insignificant amount of total U.S. sales. The respondent explains that the error resulted when the customer in question changed the format for reporting inventories on its growers report. June was the first month of this change and is the month in which the error occurred. The respondent maintains that the error was limited to this one customer in a single month. Finally, the respondent states that the Department verified that it had no sales to this customer in February.

# **DOC Position**

We disagree with the petitioner's assertion that respondent's response is unreliable. At verification, we reviewed the volume and value of respondent's U.S. sales and found only minor discrepancies, none of which would render its response unreliable. Therefore, based on the growers report for this customer, we have revised respondent's sales listing to reflect the quantity and value of sales to this customer during June.

### Comment 102

The petitioner maintains that credit costs should be revised to reflect only the short-term interest rate as provided in the sales verification report.

Respondent maintains that it does not object to the use of the interest rate the Department calculated at verification for home market credit expenses.

### **DOC Position**

We agree with both parties and have applied the verified home market short-term interest rate in the calculation of home market credit expenses.

# Comment 103

The respondent argues that we should use its reported credit period in its home market credit expense calculation.

# **DOC** Position

We disagree with the respondent. At verification, we found credit periods longer and shorter then the period reported by respondent. Therefore, we used the average of the credit periods found at verification, because that average most closely reflects the actual home market credit periods.

## Comment 104

The petitioner argues that unreported direct selling expenses incurred on sales to one customer should be allocated to only subject merchandise and not over all other sales. The petitioner states that the Department should increase this customer's direct selling expenses accordingly and provided a calculation of this expense.

### **DOC Position**

We agree with petitioner's argument but not its suggested calculation formula. We have increased this customer's direct selling expense by the unreported amount and allocated the total of these expenses to the rose sales of this customer.

### Comment 105

The petitioner argues that foreign inland freight charges on U.S. sales should be increased to reflect charges allocated per stem sold, as per the verification report. Additionally, the petitioner requests that wire transfer fees be corrected as per the verification report.

### **DOC Position**

Respondent made these corrections on its December 7, 1994, sales listing. We accepted these changes and used them for the final determination.

### Comment 106

Respondent argues that the Department should permit it to capitalize and amortize certain costs, which would only benefit production in future years, but were expensed for financial statement purposes.

Petitioner argues that items expensed in respondent's accounting records in the normal course of business should not be capitalized and amortized for purposes of the response. Petitioner argues that there is no basis on the record, and no verification exhibit, to support the claim that such items should be capitalized or to indicate a particular useful life for each of the identified costs.

### **DOC Position**

We agree with respondent that these costs benefit future years. Accordingly, it is reasonable for these assets to be capitalized in the year of acquisition. *See* also Comment 19.

### Comment 107

Respondent argues that the cost of its worm project should not be included in CV. Respondent argues that, although it is theoretically possible for the fertilizer generated from the worm project to be used on rose plants, the project was not started with that intention and it has not analyzed whether the fertilizer would be appropriate for use in rose beds. Additionally, respondent notes that the fertilizer from the worm project was not used for the production of roses during the period of investigation.

Petitioner claims that costs incurred with respect to the worm culture project for soil preparation should be allocated to rose production. Petitioner argues that this type of research and development ("R&D") expense should be expensed in the current period. Petitioner states that, since the respondent characterizes the project as related to rose production, there is no basis to exclude such expenses from the current period.

## **DOC Position**

We agree with petitioner that the worm culture project costs should be categorized as R&D. There is no conclusive evidence that this project is R&D specific to either rose production or any other type of production activity. Therefore, we consider the worm culture project to be related to general R&D and, accordingly, have included its costs in the G&A expense calculation.

### Comment 108

Petitioner argues that the Department should reject the allocation of costs to non-subject merchandise as it was not substantiated on the record or during verification. Specifically, petitioner argues that verification exhibits 1, 9, and 15 show conflicting results for cultivation area of the different flowers grown by respondent. Absent evidence to support the basic allocation of costs, the entire cost response should be rejected.

Respondent argues that its allocation of costs by area under cultivation is fully supported in the record. Respondent believes that petitioner's complaint that the percentage areas in respondent's cost exhibits CV-9 and CV-15 do not agree is without merit. Respondent notes that those exhibits support the allocations of different classes of expenses, relate to different corporate entities, and the percentage areas should not agree. Additionally, respondent notes that cost exhibit CV-1 does not agree with either of the other two exhibits because of a printing error which was addressed at verification.

# **DOC Position**

We agree with respondent that its allocation of costs between subject and non-subject merchandise based on area under cultivation is fully supported by data on the record. Therefore, no adjustment is deemed necessary for purposes of the final determination.

# **Grupo Tropicales**

### Comment 109

The petitioner notes that, because the Department found discrepancies in respondent's return credits for five preselected U.S. sales, respondent's return credit reporting is unreliable. The petitioner asserts that return credits were overstated, either by volume or