

- ◆ *Physical differences in products sold domestically and for export.* Commerce will make allowance for differences in physical qualities based upon differences in the variable costs of production. Commerce will not consider differences in cost of production when the compared merchandise has identical physical characteristics.
- ◆ *Differences in circumstances of sale.* Adjustments are made to account for the differences in selling expenses between the home market and export sales. Of directly related selling expenses for which Commerce will make adjustments to the extent that the costs are assumed by the producer on behalf of the purchaser, examples include: commissions; credit terms; guarantees; warranties; technical assistance; servicing; and product-specific advertising. U.S. direct selling expenses are then added to normal value. Where normal value is compared to constructed export price as opposed to export price, deductions are made for actual home-market indirect selling expenses up to the amount of indirect selling expenses incurred in selling like products in the U.S. market.<sup>23</sup>
- ◆ *Credit terms.* Adjustments are often made to account for differences in credit costs between the domestic and U.S. markets. This adjustment is necessary because there is usually a period of time between the shipment of merchandise to a customer and payment for the merchandise. An adjustment for imputed credit expense is made even if the exporter does not actually have to borrow funds to carry its accounts receivable. If actual credit cost information is not available, Commerce imputes the cost of credit by determining the number of days that payment is outstanding and the interest rate that the company paid, or would have paid, if it had borrowed the same money (i.e. the same amount in the same currency) to finance its accounts receivable. Imputed credit costs are calculated by dividing the number of days between shipment and payment by 365, then multiplying by the interest rate and unit price.
- ◆ *Differences in the levels of trade (LOT).* Commerce compares normal value to the export prices at the same level of trade, where possible. If, for example, a product is sold at two levels in the home market—to distributors and end users—and all U.S. sales are to end users, only sales in the home market to end users are considered for comparison purposes. If there is no equivalent level of trade in the home market, modifications to normal value are normally calculated based on the percentage difference in weighted-average prices at each of the two levels of trade used.<sup>24</sup> To claim an adjustment, foreign

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23 19 U.S.C. § 1673 (a) (6) (C) (iii) and 19 CFR 351.410.

24 19 U.S.C. § 1677b (a) (7) (A) (1994).