significantly higher than, Canadian returns.

Implications and Conclusions

Canadian TNCs exhibit opposite preferences for market and non-market transfer pricing methods (64% and 36% respectively) when compared with U.S. TNCs (39% and 61% respectively). However, organizational and environmental factors do not seem to influence either country's choice. While prior audit experience is consistently significant, the logical interpretation is that the method chosen by the TNC induces the audit, and not the reverse. The significant size difference simply reflects the size of the Canadian and U.S. TNC population, and is not significant when transfer pricing methods are compared.

When compared by country by method, TNC practices used to counter transfer pricing effects differ significantly. Again, it is the transfer pricing method driving these practices, and not vice versa. TNCs using two sets of books were more likely to be using non-market methods and were more likely to be audited by the IRS. This area needs further investigation: Are U.S. TNCs more willing than Canadian TNCs to challenge IRS Sec. 482 and risk audits, given the former's larger size and available resources?

Financial factors differ by TNC country, but not by transfer pricing method. An analysis indicates that income shifting may occur among TNCs in the U.S. and Canada. Non-market TNCs, while smaller in size (measured by sales and assets), report larger absolute income and generally better rates of return than market