

ANNEX 5

PRINCIPLES AND GUIDELINES FOR CALCULATING REGIONAL VALUE CONTENT ON THE ATIGA

A. Principles to Determine Cost for Regional Value Content

- i. **Materiality** – all cost material to the evaluation, assessment and determination of origin;
- ii. **Consistency** – costing allocation method should be consistent unless justified by commercial reality;
- iii. **Reliability** – costing information must be reliable and supported by appropriate information;
- iv. **Relevance** – costs must be allocated based on objective and quantifiable data;
- v. **Accuracy** – costing methodology should provide an accurate representation of the cost element in question;
- vi. **Application of GAAP of the exporting country** – costing information must be prepared in accordance with the generally accepted accounting principles and this includes the avoidance of double-counting of cost items;
- vii. **Currency** – updated costing information from existing accounting and costing records of companies should be used to calculate origin.

B. Guidelines for Costing Methodologies

- i. **Actual Costs** – basis for actual costs should be defined by the company. Actual costs should include all direct and indirect costs incurred in producing the product;
- ii. **Projected and Budgeted Costs** – projected costs may be used if it is justified. Companies should provide variance analysis and proof during the period origin is claimed to indicate accuracy of projections;

- iii. **Standards Costs** – the basis for standards costs should be indicated. Companies should provide evidence that the costs are used for accounting purposes;
- iv. **Average/Moving Average Costs** – average costs may be used if justified; the basis for calculating average costs, including time period, etc. should be highlighted. Companies should provide variance analysis and proof during the period origin is claimed to indicate accuracy of average costs;
- v. **Fixed Costs** – fixed costs should be apportioned according to sound cost accounting principles. They should be a representative reflection of unit costs for the company in the particular period in question. The method for apportionment should be indicated.