interest income since both long and short-term investments arise from the company's current operations. The respondent argues that it must earn revenue from its current operations in order to make long and short-term investments. Therefore, it is illogical for the Department to only consider short-term interest income to be related to current operations. Additionally, the respondent notes that treating short and long-term interest income differently contradicts the Department's fungibility of money argument. The respondent claims that the Department should recognize the symmetrical nature of interest income and expense and calculate a true net interest cost which would take long-term interest income into account.

DOC Position

We agree with the respondent, in part. It is the Department's practice to allow a respondent to offset financial expenses with interest income earned from the general operations of the company. *See, e.g., Timkin v. United States,* 852 F. Supp. 1040, 1048 (CIT 1994). The Department does not, however, offset interest expense with interest income earned on long-term investments because long-term interest income does not relate to current operations. *See, e.g., Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From the Federal Republic of Germany: Final Results of Antidumping Duty Administrative Review,* 56 FR 31734 (July 11, 1991). The company did not provide a break-down of short and long-term interest income for IRI. However, we were able to determine the amount of short-term interest income for the consolidated IRI group from verification exhibits and have applied short-term interest income as an offset to Dalmine's financing costs.

Comment 16

The petitioner contends that the Department should not allow the respondent to offset production costs with foreign exchange gains because the gains were not verified by the Department.

The respondent maintains that, contrary to the verification report, it does not associate exchange gains and losses with particular transactions. The respondent states that it classifies exchange gains and losses as part of the company's general expenses and it urges the Department to accept this treatment of these exchange gains and losses. As an alternative to including both foreign exchange gains and losses in its financing cost calculation, the respondent argues that the Department should exclude both gains and losses. The respondent states in its brief that it was not aware of the Department's treatment of exchange gains and losses until it received the verification agenda where the distinction was explicitly noted.

DOC Position

We agree with the petitioner. It is the Department's normal practice to distinguish between exchange gains and loses from sales transactions and exchange gains and losses from purchase transactions. *See, e.g., Final Determination of Sales at Less Than Fair Value; Silicomanganese from Venezuela,* 59 FR 55436 (November 7, 1994) (*Silicomanganese*). Accordingly, the Department does not include exchange gains and losses on accounts receivable because the exchange rate used to convert third-country sales to U.S. dollars is that in effect on the date of the U.S. sale. (See 19 CFR 353.60). The Department includes, however, foreign exchange gains and losses on financial assets and liabilities in its COP and CV, calculation where they are related to the company's production. Financial assets and liabilities are directly related to a company's need to borrow money, and we include the cost of borrowing in our COP and CV calculations. See *Silicomanganese.* The respondent did not provide any substantiation for the exchange gains and losses reflected in either Dalmine's financial statements or IRI's financial statements. However, Dalmine did state at verification that exchange gains are generally from sales transactions and exchange losses are generally from purchase transactions. We therefore adjusted the interest expense rate calculation to include IRI's exchange losses and exclude IRI's exchange gains.

Comment 17

The petitioner argues that the Department should disallow the portion of the LIFO variance adjustment which is comprised of reversals of accruals and other reserves. The petitioner claims that these accruals and reserves were established in prior accounting periods and do not relate to POI production. According to the petitioner, allowing such reversals provides companies that have advance knowledge of a dumping case with a simple means of shifting costs out of the POI.

The respondent contends that it included properly reversals of 1993 accruals and write-downs in its COP/CV costs. Dalmine claims that the Department's general practice is to include accruals which are recognized in the respondent's audited financial statements in the COP/CV calculations. According to the respondent, this treatment necessitates the inclusion of any accrual reversals in COP/CV calculations for the period in which the respondent recognizes the reversal. Otherwise, the respondent claims, the Department would be overstating the company's total costs.

DOC Position

We agree with the petitioner. We do not consider it appropriate to reduce current year production costs by the reversal of prior year operating expense accruals and write-downs of equipment and inventory. The subsequent year's reversal of these estimated costs does not represent revenue or reduced operating costs in the year of reversal. See *Notice of Final Determinations of Sales at Less Than Fair Value: Certain Hot-Rolled Carbon Steel Flat Products, Certain Cold-Rolled Carbon Steel Flat Products, and Certain Cut-to-Length Carbon Steel Plate From France,* 58 FR 37079 (July 9, 1993). Rather, they represent a correction of an estimate which was made in a prior year. If the Department is able to verify that an operating expense accrual or an equipment or inventory write-down recorded during the POI is subsequently adjusted because the company overestimated the cost, we will use the corrected figure, but only for the same period in which the accrual or write-down occurred. However, absent any verified information supporting the overestimation of cost, we have no choice but to rely on the amounts recorded by the company. The fact that a company is unable to determine that it over accrued certain costs in time for verification does not justify distorting the actual production costs incurred in a subsequent year by reducing subsequent year costs by the overestimated amount. In the present case, since the accruals and write-downs did not occur during 1994, it would be inappropriate to recognize the reversals of such entries in the reported costs.

Comment 18

The petitioner asserts that Dalmine has not reported the COP and CV for all of the subject merchandise sold in the U.S. during the POI. This assertion is based on the fact that Dalmine did not calculate a weighted average cost for CONNUM's 45 and 108, because the company did not produce those products during the POI. The petitioner claims that a significant percentage of U.S. sales during the POI were for control numbers not produced during the POI. The petitioner argues that the