

CHAPTER 5

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LIST OF ACRONYMS & ABBREVIATIONS

APO	ADMINISTRATIVE PROTECTIVE ORDER
CEP	CONSTRUCTED EXPORT PRICE
COM	COST OF MANUFACTURE
COP	COST OF PRODUCTION
CRU	CENTRAL RECORDS UNIT
CV	CONSTRUCTED VALUE
DOC	DEPARTMENT OF COMMERCE
EC	EXPORTING COUNTRY
EP	EXPORT PRICE
GATT	GENERAL AGREEMENT ON TARIFFS AND TRADE
HM	HOME MARKET
NV	NORMAL VALUE
OIT	OFFICE OF INFORMATION TECHNOLOGY
PC	PERSONAL COMPUTER
POI	PERIOD OF INVESTIGATION
POR	PERIOD OF REVIEW
PM	PROGRAM MANAGER

LIST OF ACRONYMS & ABBREVIATIONS

SAA	STATEMENT OF ADMINISTRATIVE ACTION
ANTIDUMPING AGREEMENT	AGREEMENT ON IMPLEMENTATION OF ARTICLE VI OF THE GATT
THE ACT	THE TARIFF ACT OF 1930, AS AMENDED

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References:

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

Section 777 - access to information

Section 782 - conduct of investigations and reviews

Department of Commerce (DOC) Regulations

19 CFR 351.301 - time limits for submission of data

19 CFR 351.303 - filing, format, service, and certification of documents

19 CFR 351.304(c) - treatment of business **proprietary information**

SAA

Section C.4 - procedural requirements for antidumping  
investigations

Antidumping Agreement

Article 6 - evidence

**INTRODUCTION**

When a response to any portion of the questionnaire (or supplemental questionnaire) is received, it must be reviewed promptly and thoroughly in order to ensure that it has been timely filed in proper form and that it responds to each question in the questionnaire in a complete, accurate and understandable manner. The analyst should use the checklists for "Proper Filing" and "Technical Adequacy," included in this chapter, as the framework for the review of the response.

The receipt of the response is also the time for the analyst to begin preparing a response index. An index should be prepared for each respondent in the proceeding--particularly when many respondents and responses are being managed at the same time. The index may be organized either by the order of the questions in the questionnaire or alphabetically by response item. The index is updated as supplemental responses are received. The analyst will find the index to be of great help in mastering the responses. Preparing an index is an excellent way to "get started" with response analysis. Additionally, the index will assist both the analyst and other team members in locating response details over the course of the case. Finally, the index can be adapted into a

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**verification** outline and, ultimately, edited and supplemented to become the verification report. See your supervisor or program manager (PM) for sample indices.

**I. BASIC FILING REQUIREMENTS**

The analyst should begin by checking that all of the filing requirements of 19 CFR 351.303 have been met. Responses must be filed in Import Administration's (IA) Central Records Unit ("CRU") in Room 1870. The CRU "received" date stamp should appear on the front page of each copy filed and should indicate a date no later than the deadline. Unless alternative arrangements have been made and set forth in a memo to the file, the respondent must file six copies of the proprietary version of the response plus, three copies of the public version { 19 CFR 351.303(c)(2)(iii) } with our CRU. Of these, three proprietary and one public version will normally be delivered to the analyst with the remainder going to the official and public files, as well as to other support offices (e.g., Office of the Chief Counsel for IA). For sections of the response reported on electronic media, one "soft" (e.g., on floppy diskette or computer tape) and one hard (paper) copy are sufficient. You cannot receive electronic media directly; it must always be submitted to 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 DOC 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 DOC may modify electronic reporting requirements per section 782(c) of the Act.

Where business proprietary information is involved, the responses must indicate whether 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) for details). The analyst should check that the response meets these requirements. Particular attention should be given to certificate of service and response certification requirements. Consult with your supervisor or PM immediately if the response does not meet these requirements.

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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 for information on access to information).

Any problems with the form of the response filing should be discussed with your PM or supervisor and team members.

In most cases, we require the submission of sales listings and certain other information on electronic media such as diskettes, cartridges or computer tapes (see 19 CFR 353.303(c)(3)). The respondent must provide a format description and a file layout description for use in the loading and formatting of the electronic data. A printout of the data contained on the tape 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 tape is properly formatted with the data in the proper columns and the decimals properly placed. Diskettes, tapes or cartridges must be given to your computer support team for storage and any necessary processing (usually, for 9-track tapes, formatting and transfer to cartridges) by the OIT ("Office of Information Technology"). The data should also be copied onto the analyst's PC (or, for cases involving very large numbers of transactions, the Office of Computer Services mainframe).

Checking the electronically recorded data is one of the analyst's top priorities after receiving the response. As soon as possible after the response is filed, the data should be checked against the respondent's sample printouts as well as narrative portions of the response for inconsistencies or anomalies. The analyst should compare each variable on sample transactions to see that they match exactly. Errors should be discussed with the computer support team. If the errors are caused by unclear formats, data or physical problems with the electronic media, we must notify the submitting party immediately. Such problems may render the entire response useless, so they must be identified and resolved as quickly as possible (see Chapter 9 for more information on the receipt and storage of electronic media).

Turning to the response narrative, the analyst should check that all required sections of the response are included in the submission of data. Particular attention should be paid

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to the filing of sections D (**Constructed value (CV)**) and (**Cost of production (COP)**), and E (U.S. value added) in cases where they are required. Your team accountant or financial analyst is required to analyze these sections of the response (except for non-market-economy investigations and almost all **administrative reviews**) so always ensure that this person has received his or her copy and knows your time frame for issuing a supplemental questionnaire. You are responsible for seeing that all aspects of these types of analysis are performed in a timely and complete manner.

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)). Also review the response to ensure that all exhibits are legible. Check to see that all numeric data and narrative portions of the response are typewritten.

The following checklist should be used to ensure that basic filing requirements have been met.

- 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 legal representative and a company official.
- Other Requirements (as appropriate):
  - Electronic media (e.g., computer tape, cartridge, or diskette) included
  - Electronic media record layout and file information charts
  - Full (or sample) printout of sales listings included

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- Section D (CV and COP), and Section E (Value Added in the United States) included and delivered to the team accountant/financial analyst
- Other information requested (inflation, Non-Market Economy, Third-Country Manufacture, Trading Company Sales, Multinational Corporation Provision) included as appropriate
- APO version sent to all interested parties whose representatives have been granted APO
- Public version served on parties who have no APO
- Translations of foreign language material included (e.g., financial statements). Depending on the significance of material to the AD analysis, translation of key sections may be sufficient.
- All exhibits are legible

**II. IN-DEPTH ANALYSIS OF THE TECHNICAL ADEQUACY OF A RESPONSE****A. General Checks**

We want to determine whether the respondent has answered the questions posed in our questionnaire. Thus, the analyst should begin the review by comparing the response to the 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 our question.

The total sales reported for each market on computer tapes should be checked against the totals reported in the Section A volume and value charts in order to determine whether all sales have been reported. The analyst should develop the totals necessary to make this determination from the sales listings submitted on computer tape (with the

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assistance of the ADP coordinator where necessary).

If the respondent has sales of merchandise in the exporting country (EC) or to third countries which are identical to each item sold to the United States during the **period of investigation** (POI) or **period of review** (POR), reporting of sales of **similar merchandise** is generally not required except under special circumstances (see Chapter 8 on **normal value** (NV)). At this time, the analyst should determine whether transactions are reported on the basis of sales during the POI or on the basis of orders or entries for the POR rather than on the basis of shipments. The narrative response should indicate the basis for the reporting of the **date of sale** in each market. Discrepancies between the computer tape and the narrative should be discussed with your supervisor or PM.

The sales listing should be reviewed to ensure that all adjustments discussed in the narrative are included. The response index and respondent's computer format instructions, identifying the variables used, will assist in this determination. 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.

The currency reported for each value element must be reported. Prices and charges must be reported in the currency in which they were incurred. If a particular charge 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 to you, request in a supplemental questionnaire that the respondent clarify them.

The section-by-section analysis described below should be reviewed in conjunction with the checklists contained in section III of this chapter. These two sections together provide the new analyst with a good overview of what to look for in a response.

**B. Section A - General Information**

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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 foreign market for NV, the use of **constructed export price** (CEP) export price (EP) as the basis of the starting price for U.S. sales, the use of CV, whether high inflation exists, and the need for a questionnaire section on value added in the United States after importation.

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. The information on channels of trade, customer category, and the seller functions performed by the respondent is used to make comparisons at the same level of trade or as part of the basis for an adjustment for differences in level of trade. Where a respondent's sales are to trading companies, it is vital to know whether the respondent knows at the time of sale that the merchandise was destined for the U.S. market; if not, a trading company might need to respond to the questionnaire. See your supervisor or PM immediately if the respondent sells through a trading company.

The information on the sales process is helpful in determining whether the respondent has compiled its list of sales made during the POI or POR using the correct date as the date of sale. Although the DOC will usually use the date of the invoice as the date of sale, parties may present evidence that another date is more appropriate. If the question arises as to what point all of the substantive terms of sale are agreed upon (especially when considering long-term contract sales), you should consult with your team (particularly your team attorney) and your supervisor or PM. It is essential that questions concerning the date of sale be addressed as soon as possible since the resolution of this matter will affect the completeness of sales reporting for the POI or POR as well as the proper exchange rates to be used for converting the NV into U.S. dollars (see Chapter 8 for information on the date of sale).

For investigations, the respondent's normal accounting period is needed in determining the appropriate period in the evaluation of cost data and in verification planning. Often, records are maintained on an annual or quarterly basis. In some countries (e.g., Japan), fiscal periods may not coincide with the calendar month. If, for example, a company's

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fiscal period ends on the 20th of the month, all of its financial records, including sales, may be arranged in that fashion. The analyst will want to know whether the respondent's

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sales and expense allocation reporting conforms to our POI or POR or to the respondent's accounting system. See your supervisor or PM if the periods do not coincide.

For investigations, detailed descriptions of the merchandise, including technical drawings, brochures and other documentation, as appropriate, can assist the analyst in developing the technical knowledge needed to determine the most appropriate product comparisons. All catalogs and brochures must be in English or be translated into English. The basis for the respondent's reporting of control numbers and product characteristics must be explained in detail so that the analyst can evaluate appropriate product matches fairly. For administrative reviews, this same level of detail will be needed for exporters/producers not covered by the investigation.

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. Sales to affiliated and unaffiliated purchasers must also be reported separately. As stated above, you should compare the respondent's data in Section A to that reported in the Sections B and C (see Chapter 8 for information on market selection (“market **viability**”)).

All price lists, discount/rebate schedules, policy statements and descriptions of contractual arrangements must be given in English. These items assist in the determination of date of sale, the proper treatment of rebate claims, and the proper application of the rules for granting adjustments for differences in quantities.

Customer lists for both markets and the associated customer codes must be included. These lists assist in the determination of which sales are made to related customers, the proper application of adjustments which are claimed for specific customers, and the identification of documents at verification. Customer codes should be created so as not to reveal the customer's identity. If the respondent refuses to provide complete customer lists, consult with your supervisor or PM.

Any information concerning transshipments (i.e., shipments to the United States from one country via a third (intermediate) country) should be included in sufficient detail to permit a full understanding of the facts concerning the transshipments. This data is

necessary for

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determining whether the special provisions on transshipment apply. Any questions regarding transshipments should be discussed with the team and your supervisor or PM.

**C. Section B - Exporting-Country/Third-Country Sales**

The analyst should begin the review of section B by determining whether sales to the appropriate market(s) have been reported. At this stage it is a good idea to double check that all appropriate sales have been reported. Are sales from outside the POI or POR included? Has the respondent indicated what sales, if any, have not been reported?

The analyst should determine if the respondent indicated whether it has reported all change orders or amendments which were made during the period, pursuant to contracts made prior to the period, or which would affect sales made during the period. If the response indicates that such change orders or amendments exist, they should be described in detail so that we can make a judgment concerning the proper treatment of the affected sales. In addition, where such change orders or amendments exist, they should be flagged for attention at verification. These changes to sales may also affect our date of sale determination.

The analyst should check that there is a statement that the prices reported include the cost of all options and that they are described in detail, where appropriate. Where special options are a part of the terms of sale, we will need to determine the appropriate basis for accounting for them.

The terms of sale for each sale must be included in the sales listing and must be described fully in the narrative. The reported charges for each sale should reflect the terms of sale. Estimated charges should be reported for merchandise sold during the POI which were not shipped before the response was prepared. Generally, such charges should be based on the charges incurred on the most recent shipment to the same or nearby destination.

Any charges or 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 charges or expenses are incurred

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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. Compare the narrative description of the currencies used with the computer layout instructions to see that both portions of the response indicate the same currency for each charge or expense.

Although values should normally be reported in the currency in which they were actually incurred, any exchange rates used by respondent for any conversions of currency must be reported. We use the respondent's conversion to check for any possible errors and to reconvert at the proper exchange rates amounts that respondent need not have converted in the first place.

If charges have been allocated between products or shipments, the basis of the allocations and the formulas used must be included. 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 charges are usually incurred on the basis of quantity (weight, pieces, or cubic measurement) while such charges 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).

Packing costs must be fully described. A breakout of material and labor costs must be provided. Any allocations must be described and formulas included, together with worksheets, where appropriate. Often, diagrams, photos, or step-by-step descriptions of the packing process are warranted. This response portion enables us to determine whether the basis of allocation is reasonable and provides us with the necessary information to recalculate if deemed appropriate. It also permits a comparison to the packing expenses reported in any cost or constructed value responses. The description of **home market**/third-country packing should be compared to U.S. packing to help determine whether all costs involved in the latter have been captured.

Where **discounts** and **rebates** are given, each discount or rebate must be listed

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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. It is also important that the policy of granting any post-sale adjustment be clearly explained and documented. Where discounts, rebates, or post-sale price adjustments have been allocated, the basis of the allocation must be fully described. Where the allocations include out-of-scope merchandise, this merchandise should be described so that we can determine if there are grounds to suspect distortions in the allocations. Price protection or ship and debit arrangements must be fully described. This information enables us to make an independent judgment on the proper treatment of the rebates and discounts. This degree of detail also facilitates verification.

Differences in physical characteristics between the items sold in the foreign market and those sold to the United States must be fully described. Such differences only exist when there are actual physical differences. 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 being tested and the foreign market model that we have selected as the appropriate comparison product. Reported **cost of manufacture** data should be compared to any cost of production data submitted in response to Section D. Diagrams and photos may be helpful and we may want to request them in a supplemental questionnaire if the respondent has not already submitted them.

Payment terms must be fully described. Claims for differences in credit costs 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

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has been reported. The source or calculation of interest rates used in the calculation of claims for differences in credit 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 claimed amounts if appropriate and assists in the verification of the data.

Claims for circumstance-of-sale adjustments for technical services must be described fully. There must be sufficient information to allow us to make a judgment concerning the direct relationship of the claimed services to the sales under consideration. The specific terms of sale under which the technical services are provided must be identified 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. This information enables us to determine whether the services are directly related to the sales under consideration and provides us with the necessary data to reallocate costs, if appropriate.

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 related parties. Where commissions are paid in the U.S. market and not the EC or third-country market, indirect selling expenses in the EC or third-country market must be reported for purposes of calculating the offset for the U.S. commissions (see below for more information on reporting indirect selling expenses).

Full descriptions of all claims for adjustment 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 because most such expenses relating to the sales reported will be incurred after the period of investigation or review. Fixed and variable expenses should be reported separately. If actual expenses were incurred during the POI or POR, these expenses should be reported by individual category.

The response should indicate if warranty or guarantee expenses are incurred on sales to selected customers or if certain customers are eligible for warranties or guarantees. In

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addition, the respondent should indicate whether all of the products under investigation or review are subject to the same warranty or guarantee provisions. 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.

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 and payments and the products covered must be included. All allocations must be explained in detail. This information permits us to calculate any adjustment correctly and to verify the data efficiently.

Claims for adjustments for differences in **circumstances of sale** for advertising must be reported in detail. The expenses incurred for different categories of media advertising must be reported separately and, where available, samples should be furnished with English translations. The reporting should indicate the intended audience for the advertising. Actual or anticipated reimbursements must be reported. Advertising expenses must be reported separately by market. All allocations must be fully explained and, where applicable, advertising expenses incurred on behalf of a particular customer or related to a specific product should be reported separately. This information enables us to determine which expenses are directly related to the sales under consideration.

Claims for adjustments for pre-shipment warehousing must be described fully, including an indication of the terms under which the warehousing expenses are incurred on behalf of a particular customer. This description should include the pre-contract or contract terms under which this service was provided. Pre-shipment warehousing expenses should be reported on a sale-by-sale basis. This information permits us to evaluate the claim and reallocate expenses as appropriate. Post-shipment warehousing expenses should be reported on a sale-by-sale basis along with other movement charges.

General warehousing expenses should be reported separately from pre-shipment

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warehousing expenses involving merchandise designated for individual customers. The respondent's short-term borrowing rate should be included and the respondent should

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indicate where **inventory carrying costs** have been included, if they are reported separately.

The information required on claims for adjustments for differences in circumstances of sale will form the basis for determining whether the claimed expenses are directly related to the sales under consideration (and are therefore allowable as circumstance-of-sale adjustments), or constitute indirect selling expenses. The information will also permit us to check the reasonableness of allocations. Similar reporting is required for sales to the United States.

EC prices should be reported without consumption-type taxes included. If these types of taxes are included in the prices, be sure that the respondent has provided all necessary information on the taxes, such as the tax base, tax rate, tax formula, and appropriate tax statutes and regulations (in English). Where the taxes vary by destination of the merchandise sold in the EC market or the tax incidence cannot be calculated on the basis of a meaningful average, we will deduct the actual taxes incurred from the EC market price on a sale-by-sale basis.

Information on other expenses incurred relative to EC or third-country sales is needed in order to determine whether they should be included in the adjustments to NV.

Accordingly, all selling expenses which are not directly related to the sales under consideration should be reported separately and the basis for any allocations should be included. These expenses will be used as the basis of offsets to commissions paid on United States sales (where there are no commissions on home market sales) or, under certain circumstances, as an offset to certain indirect selling expenses incurred for U.S. sales that are based on CEP. A clear breakdown of expenses and explanations of allocations will assist in the verification.

All payments to third parties relative to EC sales should be reported and explained clearly in order to allow us to determine whether it is proper to treat them as adjustments to the home market price.

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If the respondent has leases in the EC or in third countries, the full details of the lease terms should be reported. Such transactions should be brought to the attention of your PM and the team for consideration and review.

Where adjustments for differences in level of trade claims are made, 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 DOC 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).

**D. Section C - U.S. Sales**

The review of section C should follow the same lines as that of section B. It is particularly important to determine that all direct selling expenses incurred on U.S. sales have been reported. If an expense has been reported in Section B but not in Section C, we should ask the respondent to explain why U.S. sales do not involve such expenses. The analyst should also look for expenses that might reasonably be expected, even if not reported. For example, if no warranty expenses have been reported, we may want to ask the respondent specifically to explain its warranty history in the United States and why no expenses were reported.

In addition, you should ensure that all sales included in the reporting of United States sales are the first sale to an unaffiliated party. For administrative reviews ensure that importer names are clearly identified for EP sales as each unaffiliated importer should receive its own assessment margin. For United States EP sales complete entry (shipment) data must also be reported for the POR. If the respondent sells to the United States through an unaffiliated trading company in the exporting country and knows at the time of the sale that the merchandise is destined for the United States, the price to that trading company should form the basis for the calculation of the export price. Where sales are made by or through an affiliated arm in the United States, we must determine whether EP or CEP is the proper basis for determining the U.S. sales price. The response must include the information necessary for us to determine the proper basis for reporting prices to the United States. Review Section A again in this regard. Generally,

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if the merchandise sold through an affiliated party in the United States enters into the inventory of that company, we will use CEP (see Chapter 7 on EP and CEP).

All charges which are appropriate to the terms of sale must be reported in the currency in which they were incurred. Look carefully at such charges such as export packing, foreign inland freight, ocean freight, and foreign brokerage to see that the charges were reported in the appropriate currency. All allocations of charges should be fully explained. This information is needed to permit us to judge the reasonableness of the allocations and to reallocate as appropriate.

Note whether the respondent enters into currency exchange contracts. Any such contract must be described in detail. The respondent must also specify whether currency contracts are tied to specific sales of the **subject merchandise** and how this is done.

Data relating to adjustments for differences in circumstances of sale must be reported for the sales to the United States so that the appropriate adjustment can be calculated. Selling expense categories must be broken down so that the appropriate distinction can be made between direct and indirect selling expenses. If commissions are involved for EC or third-country sales, and there are no commissions on U.S. EP sales, check with your supervisor or PM to determine if U.S. indirect selling expense information is needed. Always ensure that U.S. indirect selling expense information is included for CEP sales.

Where CEP is involved, all data necessary for calculating CEP profit must be reported. In addition, for CEP sales of merchandise which has been further processed in the United States prior to sale to an unrelated party, value added--defined as all costs incurred in the further processing--must be reported (see part E below). This data allows us to make the appropriate adjustment to the CEP.

**E. Sections D (CV) and (COP), and E (Value Added in the United States after Importation)**

For cases where accountants or financial analysts are involved, responses to the CV, COP, and U.S. value added sections of the questionnaire should be forwarded to them

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and your supervisor or PM 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 or financial analyst and ensure that their comments on the adequacy of the response are included in the supplemental questionnaire. You should always discuss and agree on the date of issuance of the supplemental questionnaire with the accountant or financial analyst. For investigations and reviews where you are responsible for the analysis of the complete cost response, you should always consult with your supervisor or PM about the analysis and verification of the data.

**F. Trading Company Questionnaires**

In the rare market economy case in which a response is required from a trading company, the response should be reviewed in order to ensure that all relevant section A, B, C, and, if appropriate D data is provided.

**G. Other Areas of Review**

All areas of the response covering case-specific questions posed in Appendix V of the questionnaire with regard to product comparison characteristics should be reviewed thoroughly by the analyst and team members in order to ensure completeness and responsiveness.

The analysis of electronic media submissions is covered in detail in Chapter 9. As soon as possible, you should ascertain whether the data is usable. You must also convey a copy of electronic media to OIT for permanent storage (and, for 9-track tapes, transfer to cartridge or diskette). In rare instances, databases will be so large that they will require processing on a mainframe computer with assistance from your office's computer support team programmers. When this occurs, consult your supervisor or PM for special instructions on the analysis of electronic media. Problems must be addressed in the supplemental request for information or, as circumstances warrant, in telephone contacts with the respondent or its representative, where applicable. Again, any information you receive in a telephone conversation must be reflected in a memo to the file promptly after the conversation occurs.

ANALYSIS OF RESPONSES**III. TECHNICAL ADEQUACY CHECKLISTS**

Before you start your technical analysis of the response, remember that your first task is to determine if the response is filed properly (see section I of this chapter). If the response is filed improperly, respondent (or, where applicable, its representative) should be notified accordingly so that the response filing can be corrected. This step should be taken with the concurrence of the supervisor or PM.

Once you have completed the checklist for basic filing requirements found in section I of this chapter, you should then ensure that all requirements beyond the basic filing requirements are met. The submission of electronic media and related formats as well as responses to all required sections of the questionnaire should be reviewed (see Chapter 9). During this review process, the analyst must ask whether the respondent has answered clearly and comprehensively each question posed in each section of the DOC's questionnaire, even if it is only to state that the question is not applicable to the company.

The analyst should review the response thoroughly as discussed in the previous section. While doing so, the analyst should seek to organize the response information in such a manner as to facilitate access, understanding, and the identification of significant issues. For example, the analyst may prepare a response index or a pre-verification outline (see Chapter 13). The index or outline will assist the analyst in locating possible problem areas at a later date and make it easier for the team members, supervisor, or PM to locate information in the analyst's absence. In addition, the response index will assist the analyst at various stages of analysis and in preparing for and conducting verification.

The analyst should indicate on the check lists all areas that are handled properly in the response. Areas of omission or deficiency, or areas where the analyst thinks there is a possible omission or deficiency, should also be indicated. You should also add other areas of concern that may not be covered by the check list. Once you have completed your analysis, you should always review it with your supervisor or PM.

ANALYSIS OF RESPONSES**A. General Review Checklist**

- All questions are responded to in English in the narrative (if a question is not applicable, the response should so indicate).
- All sales are reported for each relevant market (totals in Section A equal totals reported in sections B and C).
- Reporting is based on sales concluded during the POI or sales or entries (shipment information if entry data is not available) for the POR. When long-term contract sales or EP transactions for administrative reviews are involved, you should ensure that all appropriate sales data from outside the POR is included.
- All adjustments are included on the electronic media and the sales listings.
- All sales listed include the date of sale. The date of sale will most frequently be the date of invoice (which may coincide with the date of shipment), as recorded in the exporter's records maintained in the **ordinary course of trade**. Exceptions to this policy will apply where we are presented with satisfactory evidence, on a case-specific basis, that a different date of sale is more appropriate (e.g., cases involving long-term contracts).
- All units of quantity are reported clearly.
- Units of quantity are expressed in uniform terms of measurement in each database.
- Where the merchandise is sold in different units of measurement in the respective markets, the actual unit should also be shown and conversion factors indicated.
- The currency reported for each item is clearly indicated.
- All items are reported in the currency in which the charge was incurred.

ANALYSIS OF RESPONSES

- The printout from the submitted electronic media matches the hard copy included with the response, particularly the placement of decimals.

**B. Detailed Review Checklist**

## SECTION A

## Quantity and Value of Sales

- 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 affiliated and unaffiliated customers.
- 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.
- 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 **comparison markets** are fully described.
- There is a clear indication of the date on which all 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.

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- The sales process for each channel of distribution is fully described.
- Where sales are made through resellers, there is an indication that the respondent does/does not know the ultimate destination of the merchandise.
- A description of the types of sales agreements negotiated in the U.S. and comparison markets and sample sales documentation generated in the sales process (e.g., sales contracts, 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 of all affiliates involved in the production or sale of subject merchandise in the comparison and U.S. 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 in English.
- Complete explanations of the differences and similarities of the merchandise under investigation or review sold in the comparison market and that exported to the United States.

ANALYSIS OF RESPONSES

- 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.
- 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.

## SECTION B

- EC/third-country sales are reported as appropriate.
- The narrative response coincides with the data in the electronic media.
- If the respondent has demonstrated that reporting of sales of identical merchandise is appropriate (there are sales to unrelated purchasers in the EC market of products which are identical to all products sold to unrelated purchasers in the United States and that the volume of these EC sales is at least five percent of the volume of the sales to the United States), all of the sales are reported or, if similar merchandise sales should be reported, all sales are included.

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- All change orders or amendments to contracts which were made during the POI or POR, or affect sales made during the POI or POR are reported and described in detail.
- 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) and include the cost of all options.
- Terms of sale (including delivery and payment) 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.
- Estimated charges are reported for merchandise which was sold during the POI but was not shipped at the time of the response.
- All charges are reported on a per-unit basis.
- The charges reported reflect the terms of sale.
- All charges are reported in the currency in which they were incurred.
- Where a charge is incurred in different currencies on different sales, they are presented in the sales listing in different columns.
- All exchange rates used for the conversion of currency are reported.
- All allocations of charges are explained and all formulas and calculation worksheets are included.
- Description of all charges 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

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possession of the merchandise, then these charges 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 for the EC market.
- \_\_\_ 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 which extends beyond the POI or POR, they are allocated over all applicable sales.
- \_\_\_ Reasoning for any **level of trade adjustment** claimed is fully explained and calculation worksheets provided. Note that if a level of trade adjustment is not requested, the DOC must analyze this situation based on the information in the response. If it looks like level of trade could be involved and the information in the response is not sufficient to make a complete analysis, we must request the information necessary to make this determination in the supplemental questionnaire.
- \_\_\_ Terms under which commissions are paid are described.
- \_\_\_ Allocations of commissions paid 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 sales are denominated.

ANALYSIS OF RESPONSES

- The methodology in determining 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 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.

ANALYSIS OF RESPONSES

- Actual warranty/guarantee expenses (less any reimbursements from the customer or 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.
- 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.

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- An explanation of all domestic taxes imposed on home market sales which 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.
- Claimed adjustments for differences in merchandise are limited to direct manufacturing costs.
- Claimed 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

ANALYSIS OF RESPONSES

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 which the respondent claims are not made in the ordinary course of trade are fully described.

## SECTION C

- All sales to unaffiliated purchasers in the United States are reported by like product group as defined in Appendix V.
- CEP sales are reported separately from EP sales.
- Sales made through affiliated and unaffiliated parties for shipment to the United States are reported separately or are coded so that they are readily identified.
- The names of all unaffiliated importers are clearly identified for all administrative review EP transactions.
- The cost of all options included in the sales price are reported.
- All change orders and amendments to contracts which were made during the POI or POR or which affect sales made during the POI or POR are reported and fully described.

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- \_\_\_ The basis for determining date of sale is fully described in the same manner as that required in section B.
- \_\_\_ Terms of sale (including delivery and payment) are included for all sales.
- \_\_\_ For merchandise which was sold, but not shipped during the POI, estimated shipping charges based on the last known charges are included.
- \_\_\_ All charges appropriate to the terms of sales are reported, described and listed separately.
- \_\_\_ Allocations of charges are explained in full.
- \_\_\_ Description of all charges incurred by the respondent to transport the merchandise from the factory to the customer is provided.
- \_\_\_ Packing, including containerization, and repacking costs are reported with proper itemization of the costs of materials, labor and overhead in calculation worksheets.
- \_\_\_ Claims for discounts and rebates are reported in the same manner as similar claims in section B.
- \_\_\_ For merchandise which is subject to CEP analysis, all costs associated with economic activity in the United States relative to the sale of subject merchandise are reported separately.
- \_\_\_ All information concerning selling expenses related to U.S. sales is provided as required in section B.
- \_\_\_ Where CEP is the basis for prices in the United States, the average time between production and receipt by the U. S. affiliate and between receipt by the affiliate and shipment to the unaffiliated customer is reported.
- \_\_\_ Where appropriate, indirect selling expenses to offset commissions in the

comparison market are reported.

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- \_\_\_ Variable costs for claimed differences in merchandise are reported in the same manner as that required for Section B.
- \_\_\_ Duty drawback received upon exportation of the merchandise to the United States or duties that are not collected because of export to the United States is fully described, including calculation methodology and applicable drawback laws, where appropriate.
- \_\_\_ The amount, if included in the price, of any export tax, duty, or other charge imposed by the exporting country on the exportation of the subject merchandise is fully explained.
- \_\_\_ For CEP sales where the merchandise is further processed in the United States prior to sale to unaffiliated customers, the section relating to further processing costs is responded to fully.
- \_\_\_ U.S. value added costs are reported in accordance with Section E requirements.
- \_\_\_ Identification of sales of merchandise shipped into foreign trade zones in the United States for further processing is provided.

## SECTION D

Even though your team accountant/financial analyst is responsible for reviewing the adequacy of Section D and E responses for most investigations and some reviews, the analyst can use the following points to better understand the possible shortcomings of these sections of the response. Note also that some of the points covered refer to areas that require reconciliation to Sections B and C of the response. Also, in investigations or reviews where you have complete responsibility for the review of a CV, COP, or U.S. value added response, you must seek the assistance of your supervisor or PM.

- \_\_\_ General information concerning respondent's product and production process is provided, including flowcharts of production process, description of production facilities, and list of inputs used to produce the merchandise under investigation.

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- 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 or POR, 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 claimed 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.

ANALYSIS OF RESPONSES

## SECTION E

- General information concerning adding value after importation into the United States for the subject merchandise 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.
- Inputs obtained from affiliates are identified and volume and value of major inputs purchased from affiliates are reported (including cost of producing the input or transfer price).
- Complete descriptions of the respondent's financial and cost accounting systems and practices are provided, including illustrative flowcharts.
- Value added costs are calculated based on actual costs incurred by the respondent during the POI on a weighted-average basis using model-specific production quantity as the weighting factor.
- Value added costs reported for Sections C 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.

## OTHER SECTIONS

Hyperinflationary or High-Inflation Countries

ANALYSIS OF RESPONSES

## Sections B and C

- \_\_\_ All reporting requirements relevant to Sections B and C above are satisfied.
- \_\_\_ Variable costs for claimed differences in merchandise adjustments are reported based on current costs in the month of the US sale.

Section D (if appropriate, check with your team accountant or financial analyst - these checklist items are mentioned for informational purposes only. If you are responsible for performing the complete analysis of this information for an investigation or review, you must see your supervisor or PM for assistance).

- \_\_\_ Current cost methodology is employed which values the cost of production in the month of shipment. COP and CV are reported based on the current costs of all facilities producing the merchandise and calculated on a weighted-average monthly basis, using model-specific production quantity as the weighting factor.
- \_\_\_ Detailed discussion of the impact of inflation on respondent's production costs accounting.
- \_\_\_ A list of monthly monetary correction indices for the POI or POR and the two prior years is provided.
- \_\_\_ A description of the accounting principles employed by the respondent to account for the effects of inflation and an explanation of the differences between the principles employed and generally accepted accounting principles are provided.
- \_\_\_ All other requirements for section D of the questionnaire for COP and CV modified to account for inflation are satisfied.

## Non-Market Economy

## Section C

ANALYSIS OF RESPONSES

- All reporting requirements relevant to Section C above are satisfied.
- Production factors information is reported for all models or product types sold in the U.S. market during the POI or POR on a per-unit basis reflecting actual inputs used by the respondent during the POI or POR as recorded in its normal accounting system.
- If the subject merchandise is produced at more than one facility, factor use and output of subject merchandise at each facility during the POI or POR is reported.
- General information is provided on the following items: products, production process, and production facilities.
- A list of inputs and services the respondent purchased from a market-economy supplier and paid for in market economy currency during the POI or POR, and the market prices of these inputs and services are provided. A detailed description of market-economy transactions is provided, including the name of the supplier, the respondent's relationship with the supplier, the source country, and terms of payment.
- Detailed description of the methodology employed to calculate the factor inputs used to produce the subject merchandise is included and addresses the following items: raw materials amounts, labor hours, labor hours, indirect labor hours, energy, by-products or co-products, packing materials, unskilled packing labor, and skilled packing labor. Also shipping distances for all material inputs. This transportation will be valued in a **surrogate country**. These items are reported on electronic media in accordance with the instructions outlined in the questionnaire.

## Electronic Media Analysis:

Analysis of the adequacy of electronic media submissions is addressed in a separate checklist which is to be used in conjunction with this check list for purposes of identifying deficiencies in the response. This checklist is found in Chapter 9.

ANALYSIS OF RESPONSES**IV. REQUESTS FOR SUPPLEMENTAL INFORMATION**

Review the section on supplemental questionnaires in Chapter 4. Requests for supplemental information should be prepared promptly and should cover all areas where the 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.

In addition to your review, always review any comments by the petitioner for inclusion in the supplemental request. Petitioner's comments are, however, simply an aid in preparing our letter; we do not automatically accept all of these comments. If the petitioner provides additional information after the supplemental request is issued or if we find additional problems with the response, we may issue an additional supplemental request. Always check with your supervisor or PM before preparing an additional supplemental questionnaire.

If appropriate, all supplemental responses including data on COP, CV or value added in the United States must be given to the team's senior financial analyst or to an accountant assigned by the Office of Accounting immediately after submission. Any omissions or deficiencies identified by the accountants must be included in the supplemental request for information. Remember, if there is not an accountant or financial analyst assigned for your investigation or review, you must see your supervisor or PM for assistance in preparing a supplemental request. The letter should also contain requests for any required modification to electronic media based on the analyst's or computer support team's review of the data submitted.

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 a preliminary determination and on how extensive the supplemental report is. Always coordinate the due date for the supplemental data with your accountant or financial analyst.