___ Warranty/guarantee expenses for the three most recently completed fiscal years are reported and broken down by fixed and variable expenses.
- ___ Actual warranty/guarantee expenses (less any reimbursements from the unaffiliated parts suppliers) related to sales of the merchandise during the POI or POR are reported and broken down by variable and fixed costs.
- ___ The reporting of warranty/guarantee expenses reflects differences in experience among products, where possible.
- ___ Actual or anticipated reimbursements for warranties/guarantees are reported.
- ___ All relationships between warranty/guaranty expenses and technical service expenses are described.
- ___ Claimed technical services are described in detail.
- ___ Divisions of cost centers to which technical service expenses are allocated are identified.
- ___ Reimbursements for technical services are reported.

- ___ Allocations of technical service expenses are included. Direct and indirect technical service expenses are reported separately in the sales listing. Indirect technical service expenses are reported as part of indirect selling expenses.
- ___ Terms of sale under which technical services are rendered are identified.
- ___ Full details are included regarding the payment of royalties, including the conditions and products involved.
- ___ Allocations are fully explained for royalty claims.
- ___ Payments for product liability claims are reported and described fully, including allocations.
- ___ An explanation of all domestic taxes imposed on comparison market sales that were rebated or not collected on products exported to the United States, and excluded from the reported sales price, is provided.
- ___ Other expenses incurred on the merchandise sold in the comparison market are identified separately.
- ___ Indication of which expenses are directly related to sales in the comparison market during the POI or POR is provided.
- ___ All calculations used in reporting other expenses are fully described.
- ___ Sales overhead expenses (indirect selling expenses) are described and calculation worksheets are provided.
- ___ The opportunity cost to maintain inventory for sale in the comparison market (inventory carrying cost) is reported. Indication of the average length of time the finished product is maintained in inventory prior to the sale to the first unaffiliated customer, calculated from the end of production to the date of shipment to the customer, is provided.
- ___ Differences in physical characteristics in merchandise are fully described.
- ___ Reported adjustments for differences in merchandise are limited to direct manufacturing costs.
- ___ Reported adjustments for differences in merchandise are broken down into categories for

materials, labor and variable factory overhead. If full COP information is being submitted in response to Section D, no additional narrative is required.

___ Description of the cost accounting system and discussion of the derivation of the variable costs reported for differences-in-merchandise adjustment purposes are provided. If full cost of production is being submitted in response to Section D, no additional narrative is required.

___ If third-country sales are reported, information concerning the following items is included,
 along with calculation worksheets: international freight, marine insurance, inland freight
 from port to warehouse and warehouse to customer, inland insurance, brokerage and handling, customs duty, duty drawback, and export taxes.

___ All information necessary to calculate offsets for commissions or, if appropriate, the offset
 relevant to differing levels of trade for CEP sales.

___ Each item included in the reporting of offsets is listed separately.

___ Any sales that the respondent claims are not made in the ordinary course of trade are fully described.

___ Each of the physical characteristics has been reported as requested in the questionnaire.

D. Reviewing Questionnaire Sections D and E Responses

For cases where accountants are involved, responses to the CV, COP, and U.S. value added sections of the questionnaire should be forwarded to them immediately upon receipt. The analyst should also review the responses to these sections of the questionnaire in order to become completely familiar with the information submitted. The analyst should follow up on the review by the accountant and ensure that their comments on the adequacy of the response are included in the supplemental questionnaire. The date of issuance of the supplemental questionnaire should be discussed and agreed upon with the accountant.

For NME cases, the analyst is responsible for the review of Section D factors of production information. NME-specific checklist items appear at the end of the market economy listing below.

MARKET ECONOMY SECTION D CHECKLIST

- ___ Inputs obtained from affiliates are identified, and volume and value of major inputs purchased from affiliates are reported (including transfer price and per-unit cost of producing the input by the affiliated party in the case of a sales below cost investigation).
- ___ A complete description of respondent's financial and cost accounting systems and practices are provided, including illustrative flowcharts.
- ___ COP and CV are calculated based on actual costs incurred by the respondent during the POI, POR, or other designated cost reporting period, inclusive of all facilities producing the merchandise, on a weighted-average basis using model-specific production quantity as the weighting factor.
- ___ Variable costs reported for differences in merchandise for purposes of Sections B and C reconcile with costs reported for Section D purposes.
- ___ Detailed description of the methodology used to compute COP and CV is provided and addresses the following items: direct materials, internal taxes on materials purchases, import duties on materials purchases, direct labor, variable and fixed production overhead, research and development costs, general and administrative expenses, and net interest expense. These items are reported on electronic media in accordance with the instructions outlined in section D.
- ___ Detailed description of the differences between costs computed under the respondent's normal cost and financial accounting systems and the costs submitted in response to section D is provided.

For the model with the highest U.S. sales volume and the model with the highest comparison market sales during the POI or POR, worksheets are provided showing the reconciliation of per-unit cost of the product recorded for inventory movements from work-in-process to finished goods inventory to the COM submitted for CV and COP, respectively.

NON-MARKET ECONOMY SECTION D CHECKLIST

- ___ Chapter 10 includes the definition of factors of production and how they are used in the calculation. For review of Section D information, it is important to get the best

understanding possible of the product, the respondent's² production process (including, if applicable, at each of the respondent's facilities which produce merchandise identical on a CONNUM basis to the merchandise sold to the United States), how it records inputs and outputs in the ordinary course of business, and how it used its source data to provide its questionnaire response. Additionally, the NME Unit has developed three key additional worksheets designed to assist analysts in their review of factors information. They include the Factor of Production (FOP) worksheet, the Market-Economy Purchases (MEP) worksheet, and the Surrogate Value worksheet. It is important to ensure that the respondent has included the FOP and MEP (if applicable) worksheets - the Surrogate Value worksheet is optional. It is also important to compare the submitted worksheets with the narrative descriptions to be sure that the information they contain is consistent with the narrative descriptions, and that an updated spreadsheet, clearly marked for the date, is submitted with each initial or supplemental questionnaire response.

— As with the market economy analysis, the response must contain a complete description of the respondent's financial and cost accounting systems and practices, including illustrative

flowcharts. Although the NME calculation does not consider cost of production per se, thorough familiarity with the respondent's cost accounting system is necessary to ensure that all relevant factors of production used in the production of the subject merchandise have been reported in accurate quantities and that all allocations are appropriate and accurate.

— Similar to the market economy analysis, analysts must examine the reported per-unit factors of production to ensure that the respondent calculated them based on actual costs incurred by the respondent during the POI, POR, or other designated reporting period, inclusive of all facilities producing the merchandise, on a weighted-average basis using CONNUM-specific production quantity as the weighting factor. It is also important for analysts to keep an eye out for responses which assign the factors of respondent-designated "similar" models to those products which were sold but not

² Note that in NME cases, the respondent is often solely an exporter and does not produce the subject merchandise. In such cases, the respondent must provide the factors of production from its suppliers for all merchandise for the CONNUMs sold to the United States, whether or not the supplier is affiliated with the respondent, and must provide a separate worksheet for each intermediate product which lists the production process and amounts of the factors of production used. It is very important to ensure that the respondent has reported the appropriate factors of production for all situations where it self-produces inputs used to manufacture the subject merchandise. For all such self-produced (or "intermediate" factors), the Department will need to determine whether it should calculate normal value based on a surrogate valuation of the "intermediate" factor, or based on all the inputs the respondent used to manufacture the "intermediate" factors, known as "inputs-to-inputs" analysis. Chapter 10 will explain these situations in more detail, so for purposes of this chapter, it is important to review each reported factor to determine whether the respondent self-produced or purchased it.

produced in the relevant period. While the Department's usual practice is to have the respondent report the factors for such products from a period six-months before the POI/POR, it is important to raise this issue to your Program Manager as soon as possible.

- Byproducts and coproducts: Factors. When a respondent reports these items, it is important to check the response for a few key items. The first is that the respondent reports all the factors of production it incurs in generating the byproducts or coproducts. Many byproducts are substantially processed prior to sale, requiring substantial labor, energy, and occasionally materials before they are saleable, so it is important to gather those factors to ensure a complete and accurate calculation.
- Byproducts and coproducts: Reported Factor Usage Rates. When a respondent reports these items, it is important to determine whether they reported factors usage rates gross or net of the byproducts. For instance, if the factor is steel scrap and the respondent reported a usage rate of "10," and that it reintroduced steel scrap byproducts into its production at a value of "2," an accurate calculation which would avoid double counting requires the analyst to ascertain whether the total amount of steel scrap the respondent used was 10 or 12 (i.e., $10 + 2 = 12$).
- Units of measure. Analysts are responsible for ensuring that the reported factors of production are presented in consistent units of measure for each final or intermediate product. This is one of the areas where there are the most clerical errors, so analysts ought to devote relatively more time to reviewing this information.
- Physical Characteristics. Analysts are responsible for ensuring that the physical characteristics, and the CONNUMS which result from them, are reported as requested in the questionnaire. On occasion, a respondent may replace the requested physical characteristics with some of their own, so it is important to be alert in this regard.
- Factor Movement and Distances. In NME cases, the Department not only values the factors of production (usually using surrogate values), but also accounts for the freight involved in moving the factors from their factory of origin to the subject merchandise manufacturing location. There are two key elements involved in this analysis: (1) Reporting the mode of transportation. As there are different surrogate values for different modes of factor transportation (e.g., truck or barge), it is important to ensure that the mode is clearly stipulated for each factor. Also, the NME questionnaire requests that for situations involving multiple modes of transportation, each different mode is clearly identified in the response and the database, so this must be checked as well. (2) Reporting the transportation distance. Analysts must ensure that the respondent has reported the distance from the factory where a factor was produced to the location where

the subject merchandise is created.³ There are two additional elements to transportation distance which an analyst should review in any questionnaire response: a) “Sigma cap” distance. A court ruling in the Sigma case holds that the Department must cap the distance that it applies to any input’s transportation to the factory using the distance to the closest seaport. Therefore, analysts must ensure that the respondent reported the distance to the seaport^{4 5}; b) Ultimate location of the factor. One common error in questionnaire responses is that the respondent reports the distance from the company which supplied the factor in question, rather than from the location of the company which actually produced the factor, so analysts should be alert to ensure that the correct location is in the response.

SECTION E CHECKLIST

___ General information concerning further manufacturing or assembly after importation of the subject merchandise into the United States is provided, including: flowcharts of the U.S. production process, description of production facilities, and list of inputs used to further manufacture the subject merchandise.⁶

___ Inputs obtained from affiliates are identified and volume and value of major inputs purchased from affiliates are reported (including cost of producing the input and transfer price). For NME cases, while it is appropriate to determine these elements, identify especially any affiliates located in an NME country as surrogate valuation may be required.

³ Note that the distance for all intermediate products used to manufacture the subject merchandise must be reported as well. For instance, if a respondent sells coconut creme pies to the United States and it makes the pies in one location but produces shredded coconut meat at another location, the distance the coconut shreds travel to the pie factory must be reported as that is an important element of the Normal Value.

⁴ Note that where a respondent sources the same input from multiple sources, it must report both the weight-averaged (by quantity) distance for the overall input, in addition to providing the identity, individual quantities, and distance for each of the multiple sources so that it is possible to review that the weight-averaging is correct.

⁵ Note also that where there are multiple suppliers, the current practice is to “cap then average.” So, in this kind of scenario, analysts must ensure that the respondent capped the individual distances from its factor suppliers prior to weight-averaging them.

⁶ To date, NME segments involving further manufacturing (FMG) have been rare, so analysts should alert their program manager as soon as they determine there is FMG in their case. In general, as FMG takes place in a market economy, NME calculations of further manufacturing track ME calculations. The following are several differences and items analysts should look for when FMG is reported: a) be sure that only non-NME currencies are used in the calculation. If ocean freight, for example, is denominated in an NME currency, use a surrogate value for that expense; b) be alert for any imported inputs sourced from an NME country, especially the home country, as a surrogate value would be appropriate in such situations; c) as in CEP situations, ensure that the calculation uses CEP profit calculation as per Chapter 10, and not pursuant to whatever profit the CEP/FMG entity reports in its ordinary books and records.

- ___ Complete descriptions of the respondent’s financial and cost accounting systems and practices are provided, including illustrative flowcharts.
- ___ Costs of further manufacture or assembly are calculated based on actual costs incurred by the respondent during the POI, POR, or other designated cost reporting period on a weighted-average basis using CONNUM-specific production quantity as the weighting factor.
- ___ Costs of further manufacture or assembly reported for Sections D and E reconcile.
- ___ Detailed description of the methodology used to compute value added costs is provided and addresses the following items: direct materials, direct labor, factory overhead costs (including research and development), general and administrative expenses, and net interest expense. These items are reported on electronic media in accordance with the instructions outlined in section E.
- ___ Detailed description of the differences between costs computed under the respondent’s normal cost and financial accounting systems and the costs submitted in response to section E is provided.
- ___ Analysts should report to their program manager any requests respondent made to invoke the “65% Rule.” See 19 CFR 351.402(c)(2).

III. REQUESTS FOR SUPPLEMENTAL INFORMATION

Requests for supplemental information should be prepared promptly and should cover all areas where the questionnaire response is deficient, as well as areas where clarification or additional information is required. While we aim to send out the supplemental request for information promptly, the analyst needs to take enough time to ensure a thorough analysis of the questionnaire response. Depending upon the responses received, the Department may issue one or a series of supplemental questionnaires during the course of the investigation or administrative review.

Deadlines for Supplemental Responses

Generally, we try to grant respondent about 10 working days to respond to any supplemental requests for information. The deadline will depend on the time remaining before the determination or results.

Petitioner’s Comments for Suggested Supplemental Questions

The petitioner may submit proposed supplemental questions to the Department upon the

petitioner's own review of respondent's questionnaire response. In addition to our own review, the Department always reviews any comments by the petitioner for possible inclusion in a supplemental questionnaire request. Petitioner's comments are, however, simply an aid in preparing our supplemental questions.

Section D and Section E Supplementals

If appropriate, all supplemental responses including data on COP, CV, or value added in the United States must be given to the team's accountant assigned by the Office of Accounting immediately after submission.⁷ Any omissions or deficiencies identified by the accountants must be included in additional supplemental request(s) for information.

⁷ This is not the case for NME analysis.