are compared. The transfer pricing methods used, and the effects of organizational and environmental factors are tested in the following hypotheses:

H_1: There are no differences in transfer pricing methods used by Canadian and U.S. TNCs.

H_{2a}: There are no differences in organizational variables between Canadian and U.S. TNCs.

H_{2b}: Organizational variables and transfer pricing choice are not related.

H_{3a}: There are no differences in environmental variables between Canadian and U.S. TNCs.

H_{3b}: Environmental variables and transfer pricing choice are not related.

Financial factors and their relationship to transfer pricing decisions have not been studied in the same depth as organizational and environmental factors. Instead, there has only been indirect evidence of such effects.

In the 1980s, "the rate of return on assets and for net income (less deficits) as a percentage of total receipts have been far lower for foreign-controlled U.S. firms than for domestically controlled firms." (Hufbauer, 1992, 115) For all U.S. firms, the figure was 3.4%, compared with Canada at .9% and Japan at .1%. These financial measures indicating poor profit performance were attributed by Congress to transfer pricing manipulations and abuse, although other factors may have contributed to this disparity (Hufbauer, 1992).

Grubert et al. (1993) studied factors contributing to poor profit performance, including transfer pricing manipulations,