

TABLE 1: VARIABLES UNDER CONSIDERATION

**ORGANIZATIONAL VARIABLES:**

Size (sales) by TNC

Size (sales) by U.S. and Canadian subsidiaries

Assets by U.S. and Canadian subsidiaries

Industry

Performance evaluation criteria by U.S. and Canadian managers

- Non-income measures

- Segment profit

- Other profit measures

- Innovation measures

Transfer pricing method criteria - internal

- Practical concerns (ease/cost)

- Usefulness in decision-making

- Usefulness in performance evaluation

**ENVIRONMENTAL VARIABLES:**

Effects of NAFTA

Economic stability - TNC and subsidiary

TNC/subsidiary government relations

Prior IRS/Revenue Canada audit experience

Transfer pricing method criteria - external

- Tax and trade regulations

- Other transnational concerns

TNC practices to counter effects of transfer pricing method

**FINANCIAL VARIABLES:**

Return on equity

Return on assets - TNC

Return on assets - U.S. and Canadian subsidiaries

Return on sales - TNC

Return on sales - U.S. and Canadian subsidiaries

Statutory tax rate

Effective tax rate

Income by TNC

Income by U.S. and Canadian subsidiaries