IV Transfer pricing methods

А	Description of methods	2 Points
В	Selection and application of method(s) (incl. FAR analysis, entity characterisation and available comparables); the party to be tested	3 Points



IV Transfer pricing methods: understanding a company P&L

IV ITALIS	iei	PHCII
Typical profit and loss account		
Revenue		Selling goods
Gross sales	1.000	XX
Commissions	- xx	xx
Excise duties	- xx	xx
Supplier shares	- xx	xx
Sales returns	- xx	xx
Allowances / discounts / rebates	- xx	xx
Net sales	950	XX
Cost of goods sold		
Beginning inventory	1.000	xx
Goods purchased / produced	500	xx
Final inventory	1.100	xx
Cost of inventory	-400	xx
Import duties	- xx	xx
Non-recoverable taxes	- xx	xx
Freight costs / insurance / handling	- xx	xx
Direct labour costs related to production	- xx	xx
Other costs converting materials to finished goods	- xx	xx
COGS (Cost of goods sold)	-500	xx
Gross profit	450	xx
SGA Expenses (Selling, general and administration)	450/1	000 =45%
Advertising	420/ 7	000 -43/0
Freight outwards/insurance/handling	- xx	xx
Bad debts	- xx	xx
Salaries related to sales	- xx	xx
Selling expenses	-100	xx
Operating expenses	- XX	XX
General expenses	-60	xx
Accounting and legal fees	- XX	xx
Senior officer salaries	- XX	xx
Audit fees	- xx	xx
Office rent	- xx	xx
Insurance	- xx	XX
Admin expenses	-40	XX
EBITDA (Earnings before interest, tax, depr. & amort.)	250	XX
Depreciation	- xx	xx
Amortisation	- xx	xx
EBIT / Operating profit	200	XX
Extraordinary income and costs	- xx	xx
Interest	- XX	xx
Currency results	- xx	XX
EBT	200	xx
Current year tax paid		
Current year tax accrued		
Previous year tax assets/liabilities paid/received		
Deferred tax assets/liabilities accrued		
Tax	-50	xx
Net profit	150	XX



IV Transfer pricing methods: understanding a company P&L

Typical profit and loss account Revenue		IV IIGIIS		Pilon	9 11160
Gross sales	Typical pro	ofit and loss account			
Commissions				Selling goods	Providing services
Excise duties		Gross sales	1.000	XX	XX
Supplier shares		Commissions	- xx	xx	xx
Sales returns		Excise duties	- xx	xx	
Allowances / discounts / rebates -xx		Supplier shares	- xx	xx	
Net sales Cost of goods sold Beginning inventory Goods purchased / produced Final inventory Inport duties Non-recoverable taxes Freight costs / insurance / handling Cost of goods sold Total cost of goods sold Cost of inventory Import duties Non-recoverable taxes Freight costs / insurance / handling Cost (Cost of goods sold) Cost of goods sold) Cost of goods sold Cost (Cost of goods sold) Sold Expenses (Selling, general and administration) Advertising Freight outwards/insurance/handling Freight outwards/insurance/handling Advertising Freight outwards/insurance/handling Advertising Freight outwards/insurance/handling -xx		Sales returns	- xx	xx	
Beginning inventory 1.000 xx		Allowances / discounts / rebates	- xx	xx	
Beginning inventory		Net sales	950	xx	XX
Goods purchased / produced 500					
Final inventory		Beginning inventory	1.000	xx	
Cost of inventory		Goods purchased / produced	500	xx	
Import duties		Final inventory	1.100	xx	
Non-recoverable taxes		Cost of inventory	-400	xx	
Non-recoverable taxes		Import duties	- xx	xx	
Freight costs / insurance / handling Direct labour costs related to production Other costs converting materials to finished goods COGS (Cost of goods sold) COGS (Cost of goods sold) Freight outwards / insurance / handling Advertising Freight outwards / insurance / handling Bad debts Salaries related to sales Selling expenses Operating expenses Operating expenses Accounting and legal fees Senior officer salaries Adudit fees Office rent Admin expenses Admin expense expenses Admin expenses Admin expenses Admin expenses Admin expense Admin exp		•		xx	
Direct labour costs related to production Other costs converting materials to finished goods COGS (Cost of goods sold) Gross profit SGA Expenses (Selling, general and administration) Advertising Freight outwards/insurance/handling Bad debts Salaries related to sales Selling expenses Operating expenses Operating expenses Operating expenses Accounting and legal fees Selior office relations Admin expenses Adm				xx	
Other costs converting materials to finished goods COGS (Cost of goods sold) Gross profit SGA Expenses (Selling, general and administration) Advertising Advertising Freight outwards/insurance/handling Bad debts Salaries related to sales Selling expenses -100				xx	xx
COGS (Cost of goods sold) Gross profit A50 A50 A50 A50 A50 A50 A50 A5		·		xx	
SGA Expenses (Selling, general and administration) Advertising Freight outwards/insurance/handling Bad debts Salaries related to sales Selling expenses Operating expenses Accounting and legal fees Aux Ax			-500	XX	Cost of Revenue/Sales
Advertising	Gross pro		450	xx	
Advertising			450/1	000 -45%	
Bad debts		Advertising	420/ X	000 -4370	xx
Salaries related to sales		Freight outwards/insurance/handling	- xx	xx	
Selling expenses -100		Bad debts	- xx	xx	xx
Operating expenses		Salaries related to sales	- xx	XX	xx
General expenses -60 xx xx xx Accounting and legal fees -xx xx		Selling expenses	-100	XX	XX
Accounting and legal fees -xx xx xx xx		Operating expenses	- xx	XX	xx
Senior officer salaries -xx xx xx xx Audit fees -xx xx xx xx xx		General expenses	-60	xx	XX
Audit fees -xx xx xx xx xx xx		Accounting and legal fees	- xx	XX	xx
Office rent Insurance Admin expenses Admin expenses Depreciation Amortisation EBIT / Operating profit Extraordinary income and costs Interest Currency results Current year tax paid Current year tax assets/liabilities paid/received Deferred tax assets/liabilities accrued Tax Tax Tax Tax Tax Tax Tax Tax Tax Tax Tax Tax T		Senior officer salaries	- xx	XX	xx
Insurance		Audit fees	- xx	xx	xx
Admin expenses -40 xx xx xx EBITDA (Earnings before interest, tax, depr. & amort.) 250 xx xx xx xx Depreciation (1000-250=)750/1000=75% xx		Office rent	- xx	xx	xx
EBITDA (Earnings before interest, tax, depr. & amort.) Depreciation Amortisation EBIT / Operating profit EXT		Insurance	- xx	XX	xx
Depreciation Amortisation EBIT / Operating profit EXTROPORT STATE STAT		Admin expenses	-40	XX	xx
EBIT / Operating profit 200 xx xx Extraordinary income and costs -xx xx xx Interest -xx xx xx Currency results -xx xx xx EBT 200 xx xx Current year tax paid Current year tax accrued Previous year tax assets/liabilities paid/received Deferred tax assets/liabilities accrued -50 xx xx	EBITDA (E	arnings before interest, tax, depr. & amort.)	250	XX	XX
EBIT / Operating profit 200 xx xx Extraordinary income and costs -xx xx xx Interest -xx xx xx Currency results -xx xx xx EBT 200 xx xx Current year tax paid Current year tax accrued Previous year tax assets/liabilities paid/received Deferred tax assets/liabilities accrued -50 xx xx		Depreciation	(1000	250-1750	/1000 -75%
Extraordinary income and costs		Amortisation	(TOOO.	230-1/30	1, 1000 - 1,2 10°X
Interest - xx xx xx xx xx Currency results - xx xx xx xx EBT 200 xx xx Current year tax paid Current year tax accrued Previous year tax assets/liabilities paid/received Deferred tax assets/liabilities accrued Tax -50 xx xx	EBIT / Ope	erating profit	200	XX	xx
Interest		Extraordinary income and costs	- xx	xx	xx
EBT 200 xx xx Current year tax paid Current year tax accrued Previous year tax assets/liabilities paid/received Deferred tax assets/liabilities accrued Tax -50 xx xx		Interest	- xx	xx	
Current year tax paid Current year tax accrued Previous year tax assets/liabilities paid/received Deferred tax assets/liabilities accrued Tax -50 xx xx		Currency results	- xx	xx	
Current year tax paid Current year tax accrued Previous year tax assets/liabilities paid/received Deferred tax assets/liabilities accrued Tax -50 xx xx	EBT		200	xx	
Previous year tax assets/liabilities paid/received Deferred tax assets/liabilities accrued Tax -50 xx xx		Current year tax paid			
Deferred tax assets/liabilities accrued Tax -50 xx xx		Current year tax accrued			
Tax -50 xx xx		Previous year tax assets/liabilities paid/received			
150		Deferred tax assets/liabilities accrued			
450		Tax	-50	xx	xx
	Net profit		150	xx	XX

