stationed in the U.S..

The final analysis of organizational factors by transfer pricing method by country is presented in Table 4 (Panel C). The significant size variables are the same as found in the analysis by country. Additionally, non-market TNCs differ by size of their Canadian subsidiaries. A country-specific finding regarding industry is that all Canadian metal/mining TNCs use market transfer prices, while all U.S. metal/mining TNCs use cost-based methods.

The size findings in Panels A, B and C illustrate the still unresolved relationship between TNC size and transfer pricing practices. Research suggests that larger TNCs use non-cost based methods (Tang 1992), that full-cost TNCs are smaller (Borkowski 1992), or that larger TNCs tend to use market-based prices (Al-Eryani 1987; Yunker 1982). These findings are supported by the transfer pricing choices of U.S. TNCs (market-based sales of $10,322 million versus non-market sales of $5,025 million), but not by Canadian TNCs, where market-based TNCs averaged $1,504 million in sales, less than the non-market-based average of $1,528 million.

<u>Environmental Variables</u>

The hypothesis that environmental variables do not differ between Canadian and U.S. TNCs cannot be rejected. As shown in Table 5 (Panels A,B,C), only prior audit status is significant across both country and method. Of the 62 U.S. TNCs, 31 (50%) had unfavorable adjustments to income as a result of IRS audits based on Sec. 482, and 24 (39%) as a result of Revenue Canada audits based on Sec. 69 (see Panel A). Eighteen of these had bilateral