and accepted by the Department as G&A expenses for CV purposes.

DOC Position

We disagree with the petitioner that the contested expenses were related to sales only. Based on our examination of respondent's records, we determined that the expenses in question were properly classified as G&A expenses. The exhibit to which the petitioner refers reflects an account that contains entries related to sales as well as to general expenses. At verification, we examined each entry and supporting documentation made for a specific month and found that the entries classified as G&A expenses were not specifically related to sales. Therefore, the Department did not include the expenses to which the petitioner referred in the calculation of respondent's indirect selling expenses.

Comment 87

The petitioner maintains that the proportion of expenses related to export documentation allocated to rose sales in the U.S. market is disproportionate to the ratio of the U.S. market sales to sales in other markets. Therefore, the petitioner requests that the Department reallocate these expenses based on the ratio of U.S. market sales to the sales in other markets.

Respondent states that the petitioner is mistaken because the portion of the verification report to which petitioner refers describes the proportion of the export document charges attributed to various categories, not just roses.

DOC Position

The petitioner's interpretation of the verification report is incorrect. First, the petitioner interpreted the proportion of expenses related to opening and closing registros for all markets as related only to U.S. sales. Second, the petitioner erroneously interpreted the ratio of rose sales to sales of all products as the ratio of U.S. rose sales to sales of roses in all countries. Therefore, the ratios cited by the petitioner bear no relationship to each other.

It should be noted, however, that the expenses related to opening and closing registros were not reported to the Department. It was not possible to allocate these expenses to rose sales for each market because company officials did not provide sufficient information necessary for such an allocation. Therefore, the Department included the total amount of expenses related to opening and closing registros in the calculation of respondent's indirect selling expenses allocated to rose sales in the U.S. market.

Comment 88

The petitioner argues that the expenses related to the Colombian Grower's Association (CGA) discovered during verification in respondent's accounting records should be included as indirect selling expenses. According to the petitioner, there is no evidence concerning the functions or activities of the CGA that justifies treating these expenses as G&A rather than selling expenses.

The respondent maintains that the fees paid to the CGA should not be treated as indirect selling expenses because CGA does not provide sales-related services.

DOC Position

The Colombian Grower's Association is the same type of entity as Asocolflores. During verification, the Department found no evidence that this association was involved in selling activities. Therefore, the Department did not include these fees as part of respondent's selling expenses.

Comment 89

The petitioner argues that the documentation collected during verification shows that certain expenses were not captured in the total indirect selling expense amount.

The respondent maintains that the expenses in question are related to fees paid to the Colombian Flower Council, which were reported to the Department as direct selling expenses.

DOC Position

We agree with the respondent that the expenses to which the petitioner refers are related to the fees paid to the Colombian Flower Council. Two of these expenses to which the petitioner referred related to sales to U.S. customers, the third was for a U.K. customer. At verification, we established that the U.S. expenses were included in the reported direct selling expenses. Therefore, the Department did not include these expenses in the calculation of respondent's indirect selling expenses.

Comment 90

The respondent states that during the POI, it used a U.S. operator for all international calls, which were paid for in dollars. According to the respondent, the cost of those international calls was properly allocated to all international sales, since the calls were made to customers throughout the world.

The petitioner argues that respondent's claim that the telephone expenses incurred in U.S. dollars were related to telephone calls to all

countries cannot be supported. The petitioner requests that the Department treat the entire amount of U.S. dollar denominated telephone charges as selling expenses related to U.S. sales only.

DOC Position

During verification we found no evidence that the cost of respondent's international phone calls was related to telephone calls made to the United States alone. Therefore, the Department used the portion of telephone expenses the respondent allocated to U.S. sales in the calculation of indirect selling expenses.

Comment 91

Petitioner stated that drastic pruning and resting should not be characterized as preproduction costs. Petitioner maintains that pruning is typically performed annually by all rose producers. Petitioner notes that these costs are analogous to general maintenance costs on a piece of equipment. Accordingly, the costs related to the drastic pruning and resting should be expended as incurred, unless respondent's methodology can be tied to the normal accounting practices of the company.

Respondent maintains that the cost of drastic pruning and resting are incurred every thirty months, at the end of each production cycle. Respondent further notes that these costs are normally capitalized on the books and records of the company. Respondent believes that these costs are properly characterized as preproduction costs since they occur prior to the start of rose production. Respondent notes that the reported capitalized pruning and resting costs were verified by the Department.

DOC Position

The drastic pruning/resting crop adjustment methodology is used by respondent in its normal course of business, and is in accordance with GAAP of Colombia. At verification, the reported costs were reconciled to the company's financial records. We further noted at verification that respondent manages its plants to produce roses in thirty month production cycles. At the end of each production cycle, respondent cuts down the rose plants and starts the process over again. Therefore, we believe that it is appropriate for the respondent to capitalize the costs incurred in preparing for the next production cycle and to amortize such costs over the thirty month cycle. The Department considers the drastic pruning/resting methodology to be reasonable and