Comment 49

Petitioner states that, according to the cost verification report, fixed costs incurred with respect to packing were excluded from the calculated cost of production. Petitioner contends that there is no basis to conclude that these costs should be treated as packing expenses solely because the depreciation and insurance costs were related to the post harvest areas. Petitioner argues that, regardless of whether or not these costs were "post-harvest," they should be treated as cultivation costs and added to overhead.

Respondent states that it removed fixed overhead costs related to packing from its packing calculation pursuant to the Department's instructions prior to verification. However, respondent maintains that these costs relate to functions such as hydration and grading, which are associated with packing costs and have nothing to do with production. Therefore, respondent argues these costs should not be included in its cost of cultivation and are most appropriately classified as packing costs.

DOC Position

We agree with respondent that these are packing costs. In our August 2, 1994, questionnaire, we requested that respondent remove fixed costs from its packing expenses. At that time we thought it appropriate to classify these expenses as part of COP. However, during the cost verification, we analyzed these costs and determined that it was appropriate to include these expenses in packing.

Comment 50

Petitioner states that, according to the verification report, respondent excluded year-end adjustments to farm specific G&A of: (1) Amortization of preoperating expenses, and (2) reduction for an over accrual of social benefits.

Regarding pre-operating expenses, petitioner argues that respondent should include all amortized pre-operating expenses in G&A following normal company accounting practices absent evidence that the expenses were incurred with respect to operations other than rose production.

Regarding the over-accrual of social benefits, petitioner states that the verification report is unclear as to whether there is evidence that there is a basis for departing from the financial statements. Absent such evidence, petitioner argues that the financial statement figures should be used.

Regarding the over-accrual of social benefits, respondent contends that at

year-end, it adjusted its social benefits costs to reflect the actual social benefits paid during the year. Respondent states that the costs reported to the Department included the over-accrual. Therefore, the subtraction of the amount of the over-accrual from G&A expenses noted in the verification report should be made.

DOC Position

We agree with petitioner. We found at verification that these items are G&A expenses of the company and made an adjustment. This verified data was used in our final determination. *See, e.g., Minivans.*

Comment 51

Petitioner argues that respondent's per unit G&A expenses were understated. Petitioner contends that the percentage G&A factor was applied to the reported cultivation costs, excluding the post harvest costs. Petitioner maintains that the Department should correct this error so that the cost of production and constructed value reflect full costs.

DOC Position

We agree with petitioner. The application of the G&A ratio resulted in an understatement of this expense. Therefore, for our final determination we corrected this by applying the ratio on the same basis upon which it was calculated.

Comment 52

Petitioner argues that income from exchange-rate gains on sales, insurance reimbursement, gains on sales of fixed assets, and income from social security cannot be allowed to offset respondent's interest expenses unless these income items are linked to the interest expenses deducted.

Respondent argues that income from exchange-rate gains on sales, insurance reimbursement, and gains on sales of fixed assets are related to production or has been generated from short-term investments of working capital and are, therefore, allowable as offsets to its financial expenses.

DOC Position

We agree with petitioner that these are not properly offsets to financial expenses. However, the insurance reimbursement and gains on sales of fixed assets, while not a financial expense of the company, do reflect items of a G&A nature. Accordingly, we have included them as such in our calculations.

Comment 53

Petitioner argues that Sunburst Farm's interest revenue on late accounts should be corrected as per the verification report.

DOC Position

We agree with petitioner and used Sunburst Miami's verified interest income for purposes of our final determination. *See, e.g., Minivans.*

Comment 54

Respondent argues that, pursuant to the Department's instructions, it segregated the amount of FONIN taxes paid from its cost of cultivation and reported this amount separately. Respondent maintains that the Department verified this expense without discrepancy. Respondent contends that the Department should use the actual allocated amounts for the final. Additionally, respondent argues that the Department should deduct from cost of cultivation the amount of FONIN tax originally reported.

Petitioner maintains that, to the extent the Department verified the revised FONIN tax, these amounts are appropriately deducted from USP.

DOC Position

We agree with petitioner and respondent in part. We deducted the verified amounts of FONIN tax from USP. We also deducted the FONIN tax reported in COP.

Comment 55

Respondent maintains that the Department should accept the corrections it submitted in its revised sales tape for purposes of the final determination. Additionally, respondent argues that the Department should use the verified interest expense Sunburst paid during the POI rather than the reported percent.

Petitioner contends that the Department should verify that the corrections respondent reportedly changed concerning foreign inland freight, U.S. inland freight, quality credits, U.S. indirect selling expenses, interest revenue, air freight, brokerage and handling, and packing cost were properly implemented.

DOC Position

We agree with both parties. We have reviewed the new sales listing and found that respondent made the changes as per the verification report. Therefore, used these revised expenses in our calculations. In addition, we used respondent's revised U.S. interest rate.