

in Table 1.

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Wilson (1993) found that operating decisions were unaffected by transfer pricing concerns, and that "tax transfer prices do not affect performance evaluations... either because they use separate transfer prices for managerial and tax purposes or because they use pretax evaluation measures that do not depend on transfer prices." (197) This finding is contrary to the results of Borkowski (1993) and Klassen et al. (1993). To determine the relationship between transfer pricing methods and performance evaluation, fourteen evaluation criteria were included as organizational variables, and are presented in the survey instrument (Question 12, Appendix A). These criteria were factor analyzed to yield four dimensions of performance evaluation: non-income measures, segment profit, other profit measures, and innovation measures.

Many criteria have been identified in prior studies as potential organizational (internal) and environmental (external) influences on transfer pricing method choice (Question 13, Appendix A). A factor analysis of these 31 criteria loaded the items on five factors: three organizational (practical, decision-making, performance evaluation), and two environmental (tax/trade regulations, and other transnational concerns). The effects of NAFTA are evaluated separately as an environmental factor in Canada-U.S. transfers.

If these factors affect TNC transfer pricing choice, differences should be evident when Canadian and U.S. TNC practices