

variables. The Wilcoxon two-sample test is used to compare the responses of Canadian and U.S. TNCs, and market/non-market-based transfer pricing methods.

Differences in Transfer Pricing Methods

The hypothesis of no differences between Canadian and U.S. TNC transfer pricing practices can be rejected. Canadian TNCs prefer market methods, while U.S. TNCs prefer other methods, as shown in Table 2 and Table 3, Panel A. If permitted to change methods with no regulatory restrictions, TNC reactions by home country are significantly different (Table 3, Panel B). Ten (42%) market U.S. TNCs would change to non-market methods while only three (8%) non-market TNCs would switch to market methods. In Canada, five (28%) market TNCs would change to non-market methods, compared to only one (10%) non-market TNC switching to a market method.

*** Insert Table 3 Here ***

Organizational Variables

The hypothesis that organizational variables do not differ between Canadian and U.S. TNCs cannot be rejected. As shown in Table 4 (Panel A), TNCs differ by country only by size as measured in overall sales, sales to U.S. subsidiaries, and assets invested in U.S. subsidiaries. All size, asset and income measures are calculated in U.S. dollars. The significant size differences between U.S. and Canadian TNCs and their subsidiaries are representative of the TNC population in each country: in both the sample and the overall TNC population, U.S. TNCs are five times as large as Canadian TNCs in sales revenues.