AFBs from France.) Therefore, we have included below-cost sales in our calculation of profit for constructed value in the final determination, and used the greater of the average profit on both above- and below-cost sales or the statutory eight percent minimum profit.

Comment 2: BKL maintains that sales made below cost in one month of the POI do not constitute sales made below cost over an extended period of time. BKL cites to Tapered Roller Bearings. and Parts Thereof, Finished and Unfinished, From Japan; Final Results of Antidumping Duty Administrative Review, 57 FR 4960, 4965 (February 11, 1992) ("TRBs from Japan") where the Department stated: "[W]e use a period of three months to define extended period of time since three months is commonly used to measure corporate, financial, and economic performance. According to BKL, this rationale is inconsistent with defining a single month as an "extended period of time."

In addition, BKL contends that the Department's position that a single month comprises an "extended period of time" is inconsistent with the Department's definition of the term "relatively short period" in connection with critical circumstances. BKL argues that for critical circumstances the Department defines the term "relatively short period" as covering at least three months.

BKL also contends that if the frequency of below-cost sales is limited to one month of the period of investigation, then that is *prima facie* evidence of sporadic or possibly seasonal sales. Hence, according to the legislative history of the COP provision, these sales should not be disregarded.

Petitioner maintains that the Department's position is clear that if sales are made in less than three months of the POI, then an extended period is the number of months in which sales occur. In support of this argument, petitioner also cites to *TRBs from Japan*. In addition, petitioner argues that respondent has provided no evidence that the sales that occurred in only one month of the POI involved obsolete products or end-of-year sales.

Department's Position: In determining whether sales below cost were made over an extended period of time in accordance with section 773(b)(1) of the Act, the Department has consistently considered an extended period of time to be the lesser of the number of months during the POI in which sales occur or three months for the reason stated in TRBs from Japan: "[T]he use of only a three month time measurement is incomplete since it excludes models

that were only sold in one or two months of the review period."

BKL's contention that the Department is inconsistent in defining a "relatively short period" is misguided. It ignores the Department's rationale of needing to preserve the possibility of disregarding below-cost sales in cases where such sales have occurred in only one or two months. This is not a consideration that applies to critical circumstances.

Comment 3: Petitioner contends that by not reporting a portion of its parent's G&A, BKL has understated its total G&A expense for the subject merchandise. Additionally, petitioner argues that the Department should adjust reported G&A expense for the further manufacturing operations to include the other operating expenses which are related to the activities of the company as a whole.

BKL disagrees that any of the G&A expense of its parent company should be allocated to BKL because BKL's entire manufacturing, sales, and R&D activities are conducted without assistance from its parent. The parent company receives periodic operational reports from BKL only for the purpose of evaluating its investment in its capacity as a shareholder. BKL states that allocating its parent company's G&A to subsidiaries when the books and records are not consolidated is inconsistent with the Department's professed policy of relying upon respondent's cost and financial records in COP investigations.

Department's Position: We agree with petitioner that a portion of the G&A expense of BKL's parent company should be allocated to BKL. It is clear from the information on the record of this case that BKL's parent company's involvement in BKL is more than that of a passive investor. The parent company's Overseas Department monitors the operations of BKL through monthly reports from BKL and provides strategic planning and management services to BKL. Accordingly, we have allocated to BKL a proportionate share of the expenses from the Overseas Department of the parent company based on the cost of sales of its overseas affiliates.

Additionally, we have increased the further manufacturing G&A cost to include other operating expenses incurred that had not been included in the reported costs.

Comment 4: Petitioner maintains that the Department should allocate total G&A for the further manufacturing operations based on cost of sales rather than weight of finished fittings because an allocation of G&A based on weight is contrary to the Department's long-standing practice.

Department's Position: For calculations used in our final determination, we have allocated G&A expense based on cost of sales rather than weight. Allocating the G&A costs of the further manufacturing operations based on weight of finished fittings produces a less representative result than allocating based on cost. The weight of fittings varies markedly for fittings of different thicknesses, but the process of finishing the fittings does not vary proportionately to weight. (See Final Determination of Sales at Less Than Fair Value: Certain All-Terrain Vehicles from Japan, 54 FR 4864, 4867 (January 31, 1989).)

Comment 5: Petitioner claims that BKL understated its costs through incorrect reporting of its financing expenses. According to petitioner, the finance expense ratios reported by BKL understate the total cost of subject merchandise because, where BKL combined its interest expense with its parent, it did not reduce the cost of sales for the combined group by the intercompany transactions. As a result, the denominator of the calculation (total cost of sales) was inflated. Similarly, petitioner contends that the Department should adjust respondent's financing costs to include its other borrowing not reported, and that interest expense for the further manufacturing operations should be allocated on the basis of cost of sales rather than weight.

BKL claims it has correctly calculated financing expense by combining BKL's financing expense with that of its parent company and dividing by the combined cost of sales. BKL suggests that for purposes of computing net interest expense for CV, the Department should adjust the parent company's interest expense to account for finished goods inventory and trade accounts receivable.

Department's Position: We agree with petitioner that combining the financing expense and cost of sales of BKL and its parent creates a distorted financial expense ratio unless intercompany transactions are eliminated from the calculation. The Department generally calculates net financing expense from the financial statements of the consolidated entity because of the fungible nature of capital. (See Final Determination of Sales at Less Than Fair Value: Certain Carbon Steel Butt-Weld Pipe Fittings from Thailand, 57 FR 21065, 21069 (May 18, 1992).) In this investigation, however, the parent company and its subsidiaries do not prepare consolidated financial statements. Additionally, we cannot consolidate the financial data of BKL and its parent company because we are unable to quantify all intercompany