

TABLE 5 (continued): DIFFERENCES IN ENVIRONMENTAL FACTORS

PANEL B: DIFFERENCES BY TRANSFER PRICING METHOD

	Wilcoxon 2 sample probability	Market N = 42 Means	Non-market N = 48 Means
Effects of NAFTA on			
- TNC trade with subsidiary	.2538	3.41	3.63
- TNC overall	.6919	3.57	3.65
- TNC industry	.5097	3.55	3.69
- Canadian economy	.0918*	3.71	3.35
- U.S. economy	.3232	3.95	3.79
- Mexican economy	.2379	4.26	4.06
Economic stability of			
- TNC	.4173	4.40	4.27
- Subsidiary	.1492	4.12	3.81
TNC/subsidiary government relations	.9754	3.67	3.65
Prior IRS audit	.0254*	24%	46%
Prior Revenue Canada audit	.4150	36%	27%
Transfer pricing method criteria			
- Tax and trade regulations	.3752	3.53	3.43
- Other transnational concerns	.3135	3.39	3.19
TNC practices to counter effects of transfer pricing method			
- Two sets of books	.0307*	24%	46%
- Approximate market conditions	.1151	48%	31%
- Disregard transfer pricing effects	.3394	17%	25%
- Budget for transfer prices	.0353*	10%	27%
- No practices used	.4039	24%	17%

* Significant at alpha = .10

** Significant at alpha = .01

All factors reported on a five point scale, where
1 = Very unimportant and 5 = Very important