

IV Transfer pricing methods

A

Description of methods

2 Points

B

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

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)	450/1000 = 45%	
Advertising	- xx	xx
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			Selling goods	Providing services
Gross sales	1.000		xx	xx
Commissions	- xx		xx	xx
Excise duties	- xx		xx	
Supplier shares	- xx		xx	
Sales returns	- xx		xx	
Allowances / discounts / rebates	- xx		xx	
Net sales	950		xx	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	xx
Other costs converting materials to finished goods	- xx		xx	
COGS (Cost of goods sold)	-500		xx	Cost of Revenue/Sales
Gross profit	450		xx	xx
SGA Expenses (Selling, general and administration)	$450/1000 = 45\%$			
Advertising	- xx			xx
Freight outwards/insurance/handling	- xx		xx	
Bad debts	- xx		xx	xx
Salaries related to sales	- xx		xx	xx
Selling expenses	-100		xx	xx
Operating expenses	- xx		xx	xx
General expenses	-60		xx	xx
Accounting and legal fees	- xx		xx	xx
Senior officer salaries	- xx		xx	xx
Audit fees	- xx		xx	xx
Office rent	- xx		xx	xx
Insurance	- xx		xx	xx
Admin expenses	-40		xx	xx
EBITDA (Earnings before interest, tax, depr. & amort.)	250		xx	xx
Depreciation		$(1000 - 250) / 1000 = 75\%$		
Amortisation				
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				
Tax	-50		xx	xx
Net profit	150		xx	xx

