



## EXPORTER QUESTIONNAIRE

# CERTAIN HOLLOW STRUCTURAL SECTIONS EXPORTED FROM THE REPUBLIC OF KOREA, TAIWAN and MALAYSIA

## GOODS UNDER CONSIDERATION

The goods under consideration (the goods) i.e. the goods exported to Australia, allegedly at dumped prices and/or in receipt of subsidies, are:

*“Certain electric resistance welded pipe and tube made of steel, comprising circular and non-circular hollow sections in galvanised and non-galvanised finishes, whether or not including alloys. The goods are normally referred to as either CHS (circular hollow sections) or RHS (rectangular or square hollow sections). The goods are collectively referred to as HSS (hollow structural sections). Finish types for the goods include pre-galvanised, hot-dipped galvanised (HDG), and non-galvanised HSS.*

*Sizes of the goods are, for circular products, those exceeding 21 mm up to and including 165.1 mm in outside diameter and, for oval, square and rectangular products those with a perimeter up to and including 1,277.3mm. CHS with other than plain ends (such as threaded, swaged and shouldered) are also included within the goods coverage.”*

The applicants provide the following additional information:

*The goods covered by this application include all electric resistance welded pipe and tube made of steel meeting the above description of the goods (and exclusions), regardless of whether or not the pipe or tube meets a specific structural standard or is used in structural applications. Goods excluded from this application include:*

- *conveyor tube made for high speed idler rolls on conveyor systems, with inner and outer fin protrusions removed by scarfing (not exceeding 0.1mm on outer surface and 0.25mm on inner surface), and out of round standards (i.e. ovality) which do not exceed 0.6mm in order to maintain vibration free rotation and minimum wind noise during operation);*
- *precision RHS with a nominal thickness of less than 1.6 mm (i.e. not used in structural applications); and*
- *stainless steel CHS and RHS sections.*

## 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 this investigation:

Head Office:

Name: *Mr. Archer Chen*

Position in the company: Financial and Accounting Manager

Address: No.752 Chung Hsiao RD. Chiayi City 60080, Taiwan

Telephone: 886-5-2766171 ext.2711

Facsimile number: 886-5-2773326

E-mail address of contact person: [archer@femco.com.tw](mailto:archer@femco.com.tw)

Factory:

Address: Mr. Colin Liu

Position in the company: Sales Department Assistant Manager

Telephone: 886-5-2766171 ext.2409

Facsimile number: 886-5-2718509

E-mail address of contact person: [colin@femco.com.tw](mailto:colin@femco.com.tw)

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

If you wish to appoint a representative to assist you in this investigation, provide the following details:

Name: Mr. Jerry Jhu

Address: No.752 Chung Hsiao RD. Chiayi City 60080, Taiwan

Telephone: 886-5-2766171 ext.2421

Facsimile/Telex number: 886-5-2718509

E-mail address of contact person: [jerry@femco.com.tw](mailto:jerry@femco.com.tw)

*Note that in nominating a representative, the Commission will assume that confidential material relating to your company in this inquiry 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.

Ans: FEMCO's legal name is Far East Machinery Co., Ltd. it is a private limited liabilities company. There are no other business names used to export and/or sell goods

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).

Ans: FEMCO is a family-owned company with 5 family members as its principal shareholders to control about 67.08% shares and votes. Shareholders who have more than  $\geq 5\%$  shares outstanding are listed as follows:

XXX-XXXX,Chuang	20.03%
XXX-XXXX,Chuang	17.87%
XXXX-XXXX,Liu Chuang	12.57%
XX-XXX,Chuang	11.50%
XXX-XXX,Chuang Chiu	5.11%

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

Ans: FEMCO 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.

Ans: FEMCO has no parent company.

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

Ans: FEMCO has 3 subsidiaries and 1 related company. FEMCO is a parent company of Factory Automation Technology CO.,LTD, Femco Steel Technology Co., Ltd, wholly-owned Crystal Images Ltd(in British Virgin Island) in order to invest Kunshan Pearl Machinery Co., Ltd



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

Ans: FEMCO has no parent company. The question is not applicable.

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

Ans: FEMCO pipes & tubes division manufactures various types of tubes and pipes. Steel pipes/ tubes with O.D. under 16" are manufactured in one factory and the rest in the other nearby factory because of different kinds of machines and welding methods utilized. Every product is manufactured under a strict manufacturing process. The raw material, hot-rolled steel coil or plate, is uncoiled, side-trimmed, formed, HF welded, bead remove, post-annealed, cooled, sizing section, cut off, end facing then it is tested ultrasonically, hydrostatically tested, and finally arrives at the stringent final inspection. The product then are galvanize, painted for anti-rust or PE coated. FEMCO engineering and construction division undertook many massive engineering projects of China Petroleum Corporation, Taiwan Power Company and Taiwan Railway Administration. it is specialized in laying of pipelines, hydro-power turn-key projects, steel structures and car park facilities, and hydraulic equipment. FEMCO manufacturing applications division processes components or mold to enhance precision, provides services for production development and automation.

Please visit our website for further information, [www.femco.com.tw](http://www.femco.com.tw). SEE spreadsheet named "A3-Company Information" for the business chart.

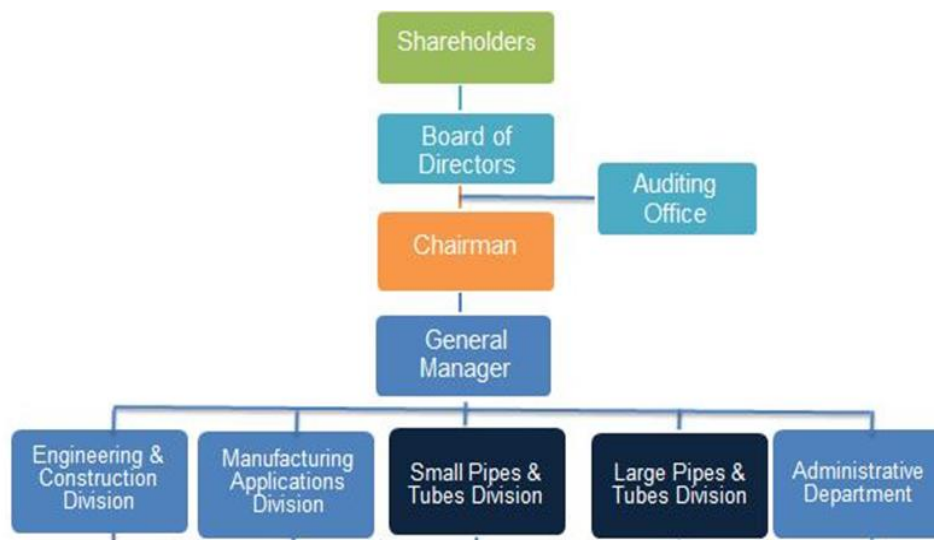
8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies that perform each function:

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

Ans: FEMCO performs all listed functions.

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

Ans: SEE spreadsheet named "A3-Company Information" for the internal organisation chart.



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

Ans: SEE "FEMCO FINANCIAL STATEMENTS.XLS" EXCEL FILE  
SEE "FEMCO Company Profile.pdf" FILE

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

1. Indicate your accounting period.

Ans: Accounting period is from 1st January to 31st December.

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

Ans: FEMCO's financial records are held in No. 752 Chung Hsiao Rd., Chia-yi City, Taiwan.

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.

Ans: SEE "FEMCO FINANCIAL STATEMENTS.XLS" EXCEL FILE for audited and unaudited unconsolidated financial statements, and internal financial statements. FEMCO does not make any separate financial statement sepcifically for the production or sale of the GUC.

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.

Ans: FEMCO's unconsolidated financial statements are audited by KPMG Taiwan accounting firm.

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

Ans: No, FEMCO follows Enterprise Accounting Standard to prepare its accounting report.

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);

Ans: FEMCO uses weighted average method to value its inventory.

- 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);

Ans: FEMCO uses standard costing method under Oracle ERP system. Production costs are allocated into inventory and COGS accounts by amount.

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

Ans: The costs of damaged or sub-standard goods generated at the various stages of production are reflected in standard cost variances

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

Ans: The costs of scrap, by products, or joint products are reflected and included in variances.

- valuation and revaluation methods for fixed assets;

Ans: Profit oriented entities are only allowed to revaluated their fixed assets when the consumer price index increases to 25% or over comparing to the year when assets were acquired or revalued in Taiwan. Assets Revaluation Method= (Acquisition price or previously evaluation value less accumulated depreciation) x(Current CPI/ CPI of the year to acquire the assets or previous revaluation).

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

Ans: The useful life of production equipment varies between 5~40 years, average 10 years.

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

Ans: Foreign exchange gains and losses of transactions are recognized when payments received and journalized in non-operating income/expenses account of P/L statement.

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

Ans: Foreign exchange gains and losses of the translation of balance sheet items are recognized at year end and journalized in owners' equity account when the accountant issues an audited annual report.

- inclusion of general expenses and/or interest;

Ans: General and administrative expense is incurred by administrative department, president office, and auditing office and recognized in operating expenses of income statement. G&A expense is not allocated to other business divisions or products. Interest expense of the entire company's long-term or short-term debt is mostly recognized under administrative department. For the procurement of steel coils, steel plates or equipment from suppliers, LC are used. Bank fees and related interest expenses will therefore be recognized by demanded divisions/cost centres.

- provisions for bad or doubtful debts;

Ans: Overdue accounts receivable only arises from selling CNC machinery and conducting domestic construction projects. There are no such overdue receivables from selling pipe or tubes.

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

Ans: The question is not applicable due to no idle equipment and/or plant shut-downs.

- costs of plant closure;

Ans: The question is not applicable.

- restructuring costs;

Ans: The question is not applicable.

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

Ans: The costs of scrap, by products, or joint products are reflected and included in variances. By-products and scrap materials from production may be sold at lower price or treated as waste.

- effects of inflation on financial statement information.

Ans: There are no effect of inflation on financial statement information.

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.

Ans: The accounting methods used by FEMCO have not changed over the last two 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 between the goods and other products produced.

Ans: SEE spreadsheet named "A5-Income Statement".

**A-6 Sales**

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

Ans: SEE spreadsheet named "A6-Turnover".



**SECTION B**  
**SALES TO AUSTRALIA (EXPORT PRICE)**

**B-1** For each customer in Australia to whom you shipped goods in the inquiry period list: name; address; contact name and phone/fax number where known; and trade level (for example: distributor, wholesaler, retailer, end user, original equipment).

*Ans: SEE spreadsheet named "Section B" for the list and details of Australian customers.*

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

(a) Describe how the goods are sent to each customer in Australia, including a diagram if required.

*Ans: FEMCO delivers goods to Kaohsiung port, Taiwan on FOB term.*

(b) 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.

*Ans: Australian customers, the buyers, are responsible to arrange and pay cost of marine freight and Australian inland freight from Kaohsiung port, Taiwan to their appointed destination.*

(c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP (delivered duty paid) sales, explain who retains ownership when the goods enter Australia.

*Ans: FEMCO retains ownership of the goods until they are handling on board of the vessel mooring in Kaohsiung port, Taiwan.*

(d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).

*Ans: None of any distributor agreements or other contracts is entered into in relation to the Australian market.*

(e) 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.

*Ans: The Australian customer sends inquiry, FEMCO provides FOB prices. The Australian customer issues the order as per attachment of email. FEMCO puts into production management, deliver the goods to Kaohsiung port according to order shipment requirement. FEMCO prepares shipping document and applies for L/C payment. The Australian customer pays the invoice amounts to FEMCO.*

- (f) 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).

Ans: FEMCO is not related to any of Australian customers.

- (g) Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

Ans: FEMCO exported GUC only to Australia during the inquiry period. Please refer to spreadsheet named "B - Australian Sales".

- 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.

Ans: No, FEMCO sells goods to CMC (Australia) only during the inquiry period.

- 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 inquiry period. You must provide this list in electronic format. Include the following export related information:

Ans: SEE spreadsheet named "B-4 Australian Sales" for the details of export to Australian.

- 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.

Ans: There is no other costs, charges or expenses incurred in respect of the exports listed above.

- B-6** For each type of discount, rebate, allowance offered on export sales to Australia: provide a description; and 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.

Ans: There is no any type of discount, rebate, allowance offered on export sales to Australia.

**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.

*Ans: FEMCO has never issued any credit notes (directly or indirectly) to the customers in Australia.*

**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:

*Ans: FEMCO delivers the goods on FOB base and is not responsible for arrival of the goods at an agreed point within Australia.*

**B-9** Select two shipments, in different quarters of the inquiry 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.

*Ans: Please refer to Annex shipping documents submitted.*

## SECTION C EXPORTED GOODS & LIKE GOODS

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

Ans: FEMCO supplies and exports only the goods of the longitudinal welded cold-formed structural steel hollow sections for general structural and engineering applications. The goods comply with AS/NZ1163:2016 C350/C450 standard.

**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).

Ans: Please refer to spreadsheet named "B - Australian Sales" for all goods FEMCO exported to Australia. There is no other export of steel pipes & tubes to Australia during the inquiry period.

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

Ans: Please refer to spreadsheet named "D-domestic" for the sale of like goods on the domestic market. There is no other sale of like goods on the domestic market during the inquiry period. Please refer to spreadsheet named "C-like Goods" to illustrate the differences between exported and domestic model.

**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.

Ans: It's commonly applied and used in Taiwan domestic market the goods of the carbon steel square and rectangular tubes for civil engineering architecture and other structure. The goods comply with JIS G3466 STKR400/STKR490 standard.

## 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 inquiry 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 Manager **before** completing the questionnaire. If the Case Manager 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 inquiry 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 inquiry period.*

*If you do not have any domestic sales of like goods you must contact the Case Manager who will explain the information the Commission requires for determining a normal value using alternative methods.*

**D-1** Provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;
- information concerning the functions/activities performed by each party in the distribution chain; and
- a copy of any agency or distributor agreements, or contracts entered into.

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.

*Ans: FEMCO sells GUC to our domestic customers directly with term of delivered at place. FEMCO did not have any agency or enter into distributor agreements or contracts.*

**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.

*Ans: FEMCO domestic selling prices do not vary due to different distribution channels.*

**D-3** 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.

Ans: FEMCO's domestic customers make inquiry of their product requirements, quantities and price via phone, email or facsimile. FEMCO then negotiates the selling prices on a basis of its internal and historical price as the reference and may adjust slightly in consideration of price/cost of raw materials that CSC decided for that period of time. Once the price is mutually agreed and confirmed by both parties, FEMCO's Production Management Section 1 of Small Pipes and Tubes division is informed and starts to arrange the manufacturing schedule according to the customers' specific delivery date. FEMCO contacts transportation companies and customers when the goods are ready to deliver. The inland freight is paid by FEMCO to deliver goods from factory to the appointed location. For the new customers, FEMCO will ask for a certain % of pre-payment when orders are made. For the old customers with good credit history, the payment will be made by the 10th of the following month after delivery by T/T.

**D-4** Prepare a spreadsheet named "**domestic sales**" listing **all** sales of like goods made during the inquiry period. The listing must be provided on a CD-ROM. Include all of the following information.

Ans: SEE spreadsheet named "D - Domestic Sales".

**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.

Ans: There is no other costs, charges or expenses incurred specifically in respect of the domestic sales except personnel expenses of sales department of the division which are allocated into the product sold during the period on a basis of weight. The actual expenses are divided and added into "other costs" column of spreadsheet named "D - Domestic Sales". These expenses are recorded in "selling expenses-salary and wages" account. Please also refer to spreadsheet named "G-4 Selling Costs".

**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.

Ans: FEMCO does not offer commission, discount, rebate, allowance on domestic sales of like goods. No related expenses incurred during the review period. The question is not applicable.

**D-7** Select two domestic sales, in different quarters of the inquiry 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.

*Ans: Please refer to the PDF files of **LIH DAR STEEL** Co., LTD as two samples.*

## 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 inquiry 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

(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.

Ans: The inland transportation costs for the export to Australian are NT\$XXX per ton (US\$X.X/MT) to deliver goods from factory to Kaohsiung port. The transportation costs are recorded in the account "selling expenses-shipping fees-inland freight." The terms of sale is FOB. Our Australian customers pay cost of marine freight from Kaohsiung port to their appointed destination and therefore no such cost incurred during the review period. Please also refer to spreadsheet named "G5 Australian CTMS"

### 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.

Ans: Handling and loading expenses are included in the division's manufacturing overheads and direct labour cost, which are allocated into its products under standard cost accounting system. There is no separate account to journalize the handling and loading expenses directly associated with the exported GUC to Australia but it is reflected in its cost of goods sold. Ancillary expenses such as clearance fees, document fees and cargo care fees are journalized in "selling expenses-customs clearance fees" account. Please also refer to spreadsheet named "G-5 Australian CTMS"- Selling Costs.

**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 inquiry 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.

Ans: Our Australian customer provides LC at sight. Bank charges incurred for FEMCO to get paid after bank verifies the documents when customers use LC as its payment. The charges are journalized in "selling expenses-fees-bank charges" account. No other cost of extending credit on export sales incurred during the inquiry period. Please also refer to spreadsheet named "G5-Australian CTMS"- Financial Costs.

**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**'.

Ans: Packing expenses are included in the division's manufacturing overheads and direct labor cost, which are allocated into its products under standard cost accounting system. There is no separate account to record the packing costs directly associated with the exported GUC to Australia but it is reflected in its cost of goods sold.

**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.

Ans: FEMCO pays commissions to the selling agent for the export of GUC to Australia during the review period. The rate is fixed on the basis of weight. Please also refer to spreadsheet named "G5-Australian CTMS"-Selling Costs.

**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.

*Ans: FEMCO provides 12-month warranty to the products export to Australia. There is no claim made during the review period. FEMCO does not provide any technical assistance or after sale services to the products export to Australia.*

**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.

*Ans: (1) Personnel expenses*

*Personnel expenses of sales department of the division are allocated into the product sold during the period on a basis of weight. These expenses are recorded in "selling expenses-salary and wages" account. Please also refer to spreadsheet named "G5 -Australian CTMS"-Selling Costs.*

*(2) Harbor Construction Fee*

*The harbor construction fee is charged by Kaohsiung seaport for export. The related expenses are journalized in "selling expenses-fees-other charges" account. Please also refer to spreadsheet named "G5 Australian CTMS"- Other Costs.*

*(3) Trade Promotion Fee*

*The trade promotion fee is charged by Kaohsiung customs for the export. The related expenses are journalized in "selling expenses-fees-other charges" account. Please also refer to spreadsheet named "G5-Australian CTMS"- Other Costs.*

*(4) Gains/losses on foreign currency exchange*

*The change of foreign currency exchange rate at the date of the delivery of goods to Australia and payment received caused gains or losses. Please also refer to spreadsheet named "G5-Australian CTMS"- Other Costs.*

**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 inquiry (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 inquiry period.

Ans: FEMCO does not claim the adjustment of export price due to fluctuations in exchange rate, because no "sustained" movements of exchange rate happened during the period of investigation.

**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.

Ans: The GUC export to Australia and compared products sold domestically are different in raw materials, steel grades. The cost of steel coil used in manufacturing GUC export to Australia is US\$X.XXXX (per kg) XXXXXX slightly.

**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.

Ans: To sale or purchase goods in Taiwan domestic market, business entities are charged 5% business tax (VAT). FEMCO charges its customers 5% output tax while selling and pay 5% input tax to its suppliers. FEMCO can offset input tax against output tax, paying the balance to the tax authorities. According to ROC GAAP, FEMCO records sales revenue in net amount after deducting VAT and does not claim the adjustment of the VAT.

### **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 are 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.

Ans: The level of trade does not affect the price of domestic sales.  
The question is not applicable.

**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 inquiry 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>1</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.

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.

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<sup>1</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.

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

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

Ans: FEMCO receives T/T payment from its domestic customer of compared goods within 7 days after delivery. Bank charges wire transfer fee. There is no other related cost of extending credit incurred during the review period. Please refer to spreadsheet named "G4-Domestic CTMS"-Financial Costs.

**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.

Ans: The inland transportation costs for the domestic sale of GUC are NT\$XXX per ton (US\$XX.X/MT) to deliver goods from factory to Hsinchu County where the customer is located during the review period. The transportation costs are recorded in the account "selling expenses-shipping fees-inland freight." Please also refer to spreadsheet named "G4-Domestic CTMS"- Delivery Expenses.

**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.

Ans: Handling and loading expenses are minor and included in the division's manufacturing overheads and direct labour cost, which are allocated into its products under standard cost accounting system. There is no separate account to journalize the handling and loading expenses directly associated with the domestic sale of GUC but it is reflected in its cost of goods sold. Ancillary expenses do not incur during the review period.

**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**".

Ans: Packing expenses are minor and included in the division's manufacturing overheads and direct labour cost, which are allocated into its products under standard cost accounting system. There is no separate account to record the packing costs directly associated with the domestic sale of GUC but it is reflected in its cost of goods sold. Please refer to spreadsheet named "G4-Domestic CTMS"- Manufacturing Overheads and Direct Labor.



**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.

Ans: No commission need to be paid for the domestic sales. The question is not applicable.

**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.

Ans: FEMCO provides 12-month warranty to the products of domestic sales There is no claim made during the review period. FEMCO does not provide any technical assistance or after sale services to the products.

**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.

Ans: Personnel expenses of sales department of the division are allocated into the product sold during the period on a basis of weight. These expenses are recorded in "selling expenses-salary and wages" account. Please refer to spreadsheet named "G4-Domestic CTMS"- Selling Costs. No other costs incurred for domestic sales of GUC during the review period.

### 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.

Ans: No duplication happened in calculating the amount of the adjustments.

**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 inquiry period.
Number of customers	The number of different customers that your company has sold like goods to in the third country over the inquiry 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 inquiry 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 inquiry 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"

Ans: Please see the spreadsheet named "F-Third Country".

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

Ans: There is no differences in sales to third countries which may affect their comparison to export sales to Australia..

## 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.

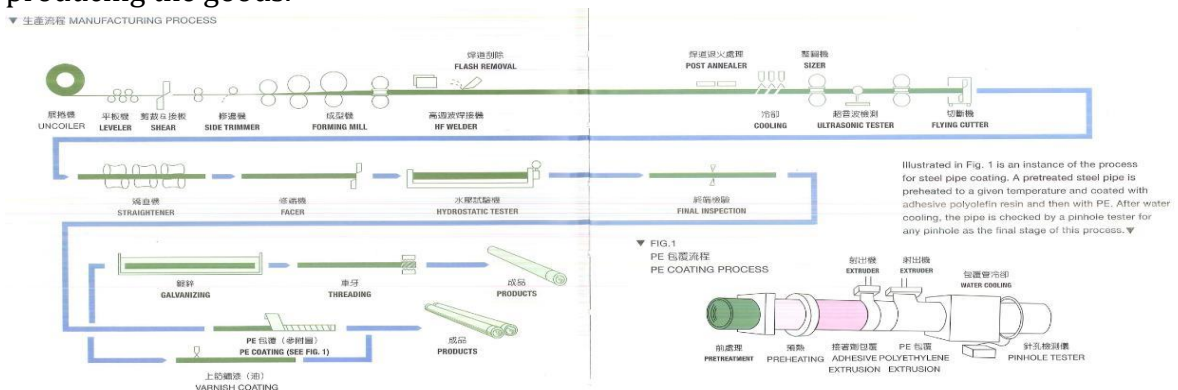
If, in response to question B4 (Sales to Australia, Export Price) you:

- 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 inquiry 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.



Ans: Please refer to above

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

Ans: Please refer to the spreadsheet named "G1- Production".

**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.

Ans: Oracle Enterprise Resource Planning system is adopted to collect all related revenues, costs and expenses incurred during the period and keyed in by different department staffs. The financial statements are created according to these data. The accountant will make some necessary year-end adjusting entries such as cumulative translation adjustment, bad debt allowance, accrued pension, or account reclassifying entries to form the audited annual financial statements.

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.

Ans: FEMCO's cost accounting system is based on Standard Costs which are used to calculate total cost in spreadsheet G-4 Domestic CTMS and G-5 Australian CTMS. The variances of the division are allocated to inventory and cost of goods sold accounts of that cost centre but not to each product, category, code or model. In balance sheet, inventory account includes raw materials, materials, work-in-process, finished goods and inventory variances accounts.

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

Ans: There are no significant or unusual cost variances that occurred during the inquiry period.

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

Ans: According to the internal organization structure, it is divided into 5 major centres. Small Pipes & Tubes Division, Large Pipes & Tubes Division, Manufacturing Applications Division, Engineering & Construction Division, and Administrative Department.

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.

Ans: GUC are manufactured and sold under one division (profit centre), small pipes and tubes. Our system is unable to allocate variances further into each product, category, code or model. The cost of individual product basically reflects its standard costs. Actual overheads and selling expenses incurred by the division are recorded on a basis of the entire division.

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

Ans: Direct labour, raw materials, and manufacturing overheads are recorded in separate accounts. The rates of standard cost are assigned to the product on a basis of product code. Variances incurred are allocated to inventory and cost of goods sold accounts of that cost centre.

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

Ans: Only one ERP system is used to record all production costs and provided the information and data required to prepare financial statements.

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.

Ans: FEMCO did not engage in any start-up operations in relation to the goods under consideration.

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.

Ans: The question is not applicable.

#### **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>2</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 inquiry period. If your company calculates costs monthly, provide monthly costs.

<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.

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.

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

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

*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 Manager for this inquiry at the address shown on the cover of this questionnaire.*

*Please specify unit of currency.*

Ans: See the above section E-2 Costs associated with domestic sales and spreadsheet G4 Domestic CTMS. The unit of currency used is NTD. Total costs to make include direct labour, raw materials costs, and manufacturing overheads which represent fixed cost and are about 12.3% of the total cost during the review period.

### **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.*

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

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

*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 Manager for this inquiry at the address shown on the cover of this questionnaire.*

*Please specify unit of currency.*

Ans: See the above section E-1 Costs associated with export sales and spreadsheet G5 - Australian CTMS. The unit of currency used is USD.

- 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.

Ans: The hot-rolled coils used to manufacture GUC for export and for domestic market are different grades. They are in different product code and unit standard costs assigned are therefore different.

- 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.

Ans: There are no significant differences between the costs shown, and the costs as normally determined in accordance with our general accounting system. All information are recorded in ERP system.

- 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.

Ans: There is no significant differences between the costs shown, and the costs as normally determined in accordance with our general accounting system. All information are recorded in ERP system.

## **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.**

Ans: The raw materials that FEMCO used to manufacture GUC are hot-rolled coils purchased from China Steel Corporation (CSC) as the major input during the review period. FEMCO is not associated with CSC.

**SECTION H  
EXPORTER'S DECLARATION**

I hereby declare that Far East Machinery co., LTD did, during the period of inquiry export the goods under consideration and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this response is complete and correct to the best of my knowledge and belief.

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

**Name: Colin Liu**

**Signature : .....**

**Position in Company : Sales Department Assistant Manager**

**Date : 18<sup>TH</sup>/AUGUST/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	<input checked="" type="checkbox"/>
<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	<input checked="" type="checkbox"/>

## APPENDIX GLOSSARY OF TERMS

This glossary is intended to provide you with a basic understanding of technical terms that appear in the questionnaire.

### **Adjustments**

To enable a fair comparison between the export price and the normal value Australian legislation provides for the adjustment of the domestic price paid for like goods. Adjustments are made to account for sales occurring at different times, specification differences, and differences in the terms or circumstances of the sales. The adjustment to the normal value may be upward or downward. Areas where you believe an adjustment is necessary should be identified. Section E of the questionnaire refers.

Examples of adjustments that may be made include: *sales occurring at different times* (it is sometimes necessary to compare domestic and export sales made at different times - in these circumstances an adjustment may be made to reflect price movements during that time); *specification differences*; *packaging*; *taxes*; *level of trade*; *advertising*; *servicing/warranty*; *inland freight*; *warehousing*; *export charges*; *credit terms*; *duty drawback*; *commissions*.

Adjustments may also be required where the normal value is based upon costs to make and sell.

### **Arms length**

Sales are not considered to be at "arms length" on your domestic market if there is any consideration payable for the goods other than their price, or there is an association between the buyer and the seller which affects the price, or there will be a reimbursement, compensation or benefit for, or in respect of, the price.

### **Constructed value**

In cases where domestic prices paid for the goods under consideration in the country of export cannot be used for the determination of normal value, ie. when there are no or insufficient sales or where such sales were not made in the ordinary course of trade, normal value may be based on a constructed value. Constructed value is calculated on the basis of the cost of production of the goods under consideration plus a reasonable amount for selling, general and administration costs, and for profits, that are associated with sales on the domestic market of the country of export.

### **Cost of production/manufacturing**

The cost of production or manufacture consists of all manufacturing costs associated with the goods. It is the sum of direct materials, direct labour and factory overheads.

## **Cost to make and sell**

The cost to make and sell is the sum of the cost of production or manufacture, and the selling, general and administration costs associated with the sale of those goods.

## **Country of origin**

The country in which the last significant process in the manufacture or production of the goods was performed.

## **Date of sale**

The Commission will normally use the invoice date as recorded in the exporter or producer's records. Another date may be used if this better reflects the material terms of sale. The questionnaire directs attention to matching data sets of domestic and export sales where some other date is used, as well as matching cost information.

## **Direct labour cost**

Direct labour is categorised as a variable cost, ie. the value varies with the level of production.

## **Dumping**

Dumping occurs when the products of one country are exported to another country at a price less than their normal value.

## **Dumping margin**

Where the export price is less than the normal value the dumping margin is the amount of the difference. It can be expressed as a value or as a percentage of the export price.

## **Export price**

The export price of the goods is usually the price paid or payable to the exporter in arms length transactions, in most instances calculated at the Free on Board (FOB) level.

## **Exporting country**

The country of export is normally the country of origin from which the goods are shipped. The country of export may be an intermediate country, except where the products are merely transhipped through that country, or the products concerned are not produced in that country, and there is no comparable price in that country.

## Factory overheads

Factory overheads consist of variable costs eg. power, supplies, indirect labour and fixed costs eg. factory rent, factory insurance, factory depreciation etc.

## Goods under consideration (the goods)

The goods to which the application for anti-dumping action relates. That is, the goods that you have exported to Australia allegedly at dumped prices.

## Incoterms

The following abbreviations are commonly used (comment is provided concerning costs that are normally borne by the seller):

- EXW ex works (the seller's minimum obligation as costs relate to goods being made available at the sellers premises)
- FCA free carrier (main carriage not paid by seller. Pay costs until such time that the goods have been delivered at the named point into custody of a carrier named by the seller. Customs formalities, taxes etc paid if required)
- FAS free alongside ship (main carriage not paid by seller. Deliver the goods alongside the ship)
- FOB free on board (main carriage not paid by seller. Deliver the goods on board, provide export clearance if required, pay loading costs to the point the goods have passed the ship's rail, pay customs formalities, taxes etc payable upon exportation)
- CFR cost and freight (main carriage paid by seller. Pay all costs until delivered as well as freight, loading and unloading, pay customs formalities, taxes etc payable upon exportation)
- CIF cost, insurance and freight (main carriage paid by seller. Pay all costs as under CFR as well as marine insurance)  
the terms CFR and CIF are only used where goods are carried by sea or waterway transport
- CPT carriage paid to
- CIP carriage and insurance paid to  
the terms CPT and CIP are used as alternatives to CFR and CIF where the goods are carried by air, road, rail etc
- DAF delivered at frontier (goods carried by rail or road and cleared for export at the named place at the frontier. Pay costs until delivered at the frontier plus any discharge costs incurred to place the goods at the customers disposal)
- DES delivered ex ship (goods made available to the buyer on board the ship uncleared for import at the named port of destination. Pay all costs incurred in placed at the disposal of the buyer, pay customs formalities, taxes etc payable upon exportation, and where necessary for transit through another country)
- DDU delivered duty unpaid (Pay all costs for carriage to the agreed point, pay customs formalities, taxes etc payable upon exportation, and where necessary for transit through another country)
- DDP delivered duty paid (goods made available at the named place in the country of importation – all risks and costs being incurred by the seller including duties, taxes etc incurred upon importation)

## **Inquiry period**

A period defined by the Commission over which importations of the goods are examined.

## **Like goods**

Like goods are goods sold on the domestic market of the country of export (or to a third country) that are identical in all respects to the goods under consideration or that, although not alike in all respects have characteristics closely resembling those of the goods under consideration. The term 'like goods' also refers to the goods produced by the Australian industry allegedly being injured by dumped imports.

## **Normal value**

Australian legislation sets out several ways to assess "normal value".

The preferred method is to use the price paid for like goods sold for domestic consumption in the country of export. Usually, these sales are made by you, but there may be circumstances where it is appropriate to use sales made by other sellers on the domestic market.

Sale prices must be at arms length and in the ordinary course of trade. In the absence of relevant or suitable domestic sales, the normal value may be determined by constructing a price based upon all costs to make and sell the goods. Profit may also be included if the sales on the domestic market are profitable. Alternatively the normal value may be ascertained using the price paid for like goods sold in the ordinary course of trade at arms length to customers in a country other than Australia, however this option is rarely used.

Finally, when a normal value cannot be ascertained by any of the above methods, or if no information is provided, the Commission will determine the normal value by considering all the relevant information, including the applicant's information. This allows the applicant's information to be used where sufficient information has not been furnished or is not available.

Where domestic price generally, and the trade of the exporting country are determined or substantially influenced by the government of the exporting country, an alternative /surrogate market economy is selected by the Commission and the normal value is determined as if the surrogate country were the export source.

## **Ordinary course of trade**

Testing for "ordinary course of trade" includes a comparison of the selling price and the unit cost to make and sell for the same period. If sales in respect of a substantial quantity of goods over an extended period of time, usually 12 months, do not recover all costs and these losses are not likely to be recovered within a reasonable period of time, (again usually 12 months) then the sales are regarded as being not in the ordinary course of trade.

There may be circumstances where it is appropriate to use a period other than 12 months in assessing whether sales are in the ordinary course of trade.

Unprofitable sales are to be taken to have occurred in substantial quantities during an extended period where the unprofitable sales amount to 20% or more of the total volume of sales of the goods by the exporter over the period. An extended period of time is usually taken to be a period not less than 12 months. Where unprofitable sales are rejected, normal value is based upon remaining profitable sales provided they occur in sufficient number. Where all sales have been made at a loss, or profitable sales are insufficient, the normal value may be constructed from costs to make and sell.

## **Selling, general and administration expenses (SG&A)**

The selling, general and administration expenses includes all selling, distribution, general and administration expenses including finance costs that would be incurred if the goods were sold for domestic consumption in the country of export. The amounts are determined in each case using all the available information and may include expenses incurred in:

- . domestic sales of like goods;
- . sale of goods of the same general category by the exporter; or
- . sales in the industry in the country of export.

The expenses must, however, reflect the selling, general and administration costs of the goods. Administrative and selling expenses include: director's fees, management salaries and benefits, office salaries and benefits, office supplies, insurance, promotion, entertainment, depreciation and corporate overheads.