SECTION D

Cost of Production and Constructed Value

I. General Explanation of Section D Questionnaire

This section of the antidumping questionnaire provides instructions for reporting the **cost of production** ("COP") of the **foreign like product** and the **constructed value** ("CV") of the **subject merchandise**. Please refer to the cover letter to determine your reporting requirements.

If you have questions concerning any part of the section D questionnaire, you are instructed to contact the official in charge. Please note, however, that requests by your company to alter the reporting of the information requested in the section D questionnaire must be submitted in writing to the Department.

A. Cost of Production

Cost of production is the weighted-average control number ("CONNUM") specific cost[1] of the product sold by your company in the comparison market (i.e., the home or third country market). The Department will compare the COP to the sale prices for that product in the comparison market to determine whether those prices can be used as the basis for normal value. Unless otherwise instructed by the Department, you should report per-unit COP information for each CONNUM included in your home market or third country sales listing submitted in response to section B of this questionnaire.

B. Constructed Value

Constructed value is the weighted-average CONNUM specific cost of the product sold by your company in the U.S. market, plus an amount for profit. Because CV is a type of normal value, selling, general and administrative ("SG&A") expenses and profit are computed as if the merchandise had been sold in your comparison market.[2] Unless otherwise instructed by the Department, you should report per-unit CV information for each CONNUM included in your U.S. market sales listing submitted in response to section C of this questionnaire.

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[1] There should be a single weighted-average cost for each CONNUM regardless of market destination as defined by the Department's product characteristics.

[2] If you did not sell the foreign like product in the comparison market and thus are relying on CV as the basis for normal value, please notify the Department in writing.

C. Reporting Period for Cost of Production and Constructed Value

Calculate reported COP and CV figures based on the actual costs incurred by your company during the period of review ("POR"), as recorded under your company's normal accounting system.[3] If you have any questions regarding the appropriate cost calculation period for the merchandise under consideration, notify the Department in writing before preparing your response to this section of the questionnaire.

D. Weighted-Average COP and CV

Please report per-unit cost information (i.e., a per-unit cost per CONNUM) for all merchandise under consideration produced by your company corresponding to those CONNUMs reported in your responses to Sections B and C of this questionnaire.[4] Ensure that each CONNUM included in your comparison market or U.S. sales listing has a corresponding CONNUM-specific cost reported in response to this section of the questionnaire. Calculate reported COP and CV figures on a weighted-average basis using the CONNUM specific production quantity, regardless of market sold, as the weighting factor. Thus, each CONNUM should be assigned only one cost, regardless of the market or markets in which the product(s) were sold. If more than one unique product produced at a domestic facility falls within the definition of a specific CONNUM, determine first the weighted-average CONNUM specific costs at that facility; then calculate the company-wide weighted-average CONNUM specific costs. If you have any questions regarding how to compute the weighted-average cost of the merchandise under consideration, notify the Department in writing before preparing your response to this section of the questionnaire.

II. General Information

The production process, financial accounting, and cost accounting information requested below is necessary for the Department to better understand your company's operations, its products and production processes, and its financial and cost accounting practices. Therefore, you should provide complete narrative responses to each of the items listed below.

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[3] If your company's fiscal year ends within three months of the POR and you want to report COP and CV based on your company's fiscal year, you must contact the official in charge within 14 days after receipt of the initial questionnaire. See 19 CFR 351.301(c)(2)(iv).

[4] Throughout the questionnaire, whenever we refer to the merchandise under consideration we are referring generally to all products within the scope of the review that your company sold in any market. When we use the term subject merchandise, we are referring to products sold to the United States. When we use the term foreign like product, we are referring to products sold in your home market or exported to a country other than the United States. Note we consider merchandise under consideration, products under review, and merchandise under review to be synonymous. We have provided a description of the merchandise included in the review in Appendix III.

A. Products and Production Processes

Provide a description of your company's production process for the merchandise under consideration.[5] Your description should address each of the items 1 through 8 listed below.

1. Provide a description of your company's production facilities. If production of the merchandise under consideration takes place at more than one facility, identify each facility and describe the production activities that take place at each facility. Identify all products manufactured at each facility, including products not under consideration.

2. Provide a flowchart of the production process for the merchandise under consideration. Please supplement your flowchart with descriptions of each stage in the process.

3. List all coproducts, byproducts, and scrap that result from producing the merchandise under consideration. Describe why your company considers these items to be coproducts, byproducts, or scrap.

4. State whether your internal product codes used for production control, cost accounting and inventory records differ from those used for sales purposes. Provide a key to the internal product codes used in the production process, cost accounting, and inventory records. Include an explanation of the full range of prefixes, suffixes, or other notations that identify special features.

5. List **all** inputs used to produce the merchandise under consideration, including specific types of raw materials, labor, energy, subcontractor services, research and development, *etc*.

6. Provide the quantity and value of purchases of the three most significant inputs used in producing the merchandise under consideration (*i.e.*, either raw material or energy) for each month of the POR. In addition, provide the approximate percentage each such input represents of the total cost of manufacturing of the merchandise under consideration.

7. Identify those inputs, and other items (*e.g.*, fixed assets, services, *etc*.), that your company receives from affiliated parties. For each item received from an affiliated party, provide the name of the affiliated party and state the nature of the

[5] If you have already provided a description of your company's production process in response to section A of this questionnaire, you may repeat that description or refer to the page numbers in that part of your response where the information is presented. However, your response must address each of the items noted in parts II.A.1 through 8 of this section of the questionnaire. If it does not, provide the description of your company's production process in this section of your response and supplement it accordingly with the requested information.

affiliation. Finally, state whether the transfer price of the good or service reflects the market price of the item, in the market under consideration.[6]

8. List the **major** inputs purchased from affiliated parties that are used to produce the merchandise under consideration during the cost calculation period. A major input is an essential component of the finished merchandise which accounts for a significant percentage of the total cost of manufacturing incurred to produce one unit of the merchandise under consideration. For each major input identified, complete the following chart (*i.e.*, complete a separate chart for each major input):

Name of Major Input	Total Volume Purchased	Total Value Purchased	Average Price	Affiliated Supplier's COP	% Supplier-Specific Purchases Represent of Total Purchases of that Input (b) Volume) (a) Volume) [7]	% Input Represents of COM (Consumption Value of Input) Total COM) [8]
Name(s) of Affiliated Supplier(s)	(b)	(b)	(e)	(f)	(g)	
Unaffiliated Supplier(s)	(c)	(c)	(d)			
Total	(a)	(a)				(g)

The letters below are descriptions of the corresponding letters contained in the chart:

a. the total volume and value (as recorded under your company's normal accounting system) of the input purchased from all sources by your company during the cost calculation period;

b. the total volume and value of the input purchased from each affiliated supplier (list and identify each affiliated supplier separately);

c. the aggregate volume and value of the input purchased from unaffiliated parties during the same period;

d. the average unit market value per unaffiliated supplier(s) (note, if there are no such purchases but your affiliated supplier sells the identical input to unaffiliated customers in the market under consideration, in a separate schedule provide the average price paid for the input by the unaffiliated purchasers);

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[6] In reporting CONNUM specific per-unit COP and CV figures under section IV below, report the "cost" of affiliated purchases in accordance with the amounts as recorded in your normal accounting system.

[7] Base the percentage on the volume purchased from each affiliate to the total volume purchased from all parties (i.e., affiliated and unaffiliated).

[8] Base the percentage on the values recorded in your normal accounting system. Use the consumption value and total COM of the merchandise under consideration into which the item in question was an input. State whether the item in question is an input for only certain models.

e. the average unit transfer price for each affiliated supplier;

f. if you are responding to this section of the questionnaire in connection with an investigation of sales below cost, or you were unable to obtain a market value for the input, provide the product specific per-unit cost of production[9] incurred by each affiliated supplier producing the major input (list and identify each affiliated supplier separately); and,

g. complete the rest of the chart accordingly.

9. Identify and describe all internal tax programs that assess taxes on purchases of inputs used to produce the merchandise under consideration. Identify the tax rate associated with each internal tax. Explain whether the tax is rebated or not collected on exports. If it is collected and not rebated upon export, but it is recovered through some other means, explain how (*e.g.*, through home country sales, export sales, or some other means). If you did not recover such internal taxes paid during the POR through either home market sales, export sales, or some other means, report the net amount incurred for each type of internal tax during the cost calculation period.

B. Financial Accounting Systems and Policies

Describe your company's financial accounting practices and the system it uses to accumulate and summarize accounting data for purposes of preparing financial statements. Your description should address each of the items listed below.

1. State whether your company's financial accounting practices are in accordance with generally accepted accounting principles ("GAAP") practiced in the country in which the merchandise under consideration is produced. If not, explain all differences.

2. Provide a flowchart illustrating your company's financial accounting books and record keeping system. Show in your flowchart all subsidiary ledgers and reports generated by your company's financial accounting system (*e.g.*, subsidiary ledgers maintained for raw materials purchases, inventories, sales, accounts receivable, *etc.*).

3. Explain your financial accounting practices with regard to the following:

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[9] The product specific per-unit cost of production should include movement costs incurred by the affiliated supplier for shipping the good to the respondent and a portion of your affiliate's SG&A and interest expenses. Provide a worksheet showing the cost build-up. The cost build-up should be based on the affiliate's normal accounting system.

a. valuation methodologies for raw materials, work-in-process, finished goods inventories, and cost of goods sold;

b. explain whether there were any changes to the inventory valuation methodology, particularly for direct materials, during the POR (if so, describe such changes);

c. fixed asset valuation, revaluation, depreciation, and treatment of idled assets;

d. whether the depreciation methodology or useful lives of any assets have changed within two years of the beginning of the POR (provide a summary table of the useful lives of each class of assets);

e. inventory write-off and write-down methods for raw materials, work-in-process, and finished goods;

f. income and expense accounts requiring year-end and periodic provisions, accruals, and other adjustments;

g. treatment of exchange gains and losses, on both a consolidated and unconsolidated financial statement basis, resulting from foreign currency transactions and from translations of year-end asset and liability balances;

h. capitalization of general and administrative expenses or interest expenses as part of inventory or fixed asset valuation;

i. plant closure, shut-down (including periods for maintenance and retooling), or restructuring costs (state whether you recognized any expenses during the cost calculation period as a result of shut-downs, closures, or restructuring during previous periods);

j. changes in accounting methods (*e.g.*, accounting principles or estimates) during the fiscal period(s) that include part of the POR and one preceding fiscal year; and,

k. the effects of inflation on financial statement information.

C. Cost Accounting Systems and Policies

1. Describe your company's normal cost accounting system.

a. Explain whether your company uses a job order, process, operations, or other type of cost accounting system.[10]

[10] Job order system - Under a job order costing system, product costs are obtained by allocating costs to a specific unit or to a small batch of products that proceed through the production steps as a distinct identifiable job lot.

b. Identify the type of system (*e.g.*, SAP) and each of the individual modules used by your company.

c. Explain how the system records, classifies, aggregates, and allocates the costs to products, including the merchandise under consideration, in the normal course of business.

d. Illustrate how the system records and reports costs for the merchandise throughout the production process.

2. Describe how the company's cost accounting system reconciles to the financial accounting system. In addition, address each of the items listed below.

a. Explain whether the amounts from the cost accounting system are changed when assigning values to products in finished goods inventory.

b. Identify all production costs included in the cost of goods sold which are valued differently for cost accounting than for financial accounting purposes.

c. If your company does not have a formal cost accounting system, provide a detailed explanation and example of how the fiscal year-end inventory values are determined.

3. List and describe all reports generated by your company's cost accounting system. List and describe all reports generated by your company's production control system. List and describe all reports prepared for reporting cost and production information to management.

4. Describe the level of product specificity over which your company's cost accounting system normally captures production costs. Explain how the product specific costs recorded in your normal accounting system compare to the weighted-average CONNUM specific costs reported for COP and CV.

Process costing system - Under a process costing system, product costs are obtained by allocating costs to masses of like units that usually proceed in continuous fashion through a series of uniform production steps.

Operations costing system - An operations costing system represents a hybrid of job order and process costing systems. Under an operations costing system, distinctions are made between batches of product. Materials are specifically allocated to the batches, and conversion costs are computed for each operation undergone during production.

5. List the direct cost centers included as part of your company's cost accounting system. Identify those cost centers through which the merchandise under consideration passes during production and describe the operations that take place at each of the direct cost centers. Explain how materials, labor, and other direct costs incurred at each cost center are recorded and charged to the merchandise produced. If direct costs are allocated to individual units of the merchandise at these cost centers, then state the basis for the allocation.

6. List the indirect or other common cost centers included as part of your company's cost accounting system. If not already included as part of your narrative, describe the operations that take place in each of those cost centers and how the costs of those operations are accumulated and recorded. Explain how the costs accumulated by each indirect or common cost center are allocated to the direct cost centers listed pursuant to item 5 above and state the basis for the allocation.

7. Explain how your company's cost accounting system accounts for unfinished units (*i.e.*, work-in-process) within each cost center at the end of an accounting period. If it involves special calculations (*e.g.*, calculation of equivalent units of production), explain the calculation methodology.

8. If your company's cost accounting system is based on standard or budgeted costs, then provide the following information:

   a. list each variance recorded under your company's cost accounting system and how they are used by management in the normal course of business; for each variance, identify the level of product specificity for which the variance is measured and the types of costs included in the variance;

   b. the period for which your company computes and records each type of variance;

   c. the methods used to develop each variance used in your company's cost accounting system;

   d. a description of how the standard or budgeted costs (*e.g.*, input prices, usage, *etc.*) were calculated and the frequency with which your company revises its cost accounting standards or budgeted costs, including the dates on which the latest revisions were made for input price and usage for merchandise under consideration and merchandise not under consideration; and,

   e. the disposition of favorable or unfavorable variances (including under- or over-applied overhead) resulting from production operations during each accounting period (*e.g.*, charge to cost of sales, prorate between cost of sales and inventory balances).

9. Describe the method used under your company's cost accounting system to account for scrap generated at each stage of the production process. State whether the scrap material generated is reintroduced into the production cycle as raw materials, sold, or otherwise disposed of in the normal course of business.

10. Describe the method used under your company's cost accounting system to account for coproducts and byproducts that may result from producing the merchandise under consideration. Identify the point in the production process where coproducts or byproducts become individually identifiable.

11. Describe how your company accounts for processing yields or losses throughout the production cycle. Indicate each stage in the production cycle where processing yields are measured. Provide a schedule showing the average actual yield experience during the cost calculation period.

D. Startup Costs

If a startup operation has taken place at your company during the POR and you are claiming a startup adjustment for a new product or a new production facility, address each of the following:

1. describe the new product or production facility and provide the total costs attributable to the new product or production facility (*i.e.*, the total construction or development costs prior to the startup phase of production; also, describe how those costs were treated in your company's normal accounting records);

2. state the total costs associated with the startup phase of production and describe how those costs were treated in your company's normal accounting records;

3. for a new facility, identify the date on which the new facility was completed;

4. if the claimed startup adjustment is for an expansion of capacity to an existing facility, demonstrate that the expansion constituted such a major undertaking that it required the construction of a new facility and resulted in the depression of production levels due to technical factors associated with the new facility's initial production phase (as part of your analysis, provide the amount spent in expanding the facility compared to the historical cost of the existing facility);

5. if the claimed startup adjustment is for retooling of an existing facility, demonstrate that the retooling involved the replacement of nearly all production machinery or the equivalent rebuilding of existing machinery (as part of your analysis, provide the amount spent in refurbishing or retooling the facility compared to the historical cost of the machinery and equipment used previously in the facility);

6. if the claimed startup adjustment is for a new product, demonstrate that the new product required substantial additional investment or, in the case of an existing product, involved the complete revamping or redesign of the product (as part of your analysis, demonstrate that the "new" product is technically distinct from those already manufactured by the company and provide the amount spent to develop the product);

7. provide all dates relevant to the startup period, including: the beginning and ending dates of any test manufacturing prior to the startup phase of production, the start date of the initial start-up period, and the date when commercial production levels were reached or the projected date for reaching commercial production levels;

8. explain how the production levels were limited by technical factors associated with the initial phase of commercial production (as part of your analysis, describe the technical factors which limited production, demonstrate how these technical factors restricted the number of units processed by the company, and demonstrate how these technical factors are unique to the startup phase, not a result of chronic or normal production problems);

9. explain how commercial production levels were determined; as part of your analysis, provide: 1) the monthly production volumes and the number of units started into production each month during both the startup period and the cost calculation period (*i.e.*, the post startup period); 2) the production capacity of the old and new facility; 3) the planned production quantity for the new product; 4) quantitative historical data reflecting experiences in producing the same or similar products; and 5) an analysis showing that low production levels were not caused by factors unrelated to startup operations;

10. include the claimed startup adjustment in a computer data field entitled STARTUP, which represents the difference between the normalized cost and the actual cost, on a CONNUM specific per-unit basis; and,

11. provide worksheets documenting the calculation of your claimed startup adjustment (the calculations must demonstrate not only the claimed startup adjustment, but also how the unit production costs incurred during the startup period were substituted with the unit production costs incurred after the startup period).

III. Response Methodology

The CONNUM specific per-unit COP and CV figures that you provide in response to this section of the questionnaire must reconcile to the actual costs reported in your company's normal cost accounting system and to the accounting records used by your company to prepare its financial statements. Therefore, be advised that you will be required to reconcile the summation of the

per-unit COP and CV figures to the amounts recorded in your cost accounting system and to the cost of manufacturing recorded in your financial accounting system.

If your company normally uses a cost accounting system based on actual costs, use that system for purposes of computing your submitted COP and CV amounts. Similarly, if your company normally uses a standard cost accounting system, use that system for purposes of computing COP and CV; in such case, however, ensure that you have allocated to the merchandise under consideration all variances resulting from differences between standard and actual production costs.

You should compute COP and CV based on your company's normal accounting records. If in preparing the COP and CV calculations you intend to depart from your company's normal accounting system and normal cost allocation methods, you must notify the Department in writing before you respond to this section of the questionnaire.

A. Description of Response Methodology

Describe the method you used to compute your company's submitted COP and CV figures.

1. Describe how you developed the reported CONNUM specific per-unit costs from your normal cost accounting system.

2. Describe how you used your normal cost and financial accounting records to compute each of the following cost elements:

   a. direct materials;

   b. internal taxes (including value added taxes ("VAT")) and import duties on materials purchases. State whether you were exempted from paying or were rebated these taxes and duties on imported raw materials used to produce the merchandise under consideration;

   c. direct labor;

   d. variable production overhead (provide a list of the cost categories that comprise your submitted variable overhead cost figures);

   e. fixed production overhead (provide a list of the cost categories that comprise your submitted fixed overhead cost figures);

   f. research and development costs;

   g. general and administrative ("G&A") expenses (provide a list of the cost categories that comprise your submitted G&A costs); and,

h. net interest expense (include a list of all interest income and expense items and other financing amounts used to compute net interest expense).

3. If a physical characteristic identified by the Department is not tracked by the company's normal cost accounting system, calculate the appropriate cost differences for that physical characteristic, using a reasonable method based on available company records (*e.g.*, production records, engineering statistics). The starting point for any such calculation must be the product specific costs as recorded in your normal cost accounting system. If there is a physical characteristic not tracked by the company for which the company believes that there is an insignificant cost difference between products, identify the particular physical characteristic, quantify, and explain your reasons for not reporting a cost difference.

4. List and describe all differences between costs computed under your company's normal cost and financial accounting systems and the costs submitted in response to this section of the questionnaire. Include in your description the reasons why it was necessary for you to depart from your company's normal accounting practices in order to compute the submitted COP and CV figures.

B. Reconciliations

Provide the following worksheets that illustrate how the costs reported on the financial statements reconcile to the general ledger or trial balance and to the cost accounting system (i.e., the source used to derive the reported costs). On the worksheets, identify the source documents for all major items shown and cross-reference the worksheets where appropriate (i.e., link between worksheets). If your company does not have a cost accounting system, reconcile the general ledger or trial balance to the books and records normally kept by the company which were used to derive the reported per-unit costs. This section takes a "top down" approach (e.g., financial statements to per-unit cost), starting with cost of sales from the financial statements and proceeding step-by-step down through cost of manufacturing for the reporting period to the summation of the reported per-unit costs.

1. Provide a worksheet reconciling the fiscal year income statement (i.e., revenues, cost of sales, selling and administrative expenses, and non-operating expenses) in the audited financial statements to the total costs in the financial accounting system (i.e., general ledger or trial balance). Describe and quantify each reconciling item.

2. Provide a worksheet reconciling the financial accounting system fiscal year cost of sales (or equivalent) to the POR cost of sales (or equivalent).

3. Provide a worksheet reconciling the POR cost of sales (or equivalent) to the total POR costs from the cost accounting system (i.e., the source used to derive the reported costs). Describe and quantify each reconciling item.

4. Provide a worksheet reconciling the total POR costs from the cost accounting system (i.e., the source used to derive the reported costs) to the total POR cost of manufacturing ("COM"). The Department defines COM as the cost of materials, labor, variable overhead, and fixed overhead incurred to produce the finished goods during the POR. Thus, the COM should exclude general and administrative expenses and financial costs. Describe and quantify each reconciling item.

5. Provide worksheets reconciling the total POR COM to the total of the per-unit manufacturing costs submitted to the Department (i.e., multiply the reported per-unit COMs of all merchandise under consideration for the POR by their respective production quantities regardless of ultimate destination as listed on the COP/CV database, then sum the totals). Identify and quantify the following reconciling items:

   a. differences between the reporting methodology and the normal books and records;

   b. cost of merchandise not under consideration (i.e., multiply the per-unit COM of all merchandise not under consideration produced by the company during the POR by their respective production quantities regardless of ultimate destination, then sum the totals; or if per-unit costs are not tracked or calculated, then, sum the total of the costs that you have directly assigned to or allocated to the merchandise not under consideration);

   c. if not provided, the cost of merchandise under consideration not sold in the United States or comparison market (i.e., multiply the per-unit COM of all merchandise under consideration not sold in either the U.S. or the comparison market for the POR by their respective production quantities, then sum the totals);

   d. cost of merchandise under consideration sold in the U.S. or comparison market that you have been excused from reporting (i.e., multiply the per-unit COM of all merchandise excused from reporting produced by the company during the POR by their respective production quantities, then sum the totals); and,

   e. all other reconciling items.

C. CONNUM Specific Worksheets

For two CONNUMs -- 1) the CONNUM with the highest sales volume in the market used for comparison purposes, and 2) the CONNUM with the highest U.S. market sales volume -- provide the following worksheets that illustrate how your company calculated the CONNUM specific per-unit COP and CV figures submitted in response to this section of the questionnaire.

1. If you produced the merchandise under consideration at more than one domestic facility during the POR, provide a worksheet that demonstrates the method you used to weight-average the production costs of each facility in order to compute

the single weighted-average COM (and the individual fields included therein) for the CONNUMs.

2. For the facility with the highest production quantity for each of these two CONNUMs, if that facility's CONNUM specific cost is itself a weighted-average cost of several unique products, provide worksheets showing the calculation of that facility's weighted-average figures for the CONNUM. Show on the worksheet all products produced at the facility that were weight-averaged together to obtain that facility's cost for the specified CONNUMs. For each unique product shown on the worksheet, show the product's internal product code, production quantity, and corresponding value for each computer field.

3. Identify the unique product with the highest production volume per each set of worksheets reported for question C.2.

   a. From your normal cost accounting system, provide copies of the product costing documents for the unique product.

   b. Provide worksheets that demonstrate how each data field within TOTCOM reported on the cost file was determined. The worskheets must show how the amounts were calculated and how they trace back to source data from the accounting system. If your company relies on a standard cost accounting system, show how you allocated cost variances to derive actual production costs.

D. Worksheets for General Expenses

1. Provide a worksheet that demonstrates how you computed your company's G&A expense ratio. Include in your reported G&A expenses an amount for administrative services performed on your company's behalf by its parent company or other affiliated party. Compute G&A expenses on an annual basis as a ratio of total company-wide G&A expenses divided by cost of goods sold ("COGS"). In calculating your company's G&A ratio, use the full-year G&A expense and COGS reported in your company's audited fiscal year financial statements for the fiscal year that most closely corresponds to the POR. Demonstrate how the G&A expenses and the COGS used in the ratio reconcile to your company's audited fiscal year financial statements. To compute the per-unit amount of G&A expense, multiply the G&A expense ratio by the per-unit TOTCOM for each of the CONNUMs.

2. Provide a worksheet that demonstrates how you computed your company's net interest expense ratio. If your company is a member of a consolidated group of companies, calculate your financial expense based on the <u>consolidated</u> audited fiscal year financial statements of the highest consolidation level available. In calculating your company's net interest ratio, use the full-year net interest expense

and COGS reported in the consolidated audited fiscal year financial statements for the period that most closely corresponds to the POR.

In calculating net interest expense for COP and CV, include interest expense relating to both long- and short-term borrowings made by your company. Reduce the amount of interest expense incurred by any interest income earned by your company on short-term investments of its working capital. Demonstrate how the interest income, interest expense, and COGS used in the ratio reconcile to your company's audited fiscal year financial statements. To compute the per-unit amount of net interest expense, multiply the net interest expense ratio by the per-unit TOTCOM for each of the CONNUMs.

IV. Instructions for Submitting COP and CV Data File

In accordance with the instructions provided below, provide one computer data file reporting the costs incurred for the merchandise under consideration.[11] The file should contain per-unit cost information for the products sold in the U.S. market or the comparison market.

Instructions regarding the specific information required to complete each data field for the cost file are provided below. "FIELD NUMBER" includes the number and descriptive name of the field in the computer data file. "FIELD NAME" includes the "short" or variable name for the submitted hard copy printouts of the data file. "DESCRIPTION" defines the data that you must report in the field of the computer data file. For each of the computer fields, state the unit of currency and the unit of measure.

For Department use only. This box should be deleted prior to sending the questionnaire to respondents. *The COP and CV computer file format below provides guidelines for you to follow in preparing the cost questionnaire for respondents. You should be aware, however, that these guidelines may not be appropriate in every case. Instead, you should consider the production process for the merchandise in determining how you will instruct respondents to report their costs. For example, the formats below do not take into account products manufactured in stages for which it may be more appropriate to request respondents to report their costs pursuant to each manufacturing stage. Nor do the formats allow for manufacturing processes that generate significant scrap revenues or that result in the production of byproducts with sales revenues that are offset against the manufacturing costs incurred for the merchandise under consideration. In such instances, it may be appropriate to report such revenues in separate data fields in order to facilitate your analysis. For some manufacturing processes, production yields play a significant role in determining the cost of the finished product. In these cases, you should consider how you will devise the cost reporting formats in such a way as to allow you to analyze the respondent's production yield data.*

[11] Refer to the Instructions for Submitting Computer Data at Appendix II for technical information regarding the computer media required by the Department.

FIELD NUMBER 1.0: **Matching Control Number**

FIELD NAME: CONNUM

DESCRIPTION: Report the unique CONNUM assigned to the products on the comparison market sales file from section B of this questionnaire and the U.S. market sales file from section C of this questionnaire. Unless otherwise instructed by the Department, ensure that your cost computer file contains a separate record for each unique product CONNUM contained in your comparison market and U.S. market sales files.

FIELD NUMBERS 2.1 – 2.n: **Product Characteristics**

FIELD NAME: Various Names

DESCRIPTION: Report each of the product characteristics as specified by the Department in fields 3.1 through 3.n of the section B and section C questionnaires.

FIELD NUMBER 3.0: **Production Quantity**

FIELD NAME: PRODQTY

DESCRIPTION: For each CONNUM, report the quantity produced during the cost calculation period.

Field Numbers 4.0 through 7.0.
These fields should contain information regarding the specific cost elements incurred to produce the merchandise under consideration. The COM includes materials and fabrication costs actually incurred by your company. Calculate reported COP and CV figures on a weighted-average basis using the CONNUM specific production quantity, regardless of market sold, as the weighting factor. Thus, each CONNUM should be assigned only one cost, regardless of the market or markets in which the product(s) were sold. If more than one unique product produced at a domestic facility falls within the definition of a specific CONNUM, determine first the weighted-average CONNUM specific costs at that facility; then calculate the company-wide weighted-average CONNUM specific costs. If you have any questions regarding how to compute the weighted-average cost of the merchandise under consideration, notify the Department in writing <u>before</u> preparing your response to this section of the questionnaire.

***For Department use only. This box should be deleted prior to sending the questionnaire to respondents**. Note that field 4.0 below is the only data field shown here for reporting direct materials costs for the merchandise under consideration. Because the merchandise may be manufactured using more than one type of direct material, you may find it necessary to request that the respondent report each major category of direct material in a separate data field. You should provide the additional field names for the various direct material inputs and request any other narrative description you consider necessary in order to analyze the respondent's submitted direct material costs. Please contact the Office of Accounting if you have any questions about what should be included or excluded from any of the fields below.*

FIELD NUMBER 4.0: **Direct Material Costs**

FIELD NAME: DIRMAT

DESCRIPTION: Report the yielded CONNUM specific per-unit direct material costs incurred to produce the merchandise under consideration. Direct material costs should include transportation charges, import duties and other expenses normally associated with obtaining the materials that become an integral part of the finished product. Exclude from your reported direct material costs the amount of any internal taxes imposed on the purchase of materials used to produce the merchandise under consideration. See field 11.0 for instructions on reporting internal taxes.

FIELD NUMBER 5.0: **Direct Labor Costs**

FIELD NAME: DIRLAB

DESCRIPTION: Report the yielded CONNUM specific per-unit direct labor costs incurred to produce the merchandise under consideration. Direct labor includes the costs incurred for all production workers, inspection/testing workers, relief workers, and all other workers directly involved in producing the merchandise. Direct labor consists of your workers' base pay, overtime pay, incentive wages, shift differentials, bonuses, and all other form of wages or benefits paid to them by your company (*e.g.*, vacation, holidays, sick pay, insurance, government mandated social programs).

FIELD NUMBER 6.0: **Variable Overhead Costs**

FIELD NAME: VOH

DESCRIPTION: Report the yielded CONNUM specific per-unit variable overhead costs incurred to produce the merchandise under consideration. Variable overhead costs include those production costs that generally vary in total with changes in the volume of merchandise produced at a given level of operations. Variable overhead costs may include the costs incurred for indirect materials, indirect labor, utilities, and other variable overhead costs.

FIELD NUMBER 7.0: **Fixed Overhead Costs**

FIELD NAME: FOH

DESCRIPTION: Report the yielded CONNUM specific per-unit fixed overhead costs incurred to produce the merchandise under consideration. Fixed overhead costs include those production costs that generally do not vary in total with changes in the volume of merchandise produced at a given level of operations. Fixed overhead costs may include the costs incurred for building or equipment rental, depreciation, supervisory labor, plant property taxes, and factory administrative costs. In addition, include in fixed overhead costs research and development ("R&D") costs which relate specifically to the merchandise under consideration.

FIELD NUMBER 8.0: **Total Cost of Manufacture**

FIELD NAME: TOTCOM

DESCRIPTION: Report the yielded CONNUM specific per-unit total COM incurred to produce the merchandise under consideration. Compute this amount as the sum of data fields 4.0 through 7.0.

Field Numbers 9.0 and 10.0
These fields should contain information regarding G&A expenses and net interest expense incurred in connection with the general operations of the company.

FIELD NUMBER 9.0: **General and Administrative Expenses**

FIELD NAME: GNA

DESCRIPTION: Report the per-unit G&A expenses incurred by your company. G&A expenses are those period expenses which relate indirectly to the general operations of the company rather than directly to the production process. G&A expenses include amounts incurred for general R&D activities, executive salaries and bonuses, and operations relating to your company's corporate headquarters.

FIELD NUMBER 10.0: Net Interest Expense

FIELD NAME: INTEX

DESCRIPTION: Report the per-unit net interest expense incurred by your company.

Field Number 11.0
This field should contain information regarding the net per-unit internal taxes incurred on all inputs.

FIELD NUMBER 11.0: Internal Taxes on Inputs

FIELD NAME: TAXES

DESCRIPTION: Report the net per-unit amount incurred for all internal taxes on purchases of inputs which were not refunded.