

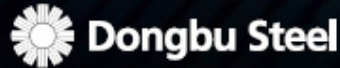


Australian Government  
Department of Industry,  
Innovation and Science

PUBLIC RECORD

Received: 23 January 2017

Anti-Dumping  
Commission



## Exporter Questionnaire

**Product:** Zinc coated (galvanised) steel  
**From:** the Republic of Korea  
**Period of Review:** 1 October 2015 to 30 September 2016  
**Response due by:** **15 January 2017<sup>1</sup>**

Extended until 23 January 2017

*Important note: The timeliness of your response is important. Please refer below for more information.*

**Case manager:** Ryan Wilson  
**Phone:** +61 3 8539 2441  
**Fax:** +61 3 8539 2499  
**E-mail:** [Operations1@adcommission.gov.au](mailto:Operations1@adcommission.gov.au)  
**Return completed questionnaire to:** [Operations1@adcommission.gov.au](mailto:Operations1@adcommission.gov.au)

OR

Attention: Director Operations 1  
Anti-Dumping Commission  
GPO Box 1632  
Melbourne  
Victoria 3000  
Australia

**Please note that a non-confidential version of the reply to this questionnaire must also be provided.**

<sup>1</sup> As this falls on a Sunday, the effective due date is the next business day, being 16 January 2017.

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## SECTION A - COMPANY STRUCTURE AND OPERATIONS

This section requests information relating to company details and financial reports.

### A-1 Identity and communication

Please nominate a person within your company who can be contacted for the purposes of your review:

<b>Head Office (Dongbu Steel &amp; Dongbu Incheon Steel)</b>	
<b>Name</b>	Keun Chae Na
<b>Position in the Company</b>	Head of Legal Staff
<b>Address</b>	22F, LG Namsan Tower 98 Huam-ro Jung-gu Seoul Korea
<b>Telephone</b>	+82-2-3450-8040
<b>Facsimile number</b>	+82-2-3450-8177
<b>Email address of contact person</b>	sword@dongbu.com

<b>Factory</b>	
<b>Address (Dangjin works)</b>	333 Godae-Ri Songak-myeon Danggingun Chungcheongnam-do Korea
<b>Address (Incheon works)</b>	789, Baekbeom-ro Seo-gu Incheon Korea
<b>Name</b>	Mr Seol Kyu Park
<b>Telephone</b>	+82-41-351-8530
<b>Facsimile number</b>	+82-41-351-8320
<b>Email address of contact person</b>	parkstl@dongbu.com

### A-2 Representative of the company for the purpose of the review

If you wish to appoint a representative to assist you in your review, provide the following details:

<b>Name</b>	Alistair Bridges
<b>Organisation</b>	Moulis Legal

<b>Position in the company</b>	<b>Associate</b>
<b>Address</b>	<b>Level 39 385 Bourke Street Melbourne Victoria 3000</b>
<b>Telephone</b>	<b>+61 3 8459 2276</b>
<b>Facsimile number</b>	<b>+61 2 6162 0606</b>
<b>E-mail address of contact person</b>	<b>alister.bridges@moulislegal.com</b>
<b>All communications in relation to this matter should be directed to Moulis Legal in the first instance.</b>	

*Note that in nominating a representative, the Commission will assume that confidential material relating to your company in your review may be freely released to, or discussed with, that representative.*

### A-3 Company information

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

**The company’s legal name is Dongbu Steel Co., Ltd (hereinafter “Dongbu Steel”). Dongbu Steel is a listed company (joint-stock corporation) in the Republic of Korea. Dongbu Steel does not use any other business names when it sells the goods under consideration (“GUC”).**

**On 1 May 2014, Dongbu Steel separated its Incheon works from its other undertakings and placed that asset in a new company named Dongbu Incheon Steel Co., Ltd (hereinafter “Dongbu Incheon”). [CONFIDENTIAL TEXT DELETED – company shareholding]**

**In the previous reviews undertaken by the Commission (ADC 272 and ADC 273) Dongbu Steel and Dongbu Incheon were treated as a single economic entity for the purposes of normal value calculation. [CONFIDENTIAL TEXT DELETED – details of cost reporting]. We request the Commission’s advice should it require the data to be reported in a different way.**

**For the purposes of this exporter questionnaire response, Dongbu Steel and Dongbu Incheon will collectively be referred to as “Dongbu”.**

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

**Please refer to [CONFIDENTIAL] Attachment 1, which lists the major shareholders of Dongbu Steel and their respective holdings. [CONFIDENTIAL TEXT DELETED – company shareholding].**

3. If your company is a subsidiary of another company, list the principal shareholders of that company.

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**Dongbu Steel is not a subsidiary of any other company.**

4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

**Dongbu Steel is not a subsidiary of any other company.**

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

**Please refer to [CONFIDENTIAL] Attachment 2, which sets out Dongbu's corporate structure.**

6. Are any management fees/corporate allocations charged to your company by your parent or related company?

**No management or corporate allocations are charged to Dongbu Steel or Dongbu Incheon by their related companies.**

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

**Dongbu Steel is an integrated steel manufacturer that produces a full range of steel products which are sold in Korea and to various export markets, including Australia.**

**[CONFIDENTIAL TEXT DELETED – commercial affairs of Dongbu Incheon]**

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:

- produce or manufacture
- sell in the domestic market
- export to Australia, and
- export to countries other than Australia.

**Dongbu performs all of the above functions in relation to the goods under consideration, although in the period of review it did not export any Zinc coated (galvanised) steel to Australia.**

**Dongbu Incheon also performed all of these functions in relation to the GUC [CONFIDENTIAL TEXT DELETED –commercial affairs of Dongbu Incheon].**

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

**Please refer to [CONFIDENTIAL] Attachment 3 for an illustration of Dongbu's organizational structures. For more detailed information on these works and their products, please refer to [CONFIDENTIAL] Attachment 4.**

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10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

Please refer to:

- Attachment 5, which is a brochure regarding Dongbu; and
- Attachment 6, which is brochure regarding the GUC manufactured by Dongbu.

**A-4 General accounting/administration information**

1. Indicate your accounting period.

Dongbu's fiscal year is the calendar year, 1 January to 31 December.

2. Indicate the address where the company's financial records are held.

Dongbu maintains all relevant accounting records in its head office. All information presented in this EQ response is accessible from Dongbu's corporate headquarters in Seoul. At the same time, specific manufacturing-related records are maintained at the specific manufacturing facilities.

The address of the head office and the factories where the GUC is produced are provided in response to Question A-1.

3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:

- chart of accounts;
- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);
- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods under consideration.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods under consideration, and
- the company.

Please refer to:

- [CONFIDENTIAL] Attachment 7 – Dongbu Steel's Unconsolidated Financial Report 2015-2014;
- [CONFIDENTIAL] Attachment 8 – Dongbu Steel's Consolidated Annual Report 2015-2014;
- [CONFIDENTIAL] Attachment 9 – Dongbu Steel's Half Year Review for the year until 30 June 2016-2015;
- [CONFIDENTIAL] Attachment 10 – Dongbu Steel's July-Sept 2016 P&L;
- [CONFIDENTIAL] Attachment 11 – Dongbu Incheon's Unconsolidated Financial Report 2015-2014;
- [CONFIDENTIAL] Attachment 12 – Dongbu Incheon's Half Year Review for the year until 30 June 2016-2015;
- [CONFIDENTIAL] Attachment 13 – Dongbu Incheon's July-Sept 2016 P&L; and

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- **[CONFIDENTIAL] Attachment 14 – Dongbu’s chart of accounts.**

4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

**Dongbu is required to have its accounts audited.**

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

**Dongbu’s financial accounting practices are in accordance with the generally accepted accounting principles (“GAAP”) of Korea.**

6. Describe:

The significant accounting policies that govern your system of accounting, in particular:

- the method of valuation for raw material, work-in-process, and finished goods inventories (eg last in first out –LIFO, first in first out- FIFO, weighted average);

**Inventory is recorded using the monthly average inventory method and is settled by periodic inventory inspection. Valuation of the inventory is made at the inventories’ acquisition cost. Raw materials are valued using the moving average method. Goods in transit are valued using the identified cost method.**

- costing methods, including the method (eg by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

**Please refer to Dongbu’s response regarding the cost accounting system in Section G.**

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

**Inventories (finished goods and raw materials) are written down by the net realizable value method and the lower cost method. Dongbu recognizes losses, whenever the inventories are physically deteriorated or decreased, by market value. This methodology is in accordance with Korean GAAP.**

- valuation methods for scrap, by products, or joint products;

**There are two categories of scrap generated through the production process. They are steel scrap and zinc scrap. The value of scrap is estimated subsequently by the monthly sales amount and is then deducted from the cost of goods manufactured of each product groups.**

**No by-products or joint products result from the production of the GUC.**

- valuation and revaluation methods for fixed assets;

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Property, plant and equipment are initially measured at cost. After the initial cost recognition, the fixed assets are carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location, any conditions necessary for the property, plant or equipment to be capable of operating in the manner intended by management, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in the carrying amount of the property, plant and equipment at cost or, if it is probable that future economic benefits associated with the item will flow to Dongbu and the cost of the item can be measured reliably, as separate items. In these circumstances, the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment (other than land), is depreciated on a straight-line basis over the estimated useful life of that item. A component that is significant compared to the total cost of the property, plant or equipment is depreciated over its separate useful life. Lease assets are depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that Dongbu will obtain ownership by the end of the lease term.

- average useful life for each class of production equipment and depreciation method and rate used for each;

As explained above, fixed assets are amortized over their useful lives. Property, plant and equipment are stated at cost, net of accumulated depreciation, except for certain assets subject to upward revaluations in accordance with the Asset Revaluation Law.

Depreciation is computed by using the straight-line method over the estimated useful lives of the assets, as follows:

Classification	Estimated Useful Life	Classification	Estimated Useful Life
Buildings	30-60 years	Vehicles	5-7 years
Structures	20-60 years	Tools	5-7 years
Machinery	20 years	Equipment	5-7 years

- treatment of foreign exchange gains and losses arising from transactions;

Foreign exchange gains and losses from individual transactions are accounted for as foreign transaction gains and losses.

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

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**Foreign exchange gains and losses from translations of balance sheet items are accounted for as foreign translation gains and losses.**

- inclusion of general expenses and/or interest;

**Under Korean GAAP, inclusion of interest expense is permitted only for self-constructed physical assets and for purchased equipment. Inclusion of interest expense is not permitted for short-term inventories. In addition, general expenses are not capitalized as part of fixed assets or inventories.**

- provisions for bad or doubtful debts;

**Dongbu makes provision for the allowance for doubtful accounts by the expected future bad debt amount, which is calculated through an analysis of the remaining balance of account receivables with the percentage of the previously experienced bad debt accounts.**

- expenses for idle equipment and/or plant shut-downs;

**During the review period, Dongbu did not have any significant assets sitting idle nor did it shut down any plants.**

- costs of plant closure;

**Not applicable. Dongbu did not experience any plant closures during the review period, nor were there any plant closures prior to the review period which would have residual effects during the review period.**

- restructuring costs;

**Not applicable. Dongbu did not experience any restructuring during the review period, nor were any restructuring costs incurred prior to the review period, which would have residual effect during the review period.**

- by-products and scrap materials resulting from your company's production process; and

**Please refer to the above response regarding scrap and by-products.**

- effects of inflation on financial statement information.

**Inflation had no effect on Dongbu's financial statement information during the review period.**

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

**Dongbu has not changed any of its accounting methods in the last two financial years.**

**A-5 Income statement**

Please fill in the following table. It requires information concerning all products produced and for the goods under consideration (*'goods under consideration'* (the goods) is defined in the Glossary of Terms in the appendix to this form). You should explain how costs have been allocated.

	Most recent completed financial year (specify)		Review period	
	All products	Goods Under Consideration	All products	Goods Under Consideration
<b>Gross Sales (1)</b>				
Sales returns, rebates and discounts (2)				
<b>Net Sales (3=1-2)</b>				
Raw materials (4)				
Direct Labour (5)				
Depreciation (6)				
Manufacturing overheads (7)				
Other operating expenses (8)				
<b>Total cost to make (9=4+5+6+7+8)</b>				
<b>OPERATING INCOME (10=3-9)</b>				
Selling expenses (11)				
Administrative & general expenses (12)				
Financial expenses (13)				
<b>SG&amp;A expenses (14)=(11+12+13)</b>				
<b>INCOME FROM NORMAL ACTIVITIES (15)=(10-14)</b>				
Interest income (16)				
Interest expense (enter as negative) (17)				
Extraordinary gains and Losses – enter losses as negative (18)				
Abnormal gains and losses – enter losses as negative (19)				
<b>PROFIT BEFORE TAX (20)=(15+16+17+18+19)</b>				

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Tax (21)				
<b>NET PROFIT (22)=(20-21)</b>				

Note: if your financial information does not permit you to present information in accordance with this table please present the information in a form that closely matches the table.

Prepare this information on a spreadsheet named "**Income statement**".

*This information will be used to verify the completeness of cost data that you provide in Section G. If, because of your company's structure, the allocations would not be helpful in this process, please explain why this is the case.*

**Please refer to [CONFIDENTIAL] Attachment 15.**

**A-6 Sales**

State your company's net turnover for the review period (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept, in the following format:

	Most recent completed financial year (specify)		Review period	
	Volume	Value	Volume	Value
Total company turnover <b>(all products)</b>				
Domestic market				
Exports to Australia				
Exports to Other Countries				
Turnover of the nearest business unit, for which financial statements are prepared, which includes the goods under consideration				
Domestic market				
Exports to Australia				
Exports to Other Countries				
Turnover of the <b>goods under consideration</b>				
Domestic market				
Exports to Australia				
Exports to Other Countries				

Prepare this information in a spreadsheet named "TURNOVER".

*This information will be used to verify the cost allocations to the goods under consideration in Section G.*

*Also, you should be prepared to demonstrate that sales data shown for the goods is a complete record by linking total sales of these goods to relevant financial statements.*

Please refer to [CONFIDENTIAL] Attachment 16.

## SECTION B - SALES TO AUSTRALIA (EXPORT PRICE)

*This section requests information concerning your export practices and prices to Australia. You should include costs incurred beyond ex-factory. Export prices are usually assessed at FOB point, but the Commission may also compare prices at the ex factory level.*

*You should report prices of **all** goods under consideration (the goods) **shipped** to Australia during the review period.*

*The invoice date will normally be taken to be the date of sale. If you consider:*

- *the sale date is not the invoice date (see 'date of sale' column in question B4 below) and;*
- *an alternative date should be used when comparing export and domestic prices*

*you **must** provide information in section D on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the review period.*

**Noted. Dongbu did not have any export sales to Australia during the review period and therefore cannot responded to Section B of the exporter questionnaire.**

**B-1** For each customer in Australia to whom you shipped goods in the review period list:

name;  
address;  
contact name and phone/fax number where known; and  
trade level (for example: distributor, wholesaler, retailer, end user, original equipment).

**B-2** For each customer identified in B1 please provide the following information.

- Describe how the goods are sent to each customer in Australia, including a diagram if required.
- Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.
- Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP sales, explain who retains ownership when the goods enter Australia.
- Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).
- Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are based on price lists supply copies of those lists.
- State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (eg free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).
- Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

**B-3** Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

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**B-4** Prepare a spreadsheet named “Australian sales” listing all shipments (i.e. transaction by transaction) to Australia of the goods under consideration in the review period. You must provide this list in electronic format. Include the following export related information:

Column heading	Explanation
Customer name	names of your customers. If an English version of the name is not easily produced from your automated systems show a customer code number and in a separate table list each code and name.
Related / Non Related	Indicate whether the customer is related or not related to your organisation
Level of trade	the level of trade of your domestic customer
Base Metal Thickness (BMT)	Relates to Commercial model grade or type
Coating Mass	Relates to Commercial model grade or type
Standard / Grade	Relates to Commercial model grade or type
Quality	Indicate whether the sale is for Prime, Seconds, or Downgrade product
Width	Relates to Commercial model grade or type
Type	Coil / Sheet
Finish	Relates to Commercial model grade or type
Base Steel	Please indicated whether product is made from hot rolled or cold rolled steel
Product Code	Code used in your records for the model/grade/type identified. A product code must be a unique identifier of that product. Explain the product codes in your submission.
Invoice number	invoice number
Invoice date	invoice date
Date of sale	refer to the explanation at the beginning of this section. If you consider that a date <i>other than</i> the invoice date best establishes the material terms of sale, report that date. For example, order confirmation, contract, or purchase order date.
Order number	if applicable, show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Shipping terms	Delivery terms eg. CIF, C&F, FOB, DDP (in accordance with Incoterms)
Payment terms	agreed payment terms eg. 60 days=60 etc
Quantity (pcs)	Number of pieces of sold (if shown on the invoice).
Units of Quantity	Weight of this product shown on the invoice.
Gross invoice value	gross invoice value shown on invoice <i>in the currency of sale, excluding taxes.</i>
Discounts	if applicable, the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Rebates	The amount of any deferred rebates or allowances paid to the importer in the currency of sale.
Other charges	any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide a description.
Invoice currency	the currency used on the invoice
Exchange rate	Indicate the exchange rate used to convert the currency of the sale to the currency used in your accounting system
Net invoice value	the net invoice value expressed in your domestic currency as it is entered in your accounting system

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Other discounts	The actual amount of discounts not deducted from the invoice. Show a separate column for each type of discount.
Ocean freight**	the actual amount of ocean freight incurred on each export shipment listed.
Marine insurance	Amount of marine insurance
FOB export price**	the free on board price at the port of shipment.
Packing*	Packing expenses
Inland transportation costs*	inland transportation costs included in the selling price. For export sales this is the inland freight from factory to port in the country of export.
Handling, loading & ancillary expenses*	handling, loading & ancillary expenses. For example, terminal handling, export inspection, wharfage & other port charges, container tax, document fees & customs brokers fees, clearance fees, bank charges, letter of credit fees, & other ancillary charges incurred in the exporting country.
Warranty & guarantee expenses*	warranty & guarantee expenses
Technical assistance & other services*	expenses for after sale services, such as technical assistance or installation costs.
Commissions*	Commissions paid. If more than one type is paid insert additional columns of data. Indicate in your response to question B2 whether the commission is a pre or post exportation expense having regard to the date of sale.
Other factors*	<b>any other</b> costs, charges or expenses incurred in relation to the exports to Australia (include additional columns as required). See question B5.

\*\* FOB export price and Ocean Freight:

FOB export price: An FOB export price must be calculated for each shipment - regardless of the shipping terms. FOB price includes inland transportation to the port of exportation, inland insurance, handling, and loading charges. It excludes post exportation expenses such as ocean freight and insurance. Use a formula to show the method of the calculation on each line of the export sales spreadsheet.

Ocean freight: as ocean freight is a significant cost it is important that the actual amount of ocean freight incurred on each exportation be reported. If estimates must be made you must explain the reasons and set out the basis - estimates must reflect changes in freight rates over the review period.

Freight allocations must be checked for consistency.

\* All of these costs are further explained in section E-1.

**B-5** If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column (see "other factors" in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

**B-6** For each type of discount, rebate, allowance offered on export sales to Australia:

- provide a description; and

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- explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

**B-7** If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has **not** been reported as a discount or rebate.

**B-8** If the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (eg. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred. For example:

Import duties	Amount of import duty paid in Australia
Inland transport	Amount of inland transportation expenses within Australia included in the selling price
Other costs	Customs brokers, port and other costs incurred (itemise)

**B-9** Select two shipments, in different quarters of the review period, and provide a complete set of all of the documentation related to the export sale. For example:

- the importer's purchase order, order confirmation, and contract of sale;
- commercial invoice;
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

The Commission will select additional shipments for payment verification at the time of the visit.

## SECTION C - EXPORTED GOODS & LIKE GOODS

- C-1** Fully describe all of the goods you have exported to Australia during the review period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

Dongbu did not export any of the goods to Australia during the period of review.

However, to assist the Commission in understanding the goods that it produces, Dongbu provides the following information. Firstly, Dongbu maintains a universal product code (“UPC”) system, which was developed by Dongbu’s engineers to identify the specifications and key physical characteristics of all products. Please refer to [CONFIDENTIAL] Attachment 17 – Product code structure and index.

Please note that there is no specific code for the kind of “market” to which the product is destined. Anyone of the products could be sold to any market, depending on customer preference.

Dongbu has created a product control number (model) for the subject merchandise, which provides a high-level overview of the characteristics of each product. Dongbu has summarised this system in [CONFIDENTIAL] Attachment 18 - Product control number index. These codes are included in column R of the Domestic Sales spreadsheet. Additionally, the Commission has requested some specific product information for the purposes of this review. The new information is summarised in [CONFIDENTIAL] Attachment 19, and the data is reported at columns F to P of the Domestic Sales spreadsheets.

- C-2** List each type of goods exported to Australia (these types should cover all types listed in spreadsheet “**Australian sales**” – see section B of this questionnaire).

As discussed above, Dongbu did not export the GUC to Australia during the period of review.

- C-3** If you sell like goods on the domestic market, for each type that your company has exported to Australia during the review period, list the most comparable model(s) sold domestically;

- and provide a detailed explanation of the differences where those goods sold domestically (ie. the like goods – see explanation in glossary) are not identical to goods exported to Australia.

As noted previously, Dongbu did not sell any goods to Australia during the period of review, so the question of “comparability” is moot. However, generally speaking, there would be no significant differences between the subject merchandise sold in the domestic market and that exported to Australia.

- C-4** Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

Please refer to Dongbu’s responses to question C-1 and C-2, above.

Also, for specification details, please refer to the product catalogue which has already been provided as Attachment 6.

**SECTION D - DOMESTIC SALES**

*This section seeks information about the sales arrangements and prices in the domestic market of the country of export.*

*All domestic sales made during the review period must be listed transaction by transaction. If there is an extraordinarily large volume of sales data and you are unable to provide the complete listing electronically you **must** contact the case officer **before** completing the questionnaire. If the case officer agrees that it is not possible to obtain a complete listing he or she will consider a method for sampling that meets the Commission requirements. If agreement cannot be reached as to the appropriate method the Commission may not visit your company.*

*The Commission will normally take the invoice date as being the date of sale in order to determine which sales fall within the review period.*

*If, in response to question B4 (Sales to Australia, Export Price), you have reported that the date of sale is not the invoice date and you consider that this alternative date should be used when comparing domestic and export prices –*

- *you **must** provide information on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the review period.*
- *If you do not have any domestic sales of like goods you must contact the case officer who will explain the information the Commission requires for determining a normal value using alternative methods.*

**D-1** Please provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;

[CONFIDENTIAL TEXT DELETED – domestic customer types]

- information concerning the functions/activities performed by each party in the distribution chain; and

The product will usually be delivered by Dongbu to the customers concerned.  
[CONFIDENTIAL TEXT DELETED – information regarding service providers]

- a copy of any agency or distributor agreements, or contracts entered into.

[CONFIDENTIAL TEXT DELETED – information regarding commercial arrangements]

If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.

[CONFIDENTIAL TEXT DELETED – information regarding related party sales]

**D-2** Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

[CONFIDENTIAL TEXT DELETED – information regarding price trends] Selling prices are determined by individual negotiation on a transaction-by-transaction basis. Important factors are the market conditions, costs and profit considerations. As well, the relationship with the customer and volumes of both individual orders and the total business with a customer will affect negotiation positions.

**D-3** Please explain in detail the sales process, including:

- the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales; and
- whether price includes the cost of delivery to customer.

If sales are in accordance with price lists, provide copies of the price lists.

Upon receiving a customer’s purchase inquiry, Dongbu’s domestic market sales personnel will negotiate sales terms, such as price, with the customer. This negotiation takes place by phone, fax, internet, or even in person.

Once the verbal negotiations are completed, Dongbu’s sales staff will inquire whether the Dongbu factories have sufficient inventory to satisfy the customer’s needs, and makes a shipment schedule.

When the ordered goods are shipped, Dongbu issues a shipping invoice. In addition, in order to settle the payment, Dongbu normally issues a tax invoice and commercial invoice to its customer at the end of each month.

After receiving the tax invoice, the customer will pay the bill in cash or by promissory notes.

**D-4** Please prepare a spreadsheet named “domestic sales” listing all sales of like goods made during the review period. The listing must be provided electronically. Include all of the following information.

Column Heading	Explanation
Customer name	names of your customers. If an English version of the name is not easily produced from your automated systems show a customer code number and in a separate table list each code and name.
Related / Non Related	Indicate whether the customer is related or not related to your organisation
Level of trade	the level of trade of your domestic customer
Base Metal Thickness (BMT)	Relates to Commercial model grade or type
Coating Mass	Relates to Commercial model grade or type
Standard / Grade	Relates to Commercial model grade or type
Quality	Indicate whether the sale is for Prime, Seconds, or Downgrade product
Width	Relates to Commercial model grade or type
Type	Coil / Sheet
Base Steel	Please indicated whether product is made from hot rolled or cold rolled steel
Finish	Relates to Commercial model grade or type
Product code	Code used in your records for the model/grade/type

**PUBLIC RECORD**

	identified. A product code must be a unique identifier of that product. Explain the product codes in your submission.
Invoice number	invoice number
Invoice date	invoice date
Date of sale	refer to the explanation at the beginning of this section. If you consider that a date <i>other than</i> the invoice date best establishes the material terms of sale, report that date. For example, order confirmation, contract, or purchase order date.
Order number	if applicable, show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Delivery terms	Delivery terms eg. CIF, C&F, FOB, DDP (in accordance with Incoterms)
Payment terms	agreed payment terms eg. 60 days=60 etc
Quantity (pcs)	Number of pieces of sold (if shown on the invoice).
Unit of Quantity	Weight of this product shown on the invoice.
Gross invoice value	gross invoice value shown on invoice <i>in the currency of sale, excluding taxes.</i>
Discounts	if applicable, the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Rebates	The amount of any deferred rebates or allowances paid to the importer in the currency of sale.
Other charges	any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide a description.
Net invoice value	the net invoice value expressed in your domestic currency as it is entered in your accounting system
Other discounts	The actual amount of discounts not deducted from the invoice. Show a separate column for each type of discount.
Packing*	Packing expenses
Inland transportation costs*	inland transportation costs included in the selling price.
Handling, loading & ancillary expenses*	handling, loading & ancillary expenses.
Warranty & guarantee expenses*	warranty & guarantee expenses
Technical assistance & other services*	expenses for after sale services, such as technical assistance or installation costs.
Commissions*	Commissions paid. If more than one type is paid insert additional columns of data. Explain in your response to this question in detail in D-6.
Other factors*	any other costs, charges or expenses incurred in relation to the sale. (include additional columns as required). See question D5.

Costs marked with \* are explained in section E-2.

<b>Please refer to:</b>
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- [CONFIDENTIAL] Attachment 20 – Domestic sales for the GUC; and
- [CONFIDENTIAL] Attachment 21 – Domestic sales index.

**D-5** If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above add a column for each item (see “other factors”). For example, certain other selling expenses incurred.

[CONFIDENTIAL TEXT DELETED – additional expenses] on a transaction-by-transaction basis in additional columns in the “Domestic Sales” listing. Detailed descriptions have been provided in Section E-2.

**D-6** For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has **not** been reported as a discount or rebate.

[CONFIDENTIAL TEXT DELETED – information regarding conditions and terms of sale]

**D-7** Select two domestic sales, in different quarters of the review period, that are at the same level of trade as the export sales. Provide a complete set of documentation for those two sales. (Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, bank documentation showing proof of payment.)

The Commission will select additional sales for verification at the time of our visit.

Please refer to:

- [CONFIDENTIAL] Attachment 22 – Domestic sales example 1; and
- [CONFIDENTIAL] Attachment 23 – Domestic sales example 2.

## SECTION E - FAIR COMPARISON

*Section B sought information about the export prices to Australia and Section D sought information about prices on your domestic market for like goods (ie. the normal value).*

*Where the normal value and the export price are not comparable adjustments may be made. This section informs you of the fair comparison principle and asks you to quantify the amount of any adjustment.*

*As prices are being compared, the purpose of the adjustments is to eliminate factors that have unequally modified the prices to be compared.*

*To be able to quantify the level of any adjustment it will usually be necessary to examine cost differences between sales in different markets. The Commission must be satisfied that those costs are likely to have influenced price. In practice, this means that the expense item for which an adjustment is claimed should have a close nexus to the sale. For example, the cost is incurred because of the sale, or because the cost is related to the sale terms and conditions.*

*Conversely, where there is not a direct relationship between the expense item and the sale a greater burden is placed upon the claimant to demonstrate that prices have been affected, or are likely to have been affected, by the expense item. In the absence of such evidence the Commission may disallow the adjustment.*

*Where possible, the adjustment should be based upon actual costs incurred when making the relevant sales. However, if such specific expense information is unavailable cost allocations may be considered. In this case, the party making the adjustment claim must demonstrate that the allocation method reasonably estimates costs incurred.*

*A party seeking an adjustment has the obligation to substantiate the claim by relevant evidence that would allow a full analysis of the circumstances, and the accounting data, relating to the claim.*

*The review must be completed within strict time limits therefore you must supply information concerning claims for adjustments in a timely manner. Where an exporter has knowledge of the material substantiating an adjustment claim that material is to be available at the time of the verification visit. The Commission will not consider new claims made after the verification visit.*

### E-1 Costs associated with export sales

**Dongbu did not have export sales to Australian market, so this section is not applicable.**

(These cost adjustments will relate to your responses made at question B-4, '**Australian sales**')

#### 1. Transportation

Explain how you have quantified the amount of inland transportation associated with the export sale ("**Inland transportation costs**"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

#### 2. Handling, loading and ancillary expenses

List all charges that are included in the export price and explain how they have been quantified ("**Handling, loading & ancillary expenses**"). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;
- wharfage and other port charges;
- container taxes;
- document fees and customs brokers fees;
- clearance fees;
- bank charges, letter of credit fees
- other ancillary charges.

**3. Credit**

The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the review period. Explain the nature of the interest rates most applicable to these export sales eg, short term borrowing in the currency concerned.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days. See also item 4 in section E-2 below.

**4. Packing costs**

List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed '**Packing**'.

**5. Commissions**

For any commissions paid in relation to the export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met.

Report the amount in the sales listing in question B-4 under the column headed "**Commissions**". Identify the general ledger account where the expense is located.

**6. Warranties, guarantees, and after sales services**

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses ("**Warranty & guarantee expenses**" and "**Technical assistance & other services**"), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

**7. Other factors**

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed "**Other factors**". For example, other variable or fixed selling expenses, including salesmen's salaries, salesmen's travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

**8. Currency conversions**

In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a 'sustained' movement during the period of review (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect 'sustained' movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the review period.

## E-2 Costs associated with domestic sales

(These cost adjustments will relate to your responses made at question D-4, "**domestic sales**")

*The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.*

### 1. Physical characteristics

The adjustment recognises that differences such as quality, chemical composition, structure or design, mean that goods are not identical and the differences can be quantified in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (i.e. an amount for selling general and administrative costs (S G & A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data. Identify the physical differences between each model. State the source of your data.

**Not applicable, no physical characteristic adjustment is required.**

### 2. Import charges and indirect taxes

If exports to Australia:

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia;

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

The taxes and duties include sales, excise, turnover, value added, franchise, stamp, transfer, border, and excise taxes. Direct taxes such as corporate income tax are not included as such taxes do not apply to the transactions.

Adjustment for drawback is not made in every situation where drawback has been received. Where an adjustment for drawback is appropriate you must provide information showing the import duty borne by the domestic sales. (That is, it is not sufficient to show the drawback amount and the export sales quantity to Australia. For example, you may calculate the duty borne on domestic sales by quantifying the total amount of import duty paid and subtracting the duty refunded on exports to all countries. The difference, when divided by the domestic sales volume, is the amount of the adjustment).

In substantiating the drawback claim the following information is required:

- a copy of the relevant statutes/regulations authorising duty exemption or remission,

- translated into English;
- the amount of the duties and taxes refunded upon *exportation* and an explanation how the amounts were calculated and apportioned to the exported goods;
  - an explanation as to how you calculated the amount of duty payable on imported materials is borne by the goods sold *domestically* but is not borne by the exports to Australia;

Substitution drawback systems

Annex 3 of the WTO Agreement on Subsidies provides: “*Drawback systems can allow for the refund or drawback of import duties on inputs which are consumed in the production process of another product and where the export of this latter product contains domestic inputs having the same quality and characteristics as those substituted for the imported inputs*”

If such a scheme operates in the country of export adjustments can also be made for the drawback payable on the substituted domestic materials, provided the total amount of the drawback does not exceed the total duty paid.

**There are no relevant import charges, indirect taxes or substitution drawback systems that operate in Korea.**

**3. Level of trade**

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

Trade level is the level a company occupies in the distribution chain. The trade level to which that company in turn sells the goods and the functions carried out distinguish a level of trade. Examples are producer, national distributor, regional distributor, wholesaler, retailer, end user, and original equipment.

It may not be possible to compare export prices and domestic prices at the same level of trade. Where relevant sales of like goods at the next level of trade must be used to determine normal values an adjustment for the difference in level of trade may be required where it is shown that the difference affects price comparability.

The information needs to establish that there are real trade level differences, not merely nominal differences. Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there is no real trade level differences all sales are treated as being at the same level of trade.

A real difference in level of trade (may be adjusted for using either of the following methods:

- (a) *costs arising from different functions*: the amount of the costs, expenses etc incurred by the seller in domestic sales of the like goods resulting from activities that would not be performed were the domestic sales made at the same level as that of the importer.

This requires the following information:

- a detailed description of each sales activity performed in selling to your domestic customers (for example sales personnel, travel, advertising, entertainment etc);
- the cost of carrying out these activities in respect of like goods;
- for each activity, whether your firm carries out the same activity when selling to importers in Australia;

- an explanation as to why you consider that you are entitled to a level of trade adjustment.

or

- (b) *level discount*: the amount of the discount granted to purchasers who are at the same level of trade as the importer in Australia. This is determined by an examination of price differences between the two levels of trade in the exporter's domestic market, for example sales of like goods by other vendors or sales of the same general category of goods by the exporter. For this method to be used it is important that a clear pattern of pricing be established for the differing trade levels. Such pattern is demonstrated by a general availability of the discounts to the level - isolated instances would not establish a pattern of availability.

**[CONFIDENTIAL TEXT DELETED – information regarding price trends] Prices are based on volume, relationship, and other negotiated terms, which are not dependent on the type of customer concerned.**

#### 4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The interest rate on domestic sales in order of preference is:

- the rate, or average of rates, applying on actual short term borrowing's by the company; or
- the prime interest rate prevailing for commercial loans in the country for credit terms that most closely approximate the credit terms on which the sales were made; or
- such other rate considered appropriate in the circumstances.

Provide the applicable interest rate over each month of the review period.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, and if domestic prices are influenced by this longer or shorter period, calculate the average number of collection days.

Where there is no fixed credit period agreed at the time of sale the period of credit is determined on the facts available. For example, where payment is made using an open account system<sup>2</sup>, the average credit period may be determined as follows:

1. *Calculate an accounts receivable turnover ratio*

This ratio equals the total credit sales divided by average accounts receivable.

(It is a measure of how many times the average receivables balance is converted into cash during the year).

In calculating the accounts receivable turnover ratio, credit sales should be used in the numerator whenever the amount is available from the financial statements. Otherwise net sales revenue may be used in the numerator.

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<sup>2</sup> Under an open account system, following payment the balance of the amount owing is carried into the next period. Payment amounts may vary from one period to the next, with the result that the amount owing varies.

An average accounts receivable over the year is used in the denominator. This may be calculated by:

- using opening accounts receivable at beginning of period plus closing accounts receivable at end of period divided by 2, or
- total monthly receivables divided by 12.

2. Calculate the average credit period

The average credit period equals 365 divided by the accounts receivable turnover ratio determined above at 1.

The resulting average credit period should be tested against randomly selected transactions to support the approximation.

[CONFIDENTIAL TEXT DELETED – details of terms and conditions of sale]

A sample calculation of the reported credit expense can be found at [CONFIDENTIAL] Attachment 24.

Calculation of the average short-term interest rate for the review period is included at [CONFIDENTIAL] Attachment 25.

The following items are identified in the amounts quantified at question D-4:

5. **Transportation**

Explain how you have quantified the amount of inland transportation associated with the domestic sales (“**Inland transportation Costs**”). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

Dongbu has reported transaction-specific freight expense incurred when transporting the goods from the factory to the customer. A sample calculation worksheet has been provided at [CONFIDENTIAL] Attachment 26.

This inland-freight expense is recorded under [CONFIDENTIAL TEXT DELETED – account name] account [CONFIDENTIAL TEXT DELETED – account number] in Dongbu’s accounting system.

Additionally, during the review period, Dongbu stored some GUC products that were destined for domestic customers in warehouses. Accordingly, Dongbu has reported transportation expenses in two fields:

- Transportation 1: Factory or warehouse to customer; and
- Transportation 2: Factory to warehouse.

Please note that the inventory expense of warehousing is claimed under E-2.10 below.

6. **Handling, loading and ancillary expenses**

List all charges that are included in the domestic price and explain how they have been quantified (“**Handling, loading and ancillary Expenses**”). Identify the general ledger account where the expense is located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

[CONFIDENTIAL TEXT DELETED – information regarding handling, loading and ancillary expenses]

**7. Packing**

List material and labour costs associated with packing the domestically sold product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed “**Packing**”.

Dongbu has reported packing cost by packing type. The reported packing costs include packing materials, labour and overhead costs.

Please refer to [CONFIDENTIAL] Attachment 27, which details the calculation of per unit packing cost for specific invoices.

**8. Commissions**

For any commissions paid in relation to the domestic sales:

- provide a description
- explain the terms and conditions that must be met.

Report the amount in the sales listing under the column headed “**Commissions**”. Identify the general ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED – information regarding domestic sales arrangements]

**9. Warranties, guarantees, and after sales services**

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (“**Warranty & Guarantee expenses**” and “**Technical assistance & other services**”), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED – details of warranty costs]

**10. Other factors**

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. List the factors and show how each has been quantified in per unit terms. For example:

- *inventory carrying cost*: describe how the products are stored prior to sale and show data relating to the average length of time in inventory. Indicate the interest rate used;
- *warehousing expense*: an expense incurred at the distribution point;
- *royalty and patent fees*: describe each payment as a result of production or sale, including the key terms of the agreement;
- *advertising*; and
- *bad debt*.

During the review period, GUC products were stored at warehouses prior to shipment.

Dongbu has calculated an average per metric ton cost for the different categories of products by dividing the warehousing expense by the quantity of merchandise handled in the warehouse. Calculation of the warehouse expense is provided in Attachment 29.

Additionally, as explained in response to question D-6, Dongbu provided payment discount and quantity discount to customers. In this regard, please refer to:

- [CONFIDENTIAL] Attachment 30 – calculation of payment discount; and
- [CONFIDENTIAL] Attachment 31 – calculation of quantity discount.

### **E-3 Duplication**

In calculating the amount of the adjustments you must ensure that there is no duplication.

For example:

- adjustments for level of trade, quantity or other discounts may overlap, or
- calculation of the amount of the difference for level of trade may be based upon selling expenses such as salesperson's salaries, promotion expenses, commissions, and travel expenses.

Separate adjustment items must avoid duplication.

An adjustment for quantities may not be granted unless the effect on prices for quantity differences is identified and separated from the effect on prices for level of trade differences.

**Noted. It is not considered that there is any duplication with regard to the adjustments claimed.**

**SECTION F - EXPORT SALES TO COUNTRIES OTHER THAN AUSTRALIA (THIRD COUNTRY SALES)**

*Your response to this part of the questionnaire may be used by the Commission to select sales to a third country that may be suitable for comparison with exports to Australia.*

*Sales to third countries may be used as the basis for normal value in certain circumstances. The Commission may seek more detailed information on particular third country sales where such sales are likely to be used as the basis for determining normal value.*

**F-1 Using the column names and column descriptions below provide a summary of your export sales to countries other than Australia.**

<b>Column heading</b>	<b>Explanation</b>
Country	Name of the country that you exported like goods to over the review period.
Number of customers	The number of different customers that your company has sold like goods to in the third country over the review period.
Level of trade	The level of trade that you export like goods to in the third country.
Quantity	Indicate quantity, in units, exported to the third country over the review period.
Unit of quantity	Show unit of quantity eg kg
Value of sales	Show net sales value to all customers in third country over the review period
Currency	Currency in which you have expressed data in column SALES
Payment terms	Typical payment terms with customer(s) in the country eg. 60 days=60 etc
Shipment terms	Typical shipment terms to customers in the third country eg CIF, FOB, ex-factory, DDP etc.

Supply this information in spreadsheet file named "Third country"

Please refer to [CONFIDENTIAL] Attachment 32 – Third country sales.

**F-2 Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia.**

The sales terms for third country exports vary between transactions. There are a range of differences that would affect any comparison, including product type and mix and the situation in the third country markets. However, there were no export sales to Australian market during the review period.

## SECTION G - COSTING INFORMATION AND CONSTRUCTED VALUE

The information that you supply in response to this section of the questionnaire will be used for various purposes including:

- testing the profitability of sales of like goods on the domestic market;
- determining a constructed normal value of the goods under consideration (the goods) - ie of the goods exported to Australia; and
- making certain adjustments to the normal value.

You will need to provide the cost of production of both the exported goods (the goods) and for the like goods sold on the domestic market. You will also need to provide the selling, general, and administration costs relating to goods sold on the domestic market; the finance expenses; and any other expenses (eg. non-operating expenses not included elsewhere) associated with the goods.

In your response please include a worksheet showing how the selling, general, and administration expenses; the finance expenses; and any other expenses have been calculated.

If, in response to question B4 (Sales to Australia, Export Price) you:

- reported that the date of sale is not the invoice date and consider that this alternative date should be used when comparing domestic and export prices, and
- provided information on domestic selling prices for a matching period as required in the introduction to Section D (Domestic Sales)

you must provide cost data over the same period as these sales even if doing so means that such cost data predates the commencement of the review period.

At any verification meeting you must be prepared to reconcile the costs shown to the accounting records used to prepare the financial statements.

### G-1. Production process and capacity

1. Describe the production process for the goods. Provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.

During the review period, the GUC was produced at Dongbu's two production facilities: the Incheon works (Dongbu Incheon) and the Dangjin works (Dongbu Steel). A description of Dongbu's production facilities, including the non-GUC produced at each facility, was provided as [CONFIDENTIAL] Attachment 4.

In addition we now refer to [CONFIDENTIAL] Attachment 33 which outlines the production process for each of the facilities.

The following is a brief description of each of the production lines through which the GUC pass from the hot-rolled coil stage, depending on the final product being produced:

1 Pickling and Oiling Line ("CPL")

[CONFIDENTIAL INFORMATION DELETED – information regarding CPL]

2 Cold-Rolling Line ("CRL"); Pickle Line & Tandem CR Mill ("PL/TCM")

[CONFIDENTIAL INFORMATION DELETED – information regarding CRL and PL/TCM]

3 Continuous Galvanizing Line (“CGL”)

[CONFIDENTIAL INFORMATION DELETED – information regarding CGL]

4 Shearing/Slitting

[CONFIDENTIAL INFORMATION DELETED – information regarding shearing/slitting].

5 Packing Line

[CONFIDENTIAL INFORMATION DELETED – information regarding packing].

**G-2. Provide information about your company's total production in the following table:**

	PREVIOUS FINANCIAL YEAR	MOST RECENT FINANCIAL YEAR	Review Period
A – Production capacity (eg kg, tonnes)*			
B – Actual production in volume (eg kg, tonnes)			
C – Capacity utilisation (%) (B/A x 100)			

\* rather than showing a 'name-plate' optimal capacity it is more meaningful to show the maximum level of production that may reasonably be attained under normal operating conditions. For example assuming: normal levels of maintenance and repair; a number of shifts and hours of operation that is not abnormally high; and a typical production mix.

Provide this information on a spreadsheet named "Production".

Please refer to [CONFIDENTIAL] Attachment 34 – Production Capacity.

**G-3. Cost accounting practices**

1. Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.

Dongbu uses a “process cost accounting system” based on the SAP System. The cost accounting system is an integral part of Dongbu's accounting system and is used to prepare the company's normal financial statement data by providing a measure, in accordance with Korean GAAP, of the cost of sales, inventory, and internally purchased machinery.

A flow-chart of how the system records and reports costs for the merchandise throughout the production process is provided as [CONFIDENTIAL] Attachment

35.

The same system continues to apply in respect of Dongbu Incheon since it was split away from Dongbu.

- 2 Is your company's cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (ie differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.

Dongbu's cost accounting system is a standard cost based system, in that the SAP structure mandates that companies develop standard costs. Dongbu utilizes these standard costs for budget and planning purposes and to evaluate results during the month. However, Dongbu calculates actual costs at month's end and adjusts the standard cost for the difference between the standard and actual costs. Dongbu has used the actual costs recorded in its normal cost accounting system as the basis for the reported product costs.

Each inventory code has a standard cost, and variances (purchase price and cost variances) are calculated by production order (i.e. coil), accumulated and tracked through the production process by material code.

The actual cost of raw materials (i.e., hot-rolled coil and zinc) is the actual input quantity multiplied by the standard price during the month, adjusted for the purchase price variance at the end of the month. At subsequent processes, the output material is valued as the sum of the input material (i.e. the total standard cost from the prior process including material and fabrication valued at a standard cost) and the additional costs in that process, valued at a standard cost. The actual fabrication costs, and therefore, the basis for the variance assigned to each production order, are calculated for each cost centre and each product by:

[CONFIDENTIAL INFORMATION DELETED – information regarding cost centres and allocations].

Please refer to:

- [CONFIDENTIAL] Attachment 36, which summarise the different costs centres in respect of both Dongbu Steel and Dongbu Incheon; and
- [CONFIDENTIAL] Attachment 37, which summarise the methodologies used to allocate the costs incurred in these centres to the direct cost centres.

- 3 Provide details of any significant or unusual cost variances that occurred during the review period.

There were no significant or unusual cost variances occurred during the review period.

- 4 Describe the profit/cost centres in your company's cost accounting system.

A list of direct, indirect and common cost centres has been provided as [CONFIDENTIAL] Attachment 37.

- 5 For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the goods under consideration. In particular specify how, and over what period,

expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.

**Please refer to the response to question G-2-2.**

- 6 Describe the level of product specificity (models, grades etc) that your company’s cost accounting system records production costs.

**As explained in response to question G-2.2, Dongbu’s cost accounting system records its production cost by inventory (material) code level.**

**Inventory codes contain the information of product type, form, thickness, width, quality, surface, coating thickness, packing type and so on.**

- 7 List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.

**No production costs are valued differently for cost accounting purposes than for financial accounting purposes.**

- 8 State whether your company engaged in any start-up operations in relation to the goods under consideration. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.

**Dongbu did not engage in any start-up operations in relation to the GUC.**

- 9 State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

**Dongbu did not engage in any start-up operations in relation to the GUC.**

**G-4 Cost to make and sell on domestic market**

*This information is relevant to testing whether domestic sales are in the ordinary course of trade.<sup>3</sup>*

1. Please provide (in the format shown in the table below) the actual unit cost to make and sell each model/type\* (identified in section C) of the like goods sold on the domestic market. Provide this cost data for each quarter over the review period. If your company calculates costs monthly, provide monthly costs.
2. Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

	Quarter X	Quarter X	Quarter X	Quarter X
<b>Like Domestic Model/Type – from spreadsheet LIKE GOOD (section C-3)</b>				

<sup>3</sup> The Commission applies the tests set out in s.269TAAD of the Customs Act 1901 to determine whether goods are in ordinary course of trade. These provisions reflect the WTO anti-dumping agreement – see Article 2.2.1.

PUBLIC RECORD

Material Costs <sup>1</sup>				
Direct Labour				
Manufacturing Overheads				
Other Costs <sup>2</sup>				
<b>Total Cost to Make</b>				
Selling Costs				
Administration Costs				
Financial Costs				
Delivery Expenses <sup>3</sup>				
Other Costs <sup>3</sup>				
<b>Unit Cost to Make and Sell</b>				

Prepare this information in a spreadsheet named "**Domestic CTMS**".

<sup>1</sup> Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

<sup>2</sup> Relating to costs of production only; identify each cost separately.

<sup>3</sup> Identify each cost separately. Please ensure non-operating expenses **that relate to the goods under consideration** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

*Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the review.*

*Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.*

*If you are unable to supply this information in this format, please contact the case officer for this review at the address shown on the cover of this questionnaire.*

*Please specify unit of currency.*

Please refer to [CONFIDENTIAL] Attachment 38 – Domestic CTMS.

**G-5 Cost to make and sell goods under consideration (goods exported to Australia)**

*The information is relevant to calculating the normal values based on costs. It is also relevant to calculating certain adjustments to the normal value.*

	Quarter X	Quarter X	Quarter X	Quarter X
<b>Model/Type exported to Australia – from spreadsheet LIKEGOOD</b>				
Material Costs <sup>1</sup>				
Direct Labour				
Manufacturing Overheads				
Other Costs <sup>2</sup>				
<b>Total Cost to Make</b>				
Selling Costs				
Administration Costs				
Financial Costs				
Delivery Expenses <sup>3</sup>				
Other Costs <sup>3</sup>				
<b>Unit Cost to Make and Sell</b>				

Prepare this information in a spreadsheet named "**Australian CTMS**".

<sup>1</sup> Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

<sup>2</sup> Relating to costs of production only; identify each cost separately.

<sup>3</sup> Identify each cost separately. Please ensure non-operating expenses **that relate to the goods** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

*Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the review.*

*Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.*

*If you are unable to supply this information in this format, please contact the case officer for this review at the address shown on the cover of this questionnaire.*

*Please specify unit of currency.*

- 1 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.
- 2 Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

- 3 In calculating the unit cost to make and sell, provide an explanation if the allocation method used (eg number, or weight etc) to determine the unit cost differs from the prior practice of your company.

Because Dongbu did not export to Australian market during the review period, Australian CTMS is not provided.

## G-6 Major raw material costs

List major raw material costs, which individually account for 10% or more of the total production cost.

For these major inputs:

- identify materials sourced in-house and from associated entities;
- identify the supplier; and
- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (eg market prices, transfer prices, or actual cost of production).

Where the major input is produced by an associate of your company the Commission will compare your purchase price to a normal market price. If the associate provides information on the cost of production for that input such cost data may also be considered.

Normal market price is taken to be the price normally available in the market (having regard to market size, whether the input is normally purchased at 'spot prices' or under long term contracts etc).

The term associate is defined in section 269TAA of the *Customs Act*. Included in that definition are companies controlled by the same parent company (a company that controls 5% or more of the shares of another is taken to be an associated company); companies controlled by the other company; and companies having the same person in the board of directors.

**Important note: If the major input is sourced as part of an integrated production process you should provide detailed information on the full costs of production of that input.**

Please refer to [CONFIDENTIAL] Attachment 39 which lists the major input raw material purchased by Dongbu.

[CONFIDENTIAL INFORMATION DELETED – information regarding suppliers and corporate arrangements]

**SECTION H  
EXPORTER'S DECLARATION**



I hereby declare that **Dongbu Steel Co., Ltd** and **Dongbu Incheon Steel Co., Ltd** have exported the goods under consideration and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.



I hereby declare that.....(company) did not, during the period of review, export the goods under consideration and therefore have not completed the attached questionnaire.

**Name: Keun Chae Na**

**Signature:** 

**Position: Head of Legal**

**Date: 19 January 2017**

## SECTION I CHECKLIST

*This section is an aid to ensure that you have completed all sections of this questionnaire.*

<b>Section</b>	Please tick if you have responded to all questions
Section A – general information	<input checked="" type="checkbox"/>
Section B – export price	<input checked="" type="checkbox"/>
Section C – like goods	<input checked="" type="checkbox"/>
Section D – domestic price	<input checked="" type="checkbox"/>
Section E – fair comparison	<input checked="" type="checkbox"/>
Section F – exports to third countries	<input checked="" type="checkbox"/>
Section G – costing information	<input checked="" type="checkbox"/>
Section H – declaration	<input checked="" type="checkbox"/>

<b>Electronic Data</b>	Please tick if you have provided spreadsheet
<b>INCOME STATEMENT</b>	<input checked="" type="checkbox"/>
<b>TURNOVER</b> – sales summary	<input checked="" type="checkbox"/>
<b>AUSTRALIAN SALES</b> – list of sales to Australia	
<b>DOMESTIC SALES</b> – list of all domestic sales of like goods	<input checked="" type="checkbox"/>
<b>THIRD COUNTRY</b> – third country sales	<input checked="" type="checkbox"/>
<b>PRODUCTION</b> – production figures	<input checked="" type="checkbox"/>
<b>DOMESTIC COSTS</b> – costs of goods sold domestically	<input checked="" type="checkbox"/>
<b>AUSTRALIAN COSTS</b> – costs of goods sold to Australia	