entire beginning inventory value was attributable to [ ] billets. We tied the POI grade-specific finished goods production quantities to the documents we reviewed in section IV.B.2 of this report. See CVEs 10 and 15.

The following summarizes this step of Power Steel's grade-specific billet cost calculations.

Billet Grade	[ ]	[ ]	[ ]	[ ]	
POI Beginning Inventory (NTD)	[ ]	[ ]	[ ]	[ ]	*I*
POI Purchases (NTD)	[ ]	[ ]	[ ]	[ ]	*B*
POI Ending Inventory (NTD)	[ ]	[ ]	[ ]	[ ]	*G*
POI Consumption (NTD)	[ ]	[ ]	[ ]	[ ]	$J = I+B-G$
FG Production Quantity (MT)	[ ]	[ ]	[ ]	[ ]	*K*
Billet Cost per-MT of FG	[ ]	[ ]	[ ]	[ ]	$L = J/K$

b. For each selected product, recalculate the per-unit material costs shown on the product cost buildup worksheets and trace to the material costs reported in the direct material computer fields (DIRMAT).

As explained above, we obtained a worksheet which, for each billet grade consumed during the POI, illustrated Power Steel's calculation of the total POI consumption value and cost per-MT of MUC. We tied the POI grade-specific billet costs per-MT to the product-specific cost build-up worksheets obtained in section IV.A.3 of this report. Additionally, to test whether Power-Steel had assigned the grade-specific billet costs to individual products correctly, for each of the products identified in section IV.A.3 of this report, we obtained daily production reports which indicated both the grade and quantity of the billet consumed during production. See CVE 10.

2. Obtain a schedule that shows the grade-specific monthly inventory movement of billets for the POI (i.e., beginning inventory, monthly material purchases, monthly material usage and ending inventory). Identify how taxes, duties, transportation costs, etc. have been accounted for in the reported costs. For each billet grade, trace the quantities of material used in production to production records. Trace beginning and ending inventory to the financial accounting system (trial balance or financial statements). Trace purchases to purchase journals or inventory records and obtain payment documentation. Tie the value of the raw material consumed in production to the calculation of the per-unit material cost included in the reported costs.

As discussed previously, we obtained the Billet In-and-Out Report for each month of the POI. The Billet In-and-Out Report summarizes the grade-specific billet inventory movement for each month of the POI on a quantity basis. Because the monthly SPQV Reports report quantity and value information on an aggregate basis (i.e., not grade specific), we tied the aggregate quantities shown on the Billet In-and-Out Reports to the monthly SPQV Reports. For each month of the POI, we tied the monthly aggregate billet consumption quantity reported in the monthly SPQV Reports and Billet In-and-Out Report to the general ledger. We tied the value of the beginning and ending billet inventory balances to the general ledger. Next, we obtained a schedule which summarized, for each month of the POI, the grade-specific billet consumption quantities. For each month of the POI, we tied the monthly grade-specific billet consumption quantities to the Monthly Production worksheets which we obtained in section IV.B.2 of this report. To test whether the billet consumption quantities had been reflected in the Monthly Production worksheets accurately, we selected entries on the worksheet and obtained the underlying Daily Production Report. See CVEs 10 and 15.

The following summarizes Power Steel's POI grade-specific billet consumption.

Billet Grade	POI Consumption Qty (KG)
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
[ ]	[ ]
Total	[ ]

As explained in section IV.C.1.a of this report, we obtained a schedule of Power Steel's POI billet purchases. The schedule, which segregated POI billet purchases by month and grade, included the following information for each billet purchase: grade, supplier, invoice number, date of purchase, date of booking, quantity, value, and associated purchase costs (e.g., inland freight, customs duties, etc.). Additionally, the schedule indicated whether the billet had been purchased from domestic or foreign sources. For each month of the POI, we tied the total quantity and value of billet purchases shown on the schedule of purchases to the monthly SPQV Reports. Additionally, for each month of the POI, we tied the total value of purchases to the general ledger.

After confirming that the aggregate totals in the schedule of purchases tied to Power Steel's financial accounting system, we selected individual purchase transactions to confirm that they had been recorded accurately. Specifically, we selected entries in the schedule of purchases and obtained the underlying invoice and proof of payment documentation. We also reviewed the corresponding accounting vouchers and general ledger entries. We confirmed that, where applicable, Power Steel included the applicable duties in its billet costs. See CVE 11.

As discussed in section I of this report, on the first day of verification, Power Steel explained that it had included a portion of the freight costs attributable to billet purchases in selling, general and administrative (G&A) expenses rather than including the amounts in raw materials. Because Power Steel explained that the total amount of freight costs which had been misreported was [ ] NTD, we obtained a schedule of the applicable monthly freight costs. For each month, we tied the monthly freight costs shown on the schedule to Power Steel's general ledger (account [ ]). Because Power Steel indicated that the freight costs pertained to billets purchased from [ ], we obtained an invoice for the month of July 2015, and confirmed that the freight company invoice indicated that the seller was [ ], and tied the invoice to the general ledger. Next, because Power Steel's minor correction only pertained to freight costs for a portion of the POI and Power Steel did not appear to include any freight costs attributable to domestic purchases in its raw material cost calculations, we inquired whether Power Steel had incurred any additional freight costs. Power Steel demonstrated that the freight costs attributable to purchases from [ ] from February 2016 through June 2016 had been included in variable overhead. After reviewing a sample invoice and confirming that the freight costs were attributable to purchases from [ ], we requested that Power Steel demonstrate that it had not incurred freight costs attributable to purchases from other domestic suppliers. Power Steel presented sample purchase agreements with [ ] and [ ] and demonstrated that the purchase price included freight costs. Finally, we determined that the total amount of freight costs reported in variable overhead rather than direct materials was [ ] NTD.

The following summarizes both the POI freight charges which were recorded as either selling, general and administrative or variable overhead rather than the cost of raw materials purchased from [ ] and the POI grade-specific purchase quantities.

Month	Amount (NTD)	SD280 (kg)	SD280W (kg)	SD420W (kg)	GR80 (kg)	SD280 Costs	SD280W Costs	SD420W Costs	GR80 Costs
A	*B*	*C*	*D*	*E*	*F*	$G=B*(C/\Sigma C:D)$	$H=B*(D/\Sigma C:D)$	$I=B*(E/\Sigma C:D)$	$J=B*(F/\Sigma C:D)$
Total	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

The following illustrates the potential recalculation of the grade-specific billet costs.

Description	280	SD280W	SD420W	GR80	
Reported POI Consumption Value	[ ]	[ ]	[ ]	[ ]	*a*
Additional Freight Costs	[ ]	[ ]	[ ]	[ ]	*b*
Revised POI Consumption Value	[ ]	[ ]	[ ]	[ ]	$c = a + b$
Finished Goods Production Quantity	[ ]	[ ]	[ ]	[ ]	*d*
Revised Billet Costs	[ ]	[ ]	[ ]	[ ]	$e = c/d$

See CVE's 1 and 12.

4. Review and document that material costs are assigned specifically to the individual products that contain the given material, i.e., material costs are not averaged across all products.

As discussed in section IV.B.2 of this report, we selected individual entries on the Monthly Production worksheets and tied the reported billet grade to the underlying Daily Production Report. See CVE 15.

D. Yield Loss and Offsets

1. If not already shown on the product cost buildup worksheets, obtain a worksheet demonstrating how Power Steel has accounted for the yield loss associated with each production stage. For selected stages of production, using actual input and output data from production records, compare the actual yields for certain production runs to the yield included in the reported costs.

Power Steel explained that, for both self-produced MUC and tolled rebar, it calculates the quantity of iron scrap and mill scale generated as the difference between the quantity of billet consumed and the quantity of finished goods. For the POI, we determined that Power Steel's yield loss for self-produced MUC was [ ] kg which represents approximately [ ] percent of its POI billet consumption. Because the Daily Production Reports record both the quantity of billets consumed and the quantity of finished goods, we confirmed that the overall yield loss approximated that shown on the selected Daily Production Reports. See CVE 15.

2. Obtain a schedule that shows the quantity of the by-product and/or scrap generated during the cost reporting period, the quantity of a by-product and/or scrap sold, and the revenue received from the sale of each. Review the schedule to ensure that the by-product and/or scrap sold are related to the production of merchandise under consideration. Trace amounts to company records and source documents. Recalculate the offset. If an item is reintroduced into the production process, document that the price assigned to the item when it is reintroduced back into production.

Power Steel reported a scrap offset of [ ] per-MT. Power Steel's reported scrap offset is based on sales of iron scrap, mill scale, and cooling materials. For the POI, Power Steel's total reported scrap offset represented [ ] percent of its total gross billet costs ([ ]). Power Steel demonstrated that it calculated its scrap offset by first determining the ratio of self-produced MUC to tolled rebar and then applying the ratio to the total scrap revenue received during the POI. Power Steel explained that it allocated the scrap revenue between self-produced MUC and tolled rebar because it retains the scrap generated during tolling services. Therefore, Power Steel explained that it limited its scrap offset to the scrap generated in the production of MUC. Specifically, Power Steel explained that it had determined that [ ] percent of its total scrap revenue was attributable to tolling operations. Accordingly, Power Steel calculated the POI scrap offset by first determining the portion of POI scrap revenue attributable to self-produced MUC ([ ]) and then dividing the result by its POI self-produced MUC production quantity ([ ] MT).

We began by tying the quantities used in the above ratio calculation to the monthly cost calculation worksheets which Power Steel had submitted in Exhibit SQD-13 of its supplemental section D questionnaire response. Next, we obtained a schedule which indicated, for each month of the POI, the quantity and value of each type of scrap (i.e., iron scrap, mill scale, and cooling materials) sold during the POI. Without exception, we tied the monthly sales quantities and values for each type of scrap to the general ledger. To confirm that the sales quantities and values had been recorded accurately, we tied individual transactions to the supporting invoice.

The following summarizes the total quantity and value of Power Steel's POI scrap sales prior to Power Steel's allocation between self-production and tolling operations.

Type of Scrap	Amount (NTD)	Quantity (KG)	Per-unit (NTD)
Iron Scrap	[ ]	[ ]	[ ]
Mill Scale	[ ]	[ ]	[ ]
Cooling Materials	[ ]	[ ]	[ ]
Total	[ ]	[ ]	[ ]

The following chart illustrates Power Steel's allocation of the scrap income between tolling operations and MUC production.

	MUC Production		Tolling Operations	
Description	Quantity	Value	Quantity	Value
Iron Scrap	[ ]	[ ]	[ ]	[ ]
Mill Scale	[ ]	[ ]	[ ]	[ ]
Cooling Materials	[ ]	[ ]	[ ]	[ ]
Total	[ ]	[ ]	[ ]	[ ]

After examining Power Steel's POI scrap sales quantities and values, we reviewed the monthly SPQV reports to determine the total amount of iron scrap and mill scale generated during the POI. Additionally, because Power Steel reported that, upon receiving a customer order for cooling materials, it withdrew iron scrap from scrap inventory to produce the cooling materials, we also determined the total amount of iron scrap withdrawn from inventory for consumption and the POI production quantity of cooling materials. See CVE 13.

The following summarizes Power Steel's POI scrap generation and consumption.

Description	Quantity	
Mill Scale – Production	[ ]	a
Mill Scale – Tolling Operations	[ ]	b
Total POI Mill Scale	[ ]	$c = a + b$
Iron Scrap – Production	[ ]	d
Iron Scrap – Tolling Operations	[ ]	e
Total POI Iron Scrap	[ ]	$f = d + e$
Iron Scrap Withdrawn to Produce Cooling Materials	[ ]	g
Total Iron Scrap Available for Sale	[ ]	$h = f - g$
Cooling Material POI Production	[ ]	i

Next, we compared the reported quantities to the amounts shown in the monthly SPQV Reports and the monthly cost calculation worksheets. We observed that a portion of the scrap sales appeared to be attributable to purchased iron scrap and purchased cooling materials. Specifically, we observed that a portion of the iron scrap sold during the months of September, October, November, and December was attributable to purchased scrap. Additionally, we observed that a portion of the October cooling materials sales were attributable to purchased cooling materials. Accordingly, for the final determination, it may be appropriate to limit Power Steel's scrap offset to the POI value of scrap generated during the production of MUC. Additionally, because Power Steel produces cooling materials by withdrawing iron scrap from inventory and performing additional processing, it may be appropriate to limit the portion of the scrap offset attributable to cooling materials to the average iron scrap sales value.

The following illustrates the proposed recalculation. We note that this proposal represents a [ ] percent reduction to Power Steel's reported scrap offset.

Description	POI Production QTY	Avg. POI Sales Price	Value	Percentage of MUC Production to Total Production	Scrap Offset Attributable to MUC Production
a	*b*	*c*	*d*	*e*	*f*
Iron Scrap	[ ]	[ ]	[ ]	[ ]	[ ]
Mill Scale	[ ]	[ ]	[ ]	[ ]	[ ]
Cooling Materials	[ ]	[ ]	[ ]	[ ]	[ ]
Total	[ ]	[ ]	[ ]	[ ]	[ ]

E. Conversion Costs – Labor, Energy and Overhead Costs

1. Review the product cost buildup worksheets (**IV.A.3**) that show the per-unit conversion costs' calculation for the products listed in **I.B**. The worksheets must show the calculations for total conversion costs in COM, as well as, any separately identified production stage.

    a. For elements in the calculation of conversion costs, trace the values and quantities to source documents (i.e., financial and cost accounting systems).

As discussed previously, in addition to producing MUC for sale, Power Steel also rolls rebar for unaffiliated customers under a tolling arrangement. Power Steel confirmed that the tolled product is rolled using the same machinery as that used to produce MUC. Power Steel also explained that the same factory personnel work on both self-produced MUC and tolling services. Accordingly, Power Steel explained that it used processing times to determine both the portion of the total conversion costs attributable to self-produced versus tolled production as well as the allocation of the conversion costs across products.

We obtained a schedule, for each month of the POI, which segregated the total monthly processing time between self-produced MUC and tolled rebar. Without exception, we tied the monthly processing times attributable to self-produced MUC to the Monthly Production worksheets obtained in section IV.B.2 of this report. On a test basis, we tested the product-specific processing times shown on the Monthly Production worksheets by tying the totals to the underlying Daily Production Reports. Next, we obtained worksheets which, similar to the Monthly Production worksheets, summarized Power Steel's monthly tolled production (Tolled Production worksheets). The Tolled Production worksheets included the following information: date, shift, product description, tolled quantity, processing time, and whether the tolled product had passed through the water-quenching process. Without exception, we tied the monthly tolled production quantities from the monthly Tolled Production worksheets to the monthly cost calculation worksheets submitted in Exhibit SQD-13 of Power Steel's section D supplemental questionnaire response, dated February 9, 2017.

To test whether Power Steel had summed the total monthly processing times allocable to rebar production and tolling services correctly, we reviewed their monthly calculations electronically. To test whether the individual line items in the monthly Tolled Production worksheets had been recorded accurately, we selected line items and tied the total to the underlying Daily Production Report. We determined that, for the POI [ ] minutes had been spent producing MUC and [ ] minutes had been spent toll processing. We determined that, on a POI basis, the processing time attributable to rebar production and tolling services was [ ] percent and [ ] percent respectively. See CVEs 10 and 14.

Direct Labor

We obtained a schedule which showed, for each month of the POI, Power Steel's total direct labor costs. We summed the monthly totals on the worksheet and determined that Power Steel's total POI direct labor costs were [ ] NTD. We tied the monthly totals to the general ledger and SPQV Reports. Additionally, after determining above that [ ] percent of Power Steel's total processing time was attributable to MUC, we determined that Power Steel's POI direct labor costs attributable to rebar production was [ ] NTD ([ ]). We confirmed that the extended total direct labor costs in Power Steel's submitted cost file was [ ] NTD.

Next, we requested that Power Steel demonstrate that it had calculated the product-specific direct labor costs correctly. Power Steel demonstrated that it had calculated product-specific direct labor costs by first combining the information from the Monthly Production worksheets into a POI production worksheet, summing the product-specific product quantities and processing times, and then allocating the direct labor attributable to MUC across products based on their relative total processing times. We reviewed the calculations of POI total production quantities and processing times electronically. Finally, we tied the product-specific POI direct labor amounts from the POI production worksheet to the cost build-ups obtained in section IV.A.3 of this report. See CVEs 14 and 15.

Overhead (Variable and Fixed)

We obtained a schedule which showed, for each month of the POI, Power Steel's total overhead costs. The schedule segregated overhead costs into their variable and fixed components. We summed the monthly totals on the worksheet and determined that Power Steel's total POI variable overhead (VOH) costs were [ ] NTD. We determined that Power Steel's total POI fixed overhead (FOH) costs were [ ] NTD. We tied the monthly totals to the general ledger and SPQV Reports. Because Power Steel explained that it recorded the cost of packing materials in VOH and that it was therefore appropriate to reduce VOH by the POI cost of packing materials ([ ] NTD), we requested that Power Steel demonstrate that the amounts had been recorded in VOH accounts and that it had calculated its POI cost of packing materials correctly. After explaining that the packing materials consisted of wire rod, metal tags, labels, steel strips, and steel fasteners, we selected metal tags and obtained a POI schedule of purchases. We tied the schedule to the amount reported as being attributable to metal tags. Next, we selected a purchase and obtained the underlying invoice, proof of payment documentation, and corresponding accounting vouchers. We tied the invoice to the general ledger and confirmed that it had been recorded in the consumables account (account [ ]).

After determining that Power Steel's POI VOH costs net of packing materials were [ ] NTD, Power Steel explained that it had allocated VOH and FOH costs based on processing time. Accordingly, we determined that Power Steel's total POI VOH and FOH costs attributable to MUC were [ ] NTD and [ ] NTD respectively. We tied the totals to Power Steel's cost database. We note that, as discussed in section IV.C.3 of this report, during our review of Power Steel's billet costs, we determined that Power Steel had included certain freight costs ([ ] NTD) attributable to the purchase of raw materials in VOH. Accordingly, if we reallocate these freight costs to raw materials, Power Steel's VOH will decrease by [ ] percent ([ ]).

Next, we requested that Power Steel demonstrate that it had calculated the product-specific VOH and FOH costs correctly. As it had done with direct labor, Power Steel calculated product-specific direct labor costs by first combining the information from the Monthly Production worksheets into a POI production worksheet, summing the product-specific product quantities and processing times, and then allocating the VOH and FOH attributable to MUC across products based on their relative total processing times. We reviewed the calculations of POI total production quantities and processing times electronically. We also tied the product-specific POI VOH and FOH amounts from the POI production worksheet to the cost build-ups obtained in section IV.A.3 of this report. See CVEs 14 and 15.

Subcontracting Costs

During the POI, Power Steel incurred costs ([ ] NTD) associated with sending finished goods to a subcontractor for additional processing. The costs, which include both the subcontracting fees and freight associated with transporting the MUC to the subcontractor were attributable to coating ([ ] NTD) and bending ([ ] NTD). Power Steel explained that, while it had included the coating fees in the Other Material Field, it had not included the costs attributable to bending in its submitted costs. We tied the total amount of costs attributable to coating to the OTHMAT field in Power Steel's cost database for (CONNUM [ ]. Power Steel explained that it had not included the costs attributable to bending because the costs had been passed on directly to the customer. We note that, for the purposes of the preliminary determination, the Department adjusted Power Steel's submitted costs to include the costs attributable to bending.

We obtained a schedule of the total POI costs attributable to subcontracting. We requested that Power Steel explain how it recorded the costs in its normal books and records. Power Steel explained that, upon receipt of the invoice from the subcontractor and associated freight provider, Power Steel debited finished goods (account [ ]) and credited accounts payable. We reviewed sample accounting vouchers and general ledger entries associated with these transactions. Additionally, we tied each subcontracting transaction to the general ledger.

Next, to determine which CONNUMs had been sent to the subcontractor for bending, we obtained a schedule of the applicable sales. To test whether Power Steel had identified the correct CONNUMs which had been sent to the subcontractor, we selected a sales transaction and confirmed that both the CONNUM and the applicable subcontracting and freight costs had been reported accurately. We noted that several of the sales had been made to third countries. See CVE 16.

The following summarizes the additional POI subcontracting costs and associated freight charges on a CONNUM-specific basis. We note that the adjustment made by the Department for the preliminary determination was based on an estimation of both the CONNUMs which had been sent to the subcontractor as well as the corresponding freight costs. Accordingly, for the purposes of the final determination it may be appropriate to revise the adjustment made for the preliminary determination.

The following illustrates the proposed adjustment to the reported per-unit values.

CONNUM	**Prod Qty**	**Inland Freight**	**Subcontractor Fee**	**Total**	**Per-unit**	
	a	*b*	*C*	$d = b + c$	$e = d/a$	
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	*f*
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	*g*
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	*h*
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	*i*
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]	*j*
Total		[ ]	[ ]	[ ]		$k = \Sigma f{:}j$

b. For each selected product, recalculate the per-unit conversion costs shown on the product cost buildup worksheets and trace the amount to the conversion costs reported in the computer fields (e.g., DIRLAB, VOH, FOH).

See above.

2. Review and test that the conversion costs are not the average of some or all products but are specific to the conversion activities associated with individual products.

   a. If the same process is applied to specific products within a production location, but in various ways or at different lengths of time, document that the products are allocated proportional amounts of processing cost.

As discussed above, Power Steel allocated conversion costs using processing time as an allocation basis. Accordingly, Power Steel's allocation methodology allocated direct labor, VOH, and FOH costs based on their proportional amounts of processing.

   b. If different processes are applied to specific products within a production location document that a product is allocated only the relevant costs associated with the process it receives.

As discussed previously, a portion of Power Steel's POI production sold to third countries passed through the water-quenching process (i.e., martensitic transformation). Power Steel demonstrated that the processing time attributable to the water-quenching process was reflected in the total processing time. Accordingly, Power Steel explained that the finished goods which passed through the process were allocated the additional costs attributable to the process.

3. From the product cost buildup worksheets, select a production stage for testing the appropriateness of the allocation factors used. Discuss with Company officials whether the allocation factor (e.g., tons, machine hours, labor hours, etc.) reasonably represents how the costs being allocated relate to the product produced.

As discussed above, Power Steel explained that its use of processing time as an allocation basis resulted in an allocation of conversion costs reflective of the costs attributable to the finished good.

4. Document the classification of overhead costs as either variable or fixed.

We obtained a schedule of all items included in Power Steel's overhead calculations. Power Steel included [ ] in FOH and the remaining items in VOH. See CVE 14.

V. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

A. Obtain a worksheet showing respondent's calculation of the G&A expense factor. Recalculate the per-unit G&A amount reported for the products in **I.B** and trace the amount to the G&A expense reported in the computer fields.

Power Steel reported a general and administrative (G&A) expense rate of [ ] percent. We obtained a worksheet which demonstrated Power Steel's calculation. See CVE 17.

B. Identify on the fiscal year trial balance, or other company records, the total packing costs, selling expenses, movement costs and G&A expenses that are included in the cost of goods sold amount on the financial statements. Ensure that they are removed from the denominator of the G&A rate.

We confirmed that, for the purposes of calculating its G&A expense rate, Power Steel reduced the COGS total shown on its audited financial statements ([ ] NTD) by the total amount of POI packing materials cost ([ ] NTD). We tied the POI packing materials cost, which Power Steel records as consumables and normally includes in VOH to the materials we obtained in section IV.E of this report.

C. Obtain a schedule that identifies all major categories of selling, general and administrative expenses. Review the classification of expenses between selling and G&A. Ensure the expenses classified as selling expense, packing costs, and movement costs agree with the items reported in section B and C or the sales verification exhibits.

We obtained a schedule of the line items included in the "Operations Cost" (i.e., selling and G&A) line item on Power Steel's FY 2015 financial statements. We tied the schedule to Power Steel's trial balance. We confirmed that, for the purpose of calculating its G&A expense rate, Power Steel followed the methodology used in its normal course of business to classify the expenses as either administrative (Department 2100) or selling (Department 3100). We observed that, of the total selling and G&A expenses ([ ] NTD), Power Steel classified [ ] NTD as G&A.

While reviewing the allocation of expenses between selling and G&A, we observed that, of the FY 2015 freight expenses identified in Power Steel's minor correction as having been misclassified as G&A rather than materials, [ ] NTD had been recorded as G&A, [ ] NTD had been recorded as selling expenses, and [ ] NTD pertained to FY 2016 totaling to the minor correction of [ ] NTD. Accordingly, for the final determination, it may be appropriate to reduce Power Steel's submitted net G&A expenses by the portion which had been included in G&A (i.e., [ ] NTD). See CVE 17.

D. Obtain a schedule showing all non-operating and extraordinary income and expense items (e.g., exchange gains and losses, other income and expense, dividend income, etc.). Reconcile the schedule to the financial statements and identify how each of these items is accounted for in the submitted costs. For each item, obtain a detail of the account and a brief description of each transaction in the detail listing. For significant items, obtain copies of supporting documentation.

Power Steel did not include other operating income and expenses in its submitted net G&A expenses. Power Steel explained that the "Other Loss" line item ([ ] NTD) on its income statement related to a reversal of interest which had been capitalized in FY 2014. Concerning the "Other Income" line item ([ ] NTD) on the income statement, Power Steel explained that, while [ ] NTD was attributable to lottery winnings, the remainder was attributable to a refund of a prepaid premium on a letter of credit.

The following summarizes a revised calculation of Power Steel's submitted G&A expense rate after excluding the freight costs discussed in section V.C of this report.

Description	Amount	
Reported G&A Expenses	[ ]	*a*
Reclassification of Freight to COM	[ ]	*b*
Revised Net G&A Expenses	[ ]	$c = a - b$
COGS (net of packing)	[ ]	*d*
G&A Expense Rate	[ ] percent	$e = c/d$

E. Trace the total of selling, general and administrative expenses to the financial statements of the producing company. Trace the denominator used to calculate the G&A rate (cost of sales) to the financial statements of the producing company.

See above.

VI. FINANCIAL EXPENSES

A. Obtain a worksheet showing the calculation of the financial expense rate. Recalculate the per-unit amount and trace the amount to the interest expense reported in the computer fields.

Power Steel reported a financial expense rate of [ ] percent. We obtained a worksheet which demonstrated Power Steel's calculation. We confirmed that Power Steel had included the full amount of interest expenses shown on its FY 2015 income statement ([ ] NTD) in the calculation of its financial-expense rate. See CVE 18.

B. Obtain a schedule of interest income earned from short-term sources. Review documentation supporting the claim that interest income is from short-term sources. Trace the interest income earned from short-term sources to the amount used to offset interest expense.

Because Power Steel reported that the [ ] NTD in interest income shown on its financial statement was attributable to short-term sources, we requested that Power Steel document the short-term nature of the income. Power Steel presented a schedule of its interest income for each month of the POI. We selected the month of July 2015, and requested that Power Steel prepare a breakdown of its interest income by bank. We selected several items and obtained the monthly bank statement. We observed that, for each of the selected statements, the account balance reflected numerous transactions pertaining to short-term assets during the month. Finally, concerning the total amount of the financial statement line item labeled "[ ]" which Power Steel had excluded from the calculation of its net financial expenses, we obtained documentation which indicated that the amount was attributable to an investment in a [ ]. See CVE 18.

C. Determine that the net exchange gains and losses have been included in the financial expense rate calculation.

While reviewing Power Steel's FY 2015 income statement, we determined that Power Steel had not included its foreign exchange gains ([ ] NTD) and losses ([ ] NTD) in the numerator of its financial-expense rate calculation. Accordingly, for the final determination, it may be appropriate to adjust Power Steel's financial expense rate to include foreign exchange gains and losses.

The following summarizes our proposed recalculation of Power Steel's financial expense rate.

Description	Amount	
Reported Financial Expenses	[ ]	a
Foreign Exchange Gains	[ ]	b
Foreign Exchange Losses	[ ]	c
Revised Net Financial Expenses	[ ]	$d = a - b + c$
COGS (net of packing)	[ ]	e

Revised Financial Expense Rate	[ ] percent	*f = d/e*

D. Trace the cost of sales, interest expense, net exchange gains and losses and interest income used to calculate the financial expense to the audited consolidated financial statements.

We confirmed that, for the purposes of calculating its financial expense rate, Power Steel reduced the COGS total shown on its audited financial statements ([ ] NTD) by the total amount of POI packing materials cost ([ ] NTD). We tied the POI packing materials cost, which Power Steel records as consumables and normally includes in VOH to the materials we obtained in section IV.E of this report.

Attachment 1

List of Participants

Power Steel Co., Ltd.
Huang Fu Rong, Vice President
Samuel Ko, General Manager
Kinglin Lin, Manager
Hsieh Ching Tsung, Accounting Manager
Tsai Chun Po, Financial Manager
Chuang Yu Hsuan, Accountant
Betty Huang, International Sales Department
Huang Zi Hong, Quality Management, Section Chief
Monica Lin, International Sales Department
Chang Shih Tsung, Quality Management, Section Supervisor
Chien Chih Hsing, Accountant
Chen Chiu Lan, Deputy Chief
Le Wen Fu, Factory Director

Harris Bricken LLP
Adams Lee, Counsel

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Mike Chia, CPA
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Albright Law Offices
Arlen Cheng, Consultant

Department of Commerce
Kristin L. Case, Senior Accountant
Kelly Pan, Accountant

Interpreter
Hwa Yuling

Attachment 2

List of Exhibits

Exhibit No.	*Description*
1	Minor Corrections
2	Corporate Structure and Suppliers
3	Iron Scrap/Mill Scale Ratio
4	Sample Monthly Cost Calculation Worksheet
5	Cost Reconciliation, Part 1
6	Cost Reconciliation, Part 2
7	Cost Reconciliation, Part 3
8	Cost Reconciliation, Part 4
9	Specifications/Standards
10	Production Quantities
11	Purchases
12	Billet Freight
13	Scrap/Cooling Materials
14	Conversion Costs
15	CONNUM Cost Build-ups
16	Subcontractor Fees
17	General and Administrative Expenses
18	Financial Expenses