TEXAS A&M UNIVERSITY
Mays Business School and the George Bush School of Government and Public Service

MGMT/BUSH/IBUS 689 (SECTION 600): INTERNATIONAL TRANSFER PRICING

Draft -----Spring 2007 Course Outline and Syllabus -------Draft

Instructor: Lorraine Eden, Professor of Management
Class Time: MW 2:20-3:35 p.m.
Office: 415D Wehner, MS 4221
Phone: 979-862-4053 (office)
Office Hours: (other times by appointment, email leden@tamu.edu)
MW 11:00-12:00 in ___ Allen Bldg and MW 4:00-5:00 in 415D Wehner Bldg.
Email: leden@tamu.edu

Course Webportal:
https://maysportal.tamu.edu/login/index.php
Course Password:

WRDS (Wharton Data Research Services) portal:
http://wrds.wharton.upenn.edu
Class Account: ____________________
Password: ______________________

CALENDAR DESCRIPTION

International transfer pricing is the valuation of cross-border transactions between units of a multinational enterprise. Topics include: internal and external motivations for transfer pricing, managerial and economic approaches, estimates of transfer price manipulation, the arm’s length standard, US and OECD rules and procedures, tax court cases, ethical dilemmas in transfer pricing.

COURSE OUTLINE

International transfer pricing is the pricing of transactions within subunits of a multinational enterprise (MNE), for example, the pricing of goods manufactured by a parent firm in one country that are sold to a wholly owned distributor in another country, the licensing of intangible assets to a joint venture partner, and the valuation of engineering services purchased from an offshore subsidiary. In addition to internal motivations (for example, efficient resource allocation, divisional autonomy) for setting transfer prices, MNEs are also subject to external regulations from customs and income tax authorities. These government entities regulate transfer prices in order to prevent transfer price manipulation (the over/under valuation of intrafirm transactions) that can avoid or arbitrage government regulations. This graduate seminar provides a broad survey of transfer pricing, from both the MNE and government perspectives. The course draws from a variety of disciplines including accounting, economics, finance, international business, management, political economy and public policy.

COURSE PREREQUISITES

The basic course prerequisite for this course is graduate standing at Texas A&M University. Students enrolled in a graduate certificate program such as the Certificate in Advanced International Affairs at the George Bush School may also take this course.

In terms of specific preparation for this course, transfer pricing can be studied from the perspectives of many different disciplines, the most common of which are economics, accounting, international business,
law and public policy. Over the semester, we will cover readings on transfer pricing that draw from all these disciplines. Most students who study transfer pricing start with no background in the subject matter itself, but normally have an undergraduate degree in one of these areas and thus a foundation on which to build a knowledge of transfer pricing. Students without a background in any of these areas should meet with the instructor prior to registering for this course.

MGMT/BUSH/IBUS 689 is a graduate-level course designed for Texas A&M students who are pursuing terminal masters degree programs such as the MBA, Masters in Finance, Masters in Management and Professional Program in Accounting (PPA) in the Mays Business School and the Masters in International Affairs (MPIA) and Masters in Public Service and Administration (MPSA) programs in the George Bush School of Government and Public Service. The course is also appropriate for PhD students in Economics, Accounting and Finance who want a professional career in transfer pricing or are interested in teaching and/or doing research in this area. The course is required for students completing a Module in Transfer Pricing in the Bush School or the Mays Business School. Many students in this course will be going on to summer internships in transfer pricing and looking for professional careers in this area after graduation from Texas A&M University.

Perhaps the most useful specific course as preparation for International Transfer Pricing is an undergraduate or graduate course on International Business, Multinational Enterprises or Global Strategic Management, for example, MGMT 667 Multinational Enterprises (cross-listed as BUSH 629 and IBUS 667). Because transfer pricing is about pricing of products traded within multinational enterprises, an understanding of multinationals and international business is helpful background. Students enrolled in the Transfer Pricing Module will normally take the International Transfer Pricing course either after, or in conjunction with, BUSH 629/IBUS 667/MGMT 667 Multinational Enterprises.

COURSE OBJECTIVES AND LEARNING OUTCOMES

This course is designed to introduce students to the published research on transfer pricing in both scholarly and professional journals, and to prepare students for professional careers in transfer pricing. The course objective is to provide graduate students with an overview of the scholarly and professional literatures on transfer pricing, including both classic and current materials. The intention is to go broad rather than deep; that is, to provide a broad survey of the field rather than a deep discussion of a few selected topics. By the end of the course, students should have (1) an overall knowledge of the field; (2) a practical “tool bag” to understand MNE transfer pricing policies and government regulations; and (3) a road map to guide their further studies.

Upon successfully completing this course, the student will be able to:

- Explain core concepts such as transfer pricing, intrafirm trade, arm’s length standard, advance pricing agreement, section 482, and location savings.
- Discuss the multinational enterprise’s internal and external motivations for transfer pricing.
- Discuss transfer pricing from a managerial perspective.
- Explain the economic theory behind the transfer pricing methods.
- Explain how government regulations such as taxes and tariffs affect the MNE’s choice of transfer pricing methods.
- Critique empirical work that has been done on estimating transfer price manipulation.
- Review the historical evolution of transfer pricing regulation with particular reference to North America and the OECD.
- Discuss and compare the basic transfer pricing methods for goods, services and intangibles in terms
of their advantages and disadvantages, and the selection of a best method.

- Discuss the differences and similarities between the US and OECD rules on transfer pricing.
- Discuss and analyze several well-known US and Canadian transfer pricing court cases.
- Prepare a basic economic analysis of a transfer pricing case.
- Understand and critique the transfer pricing articles in both scholarly journals and the top transfer pricing professional journals.

READING MATERIALS


I have provided a list of transfer pricing books at the end of the syllabus for students who want to do more research on particular topics. Some of these will be on library reserve in the West Campus Library.

Most of the required readings for the course are electronic and will be downloadable from the password-protected course webportal. Students can read them online and/or download them to their laptop. Students are responsible for their own printing costs.

We will also be using the electronic version of Tax Analysts’ *Transfer Pricing Report (TPR)*. I have purchased one “electronic seat” that can be used by students in the course; the login and password will be provided to you in class and must not be shared with anyone else.

We will have a class account on WRDS (Wharton Data Research Services). Information on accessing the class account will be provided to you. This account will be used for practical demonstration of transfer pricing methods as applied to real-world firms. You may also use it for other school-related assignments; however, WRDS access cannot be used for consulting or other non-school related activities. Please do not share your account information with anyone else, as access to WRDS is strictly limited. Your WRDS access will expire on May 15, 2007.

METHOD OF INSTRUCTION

We will make extensive use of the class webportal at https://maysportal.tamu.edu. The webportal is password protected; you must email me at leden@tamu.edu for password access. Please write the password on the top page of your Syllabus. The portal will be the primary method by which I contact you, and I request you do the same for reaching me. For example, all required readings will be available from the portal; students will use the portal for posting their Idea Sheets; and an FAQ page will be used for answering student questions related to the course.

All the readings listed as “Required Readings” for each week must be read prior to the class. Please read the articles in chronological order (oldest first). I recommend reading the articles once through relatively quickly, and then going back and reading them more slowly, underlining critical parts and noting questions/comments in the margin of the text.

Students are expected to come to class fully prepared to participate in class discussions. Each class will have a short introductory lecture by the instructor, presenting an overview of the historical development
of each topic. This introduction will be followed by class discussions designed to evaluate critically the readings; these discussions build on the Idea Sheets prepared by the students. When numerical problems and case studies are included in the reading materials, class time will be set aside for small-group and class discussions. The instructor will moderate these discussions.

Students are encouraged to explore transfer pricing outside of the classroom, particularly those students contemplating a professional career in transfer pricing. Some ways to do this are the following:

- Participating in the closed Discussion Forum (chat room) on the course web portal.
- Participating in the public (open) discussions on the Transfer Pricing Blog I have set up at http://transfer-price.blogspot.com/
- Attending visiting speakers’ presentations on transfer pricing topics.

PERFORMANCE EVALUATION

Texas A&M and the Mays Business School started, in Fall 2005, a long-term process of evaluating departmental programs (e.g., BBA, MBA) in terms of their success in attaining learning objectives. Learning objectives are broad, general statements of what a program intends to accomplish in terms of developing students’ learning competencies. Since the list of learning objectives is still under discussion at the University and College levels, the instructor of MGMT/IBUS 450 has decided that this course will contribute to the following learning objectives. Students should be able to:

- Communicate effectively in speaking and writing (communications)
- Critically analyze complex issues and materials (problem solving)
- Possess personal integrity (ethics)
- Contribute to a diverse global society (global society)
- Master a depth of knowledge in the specific discipline (subject knowledge).

The performance evaluation method has been developed around these Course Learning Objectives. An outline of the components of performance evaluation follows.

Please note that there will be no final examination in this course.

Student grades will be posted on a regular basis on the webportal. Each student will be assigned a unique ID number at the beginning of the semester and his/her grades will be posted under that ID number.

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I. Class Participation (20%)

Good class participation includes:

- Attending all classes. Absences, late arrivals, and early departures will have a negative effect on your Class Participation grade. (If you must depart early or will arrive late, it is professional to let the instructor know beforehand). Students may have up to two excused absences from class (e.g., medical, job interviews, etc) without penalty as long as the instructor is notified in advance by email.
- Regular, active oral participation in class discussions where quality is more important than quantity.
- Evidence in class discussions of having read the required readings and reflected on study questions (if provided).
- Demonstration in class discussions, and over the course of the semester, of an ability to synthesize the week's material and to link material from different weeks.
- Good participation also involves listening attentively to both the instructor and other students, and actively working on in-class exercises/questions.
- Please note that students who monopolize class time with remarks not related to the weekly reading materials will receive oral participation grades equivalent to students with zero participation. “Hot air” will not be rewarded in this class!
- Good participation involves avoiding unprofessional behaviors that disturb the class such as:
  - Side conversations with classmates (these make it difficult for your classmates to actively listen).
  - Continuing to talk after the instructor signals that class will begin.
  - Preparing to leave class before class is dismissed.
  - Inattention during class.
  - Your cell phone ringing during class. (Even more unprofessional: Answering your cell phone)

Note that laptops are NOT permitted in the classroom when the class is in session. (I find them distracting and other students do also.) Exception will be made for the statistical packages class.

Class participation is a very important component of the final grade. In-class participation grades will be recorded as 0 (not in class), 1 (in class but no oral participation), 2 (below average oral participation), 3 (average oral participation) or 4 (excellent oral participation). In-class participation grades will be curved at the end of the semester where an average of 4 = 100%, 3 = 90%, 2 = 80%, 1 = 70%, 0 = 60%).

Quality of participation is more important than quantity. Class participation will be graded weekly. Please note that student participation scores often tend to track the Idea Sheet scores due to the nature of the oral interaction during the class (i.e., class discussions center around the Idea Sheets, see below, and students are better prepared for class if they have completed an Idea Sheet).

Students who are uncomfortable with oral communication during class may request

II. Idea Sheets (8 sheets @ 5 points each = 40 points)

Over the course of the semester, each student must turn in eight (8) three page, single-spaced, typed Idea Sheets, after having read and thought about the required readings for that particular class.

The purposes of the Idea Sheets are to:

- encourage students to read and critically evaluate the required readings prior to class.
- facilitate in-class discussion of the readings by all members of the class.
be an aid for other students in better understanding the materials and to use in preparing for later week’s readings.

The student is expected to read all the required readings for that class ahead of time (normally 2-4 readings), and then prepare an Idea Sheet on these readings before the class is held. A high-quality Idea Sheet (1) provides a one-paragraph, over-arching introduction to the topic, (2) summaries the key points in all of the required readings, (3) provides a critical evaluation of each of the readings, (4) includes the author’s personal opinion of the readings and/or links to his/her personal experiences, and (5) finishes with a one-paragraph summary conclusion.

Examples of topics that can be covered in Idea Sheets are the following:
- Research gaps in this week's readings (what's missing?)
- Critical evaluation of the readings (what's right? what's wrong?)
- A potential empirical contribution to the literature discussed in class (a bright idea!)
- A potential theoretical contribution to this literature (a bright idea!)
- Ways to extend one or more readings into another paper (extensions....)
- Ways to bridge two or more of the readings (bridges across...)
- Insights that this week’s readings have for business strategy
- Insights drawn from your work experience that complement/contradict the readings.

Number of Idea Sheets:
- There are 24 classes in the semester (not counting the first class and the two Court Case presentations classes and the last class); Idea Sheets must be handed in for any eight of these classes. The choice of which classes is up to the student.
- If a student hands in fewer than the required number of Idea Sheets, by the end of the semester, s/he will receive a zero grade for the additional missed assignment(s).
- If a student completes more than the required number of Idea Sheets, the highest grades will be used, and lowest grades discarded, in calculating the overall grade for the Idea Sheets.

The process for the Idea Sheets is as follows:
- Student downloads and reads the assigned readings for the class, and prepares his/her Idea Sheet.
- Students are expected to work alone and prepare their own Idea Sheets. Idea Sheets are not to be shared – or posted on the webportal - prior to class. Academic Dishonesty rules apply to the Idea Sheets too, not only for tests and assignments.
- Student gives a printed copy of the Idea Sheet to the instructor at the beginning of class.
- Student uploads his/her Idea Sheet to the webportal NO EARLIER than IMMEDIATELY AFTER class and NO LATER than 24 hours AFTER class. Students must NOT post prior to class.
- Late postings will incur penalties of 1 point per day late (i.e., drop from an 8 out of 10 to 7 out of 10).
- Professor grades the Idea Sheet and returns the graded sheet to the student as soon as possible, preferably the following week.
III. Problem Solving Assignment (10%)

There will be one numerical problem solving assignment designed to test the student’s mastery of the basic transfer pricing methods. It will be posted on the webportal approximately 10 days before it is due in class. Students are expected to work alone on this assignment. Late penalties accrue at 1 point per day late (e.g., from a 9 out of 10 to an 8 out of 10).

IV. Court Case Presentations (15% - team grading)

There are several famous transfer pricing court cases, and an understanding of transfer pricing issues is not complete without reading and preparing at least one court case. We will devote two classes to student presentations and analyses of court cases.

This will be a team project, with a team grade. Students will be divided into teams of two or three (the numbers and teams will be determined at the beginning of the semester). One case will be assigned to each team. All reading materials will be either placed on the webportal at the beginning of the semester or distributed in class. Students may use other materials (for example, other published analyses of the cases), but must reference them. Any materials taken directly from other individuals’ writings must be quoted and fully cited (please read the rules on Scholastic Dishonesty in the Syllabus). Quotations must not be longer than three or four lines in length, and used sparingly.

Students are expected to prepare a PowerPoint presentation focusing on:

- Introduction
- Key facts and circumstances of the case (include a diagram of the intrafirm relationships)
- Transfer pricing issues
- Economic analysis of the issues
- Court decision
- Conclusions

At the beginning of class, students must give the instructor a paper copy of (a) the written court case analysis and (b) the PowerPoint presentation. Both materials must also be posted on the Court Case Forum on the webportal. The grading for this assignment will be based on (1) the written materials and (2) the in-class presentation. Late assignments (either not handed in and/or not posted on the web portal) will be penalized one point per day late (e.g., from 8 out of 10 to 7 out of 10).

V. Executive Interview Assignment (15%)

- Each student will find, contact and interview a professional who is currently working in the transfer pricing area, at some point during the semester. That individual may be, for example, an economist working with an economic consulting group, an accountant at one of the major accounting firms, a member of a transfer pricing group within a multinational enterprise, a lawyer with a transfer pricing tax practice, or tax auditor or policy advisor within a national tax authority with responsibility for transfer pricing cases. There is no restriction as to nationality or location.

- The purpose of the Interview Assignment is to link the materials we have covered in class over the semester with the real-world experiences of a practicing transfer pricing expert. I see this assignment as the “sum up” of our work over the semester, and as the replacement for a final examination.
Students are therefore expected to put as much effort into this assignment as they would into preparing and writing a final exam. Students are expected to link what they learn from the interview to the materials we have covered in class, and a key criterion for evaluating the written paper is its linkage to class materials..

- There are multiple potential benefits to students from this particular assignment. The interview provides the student with the opportunity to talk at length with a practicing expert, on a specified list of topics, about the transfer pricing profession, key concepts and practices, difficult issues, and emerging topics. The interview can help the student determine whether s/he is interested in a particular career. All written interviews are available to other students in the course, enabling them to learn from each other’s experiences. Moreover, we will devote all or part of the last class to discussion of the interviews, in order to determine what commonalities exist across the interviews.

- I recommend that you select the transfer pricing specialist using one or more of the following criteria:
  a. a firm where you would like to work after graduation, the leading firm in an industry where you would like to work, or an industry/firm you would like to know more about.
  b. someone who has published on transfer pricing in *Tax Management Transfer Pricing Report*, the *International Transfer Pricing Journal*, *Tax Notes International*, or another transfer pricing publication. The contact information for individuals publishing in these professional journals is normally included either with the article or inside the magazine.

- The transfer pricing specialist must have been working in this area for at least three years, have dealt with multiple transfer pricing files, and be willing to be interviewed. Individuals who have recently retired may also be interviewed. When you contact the transfer pricing expert, please provide him or her with a copy of this assignment and ask if s/he can and is willing to answer the questions below. If s/he cannot or is not willing to do so, please find someone else. You may interview a family relative or friend if s/he meets the qualifications outlined above.

- Students having difficulty finding a transfer pricing professional should speak to the course instructor before the end of February. (Note, however, that if I have to find your executive for you, I will dock one point (e.g., from 8 out of 20 to 7 out of 20) from your grade on this assignment).

- The interview should take from one to two hours. It may be conducted in person or on the telephone. If you need to do the interview over long distance, please arrange with me to use the phone in my office for your interview (so you will not be charged for the call).

- Students should prepare for the interview by learning about the firm and the industry, using electronic resources from our WRDS (Wharton Data Research Services) and Tax Management Transfer Pricing accounts, and the TAMU library’s electronic and print resources.

- The interview should focus on the following six topics:
  1. General information about the firm where the individual works (size, age, nationality, activities performed by the firm).
  2. General information about the individual (education, experience, job characteristics, experience and responsibilities, longevity with the firm and in this position).
3. An example of the most typical transfer pricing situation that the individual or firm handles on a regular basis, and how the individual or firm handles this typical situation/case. Please note that the names of the company(ies) involved in the situation may be disguised for confidentiality.

4. An example of the most difficult transfer pricing situation that the individual or firm has faced and how the firm/individual handled this difficult situation/case. Please note that the names of the company(ies) involved in the situation may be disguised for confidentiality.

5. What key lessons about transfer pricing has the individual learned over the course of his/her career in transfer pricing.

6. What advice or recommendations for students who want to make transfer pricing a full-time career would the individual like to share with the students in this course.

• Each student will write a typed, double-spaced report, approximately 10-15 pages in length, on the interview. The report should follow the six topics listed above, plus a one-paragraph Introduction and one-paragraph Conclusion.

• Provide a copy of your report to the interviewee. Tables, charts and references do not count in the 10-page limit, and should be attached to the end of your report.

• You may want to include this assignment as part of your Writing Portfolio, which you could make available to potential employers. Therefore, it is important that the report be free of grammatical and spelling errors, and that you have the permission of your interviewee to include the report in your portfolio.

• A key criterion in my evaluation of your report will be your ability to link the report to materials we have covered in class during the semester; for example, you can cite either insights from the readings that apply to situations covered by the report; cite articles that discuss topics covered in the report.

• All reports must be loaded as PDF files onto the course webportal in the “Interviews Forum” on or before the last class. Students are encouraged to read each other’s reports.

• One printed copy must be provided to the instructor at the beginning of class. We will have a round-table discussion of your interviews during this class.

• Late assignments (either not handed in and/or not posted on the web portal) will be penalized one point per day late (e.g., from 8 out of 10 to 7 out of 10).

• The instructor will grade the assignments as quickly as possible, preferably over the following week.

WRITING STYLE

Note that all written work will be graded, not only for content, but also for grammar, writing style, organization and presentation of material. The mark for poorly written work with frequent misspellings and grammatical errors will be reduced by one complete grade (from B+ to B, for example). Please follow the Bush School’s Style Sheet when preparing written assignments.

It is strongly recommended that the student use the Spell Check and Grammatical programs in your word
processing package to ensure that your papers (that is, the Idea Sheets and term paper, if a PhD student) are free of stylistic problems. Students who need extra help should consider purchasing an editing software program such as Stylewriter (http://www.stylewriter-usa.com).

THE AGGIE CODE OF HONOR AND SCHOLASTIC DISHONESTY

For many years, Aggies have followed a Code of Honor, which is stated in this very simple verse: "Aggies do not lie, cheat, or steal, nor do they tolerate those who do." The Aggie Code of Honor is an effort to unify the aims of all Texas A&M men and women toward a high code of ethics and personal dignity. For most, living under this code will be no problem, as it asks nothing of a person that is beyond reason. It only calls for honesty and integrity, characteristics that Aggies have always exemplified. The Aggie Code of Honor functions as a symbol to all Aggies, promoting understanding and loyalty to truth and confidence in each other. Commission of any of the following acts shall be considered as a violation of the Aggie Code of Honor and evidence of scholastic dishonesty. This listing is not exclusive of any other acts that may reasonably be said to constitute scholastic dishonesty:

- **Acquiring Information**: Acquiring answers for any assigned work or examination from any unauthorized source. Working with another person or persons on any assignment or examination, when not specifically permitted by the instructor. Observing the work of other students during any examination.

- **Providing Information**: Providing answers for any assigned work or examination when not specifically authorized to do so. Informing any person or persons of the contents of any examination before the time the examination is given.

- **Plagiarism**: Failing to credit sources used in a work product in an attempt to pass off the work as one's own. Attempting to receive credit for work performed by another, including papers obtained in whole or in part from individuals or other sources. You are committing plagiarism if you copy the work of another person and turn it in as your own, even if you have the permission of the person. Plagiarism is one of the worst academic sins, for the plagiarist destroys the trust among colleagues without which research cannot be safely communicated.

- **Conspiracy**: Agreeing with one or more persons to commit any act of scholastic dishonesty.

- **Fabrication of Information**: The falsification of the results obtained from a research or laboratory experiment. The written or oral presentation of results of research or laboratory experiments without the research or laboratory experiment having been performed.

- **Violation of Departmental or College Rules**: Violation of any announced departmental or college rule relating to academic matters, including but not limited to abuse or misuse of computer access or information.

- It is also not acceptable to submit as your own work a paper (or part of a paper) that was completed for another course since this would in effect be 'double counting' (i.e., receiving credit twice for the same piece of work). This activity is called complementarity. If you wish to incorporate research you completed for another course into a paper for this course, the paper must be fully cited and the instructor's permission requested in advance. If complementarity occurs in this course, the piece of work will receive a zero grade.

The full consequences of scholastic dishonesty will be pursued consistent with University policy.
Students who commit academic dishonesty (e.g., plagiarism on the draft or final term paper) should expect, as a minimum punishment, to receive a zero grade on that piece of work. If you have any questions, please discuss this with your course instructor and consult the latest issue of the Texas A&M University Student Rules, under the section "Scholastic Dishonesty" available at http://student-rules.tamu.edu/.

You must complete assignments and exams alone unless they are explicitly listed as team projects. You may use only the materials we specify to help you complete your work. If, due to a disability or extraordinary circumstances, you need special accommodations or help in completing course requirements, you must see the instructor BEFORE the exam or assignment due date. See Academic Rules, Section 20, at http://student-rules.tamu.edu/rule20.htm for more details.

On course work, assignments, and examinations at Texas A&M University, you will be asked to sign the following Honor Pledge:” On my honor, as an Aggie, I have neither given nor received unauthorized aid on this academic work.”

MAKE-UP POLICY

Students are expected to attend all classes and complete all assignments. If an absence is excused, the student will be allowed to make up work within 30 calendar days from the last day of the absence. To be excused the student must notify his or her instructor in writing (acknowledged e-mail message is acceptable) prior to the date of absence, and provide appropriate documentation for the absence. In cases where advance notification is not feasible (e.g. accident or emergency) the student must provide notification by the end of the second working day after the absence, including an explanation of why notice could not be sent prior to the class. The reasons absences are considered excused by the university are listed below. See Student Rule 7 for details (http://student-rules.tamu.edu/rule7.htm). The fact that these are university-excused absences does not relieve the student of responsibility for prior notification and documentation. Failure to notify and/or document properly may result in an unexcused absence. Falsification of documentation is a violation of the Honor Code.

- Participation in an activity that is required for a class and appears on the university authorized activity list.
- Death or major illness in a student's immediate family.
- Illness of a dependent family member.
- Participation in legal proceedings or administrative procedures that require a student's presence.
- Religious holy day.
- Illness that is too severe or contagious for the student to attend class.
  - Injury or illness of three or more class days -- student will provide a medical confirmation note from his or her medical provider within one week of the last date of the absence (see section 7.1.6.1)
  - Injury or illness of less than three class days – student will provide the following within one week of the last date of the absence: (i.)Texas A&M University Explanatory Statement for Absence from Class form available at http://shs.tamu.edu/forms.htm, or (ii.) Confirmation of visit to a health care professional affirming date and time of visit
- Required participation in military duties.
- Other absences may be excused at the discretion of the instructor with prior notification and proper documentation.
IMPORTANT UNIVERSITY DATES – SPRING 2007

(see updates at http://www.tamu.edu/admissions/records/academic_calendar.html)

January 12  Friday, 5 p.m.  Last day to register for spring semester classes and pay fees.
January 15  Monday.  Martin Luther King, Jr. Day.  Faculty and Staff holiday.
January 16  Tuesday.  First day of spring semester classes.
January 22  Monday, 5 p.m.  Last day for adding/dropping courses for the spring semester.
January 26  Friday, 5 p.m.  Last day to apply for all degrees to be awarded in May.
March 5  Monday, noon.  Mid-semester grades due in Office of the Registrar.
March 12-16  Monday-Friday.  Spring break.
March 14-16  Wednesday-Friday.  Faculty and Staff holiday.
April 2  Monday, 5 p.m.
   · Last day for all students to drop courses with no penalty (Q-drop).
   · Last day to change Kinesiology 198/199 grade type.
   · Last day to officially withdraw from the University.
April 6  Friday.  Reading day, no classes.
April 12-27  Thursday-Friday.  Preregistration for the 2007 first term, second term, 10-week summer semester and fall semester.
April 21  Saturday.  Muster.  Campus ceremony.
April 30  Monday.  Dead day, classes meet but no major exams.
May 1  Tuesday.
   · Last day of spring semester classes.
   · Redefined day, students attend their Friday classes.
   · Dead day, classes meet but no major exams.
May 2-3  Wednesday-Thursday.  Reading days, no classes.
May 4, 7-9  Friday, Monday-Wednesday.  Spring semester final examinations for all students.
May 11  Friday, 5 p.m.  Last day for May undergraduate degree candidates to apply for Tuition Rebate.
May 11-12  Friday-Saturday.  Commencement, Commissioning, and Final Review.
May 14  Monday, noon.  Final grades for all students due in Office of the Registrar.

COPYRIGHT ISSUES

All handouts in this course are copyrighted, including all materials posted on the website for this course. “Handouts” refers to all materials generated for this class, which include but are not limited to the syllabus, class notes, quizzes, exams, lab problems, in-class materials, review sheets, and additional problem sets. You have the right to download materials from the course website for your own use during this class; however, because these materials are copyrighted, you do not have the right to copy the handouts for other purposes unless the instructor expressly grants permission.

ADA POLICY STATEMENT

The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation and have not yet registered with the Department of Student Life, Service for Students with Disabilities, please contact them immediately. Their office is Room 126 Koldus Building; telephone number is 845-1637. Please inform me also as soon as possible in the semester. I am not qualified to
assess disabilities, and so will not be able to help you in establishing a need for accommodation. No adjustments will be made to grades based on disability.

**SYLLABUS AND SCHEDULE CHANGES**

The course syllabus and/or timetable may be amended or changed as the semester progresses at the instructor’s discretion. It is the student’s responsibility to stay informed about class schedules and policies. The information you need is in this Syllabus. In addition, announcements will be made regularly in class and posted on the web portal. If you are unclear about any policies or other information with respect to the course, please ask or email me at leden@tamu.edu for more information.
# COURSE TIMETABLE SPRING 2007

<table>
<thead>
<tr>
<th>Date</th>
<th>Day</th>
<th>No</th>
<th>Topic</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td>Jan 15</td>
<td>Wed</td>
<td>1</td>
<td>Introduction</td>
<td>Photos</td>
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<tr>
<td>Jan 22</td>
<td>Mon</td>
<td>2</td>
<td>The Multinational Enterprise as an Integrated Business</td>
<td>Photos</td>
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<td>Jan 24</td>
<td>Wed</td>
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<td>Multinationals and Intrafirm Trade in North America</td>
<td>Photos</td>
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<td>Jan 29</td>
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<td>4</td>
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<td>Jan 31</td>
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<td>Managerial Approaches II: Strategic Transfer Pricing</td>
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<tr>
<td>Feb 5</td>
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<td>6</td>
<td>Economic Approaches I: The Microeconomics of Transfer Pricing</td>
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<tr>
<td>Feb 7</td>
<td>Wed</td>
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<td>Economic Approaches II: External Motivations for Transfer Pricing</td>
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<td>Feb 12</td>
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<td>Taxing Multinationals I: The International Tax Regime</td>
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<td>Feb 14</td>
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<td>Taxing Multinationals II: Theory and Practice</td>
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<td>Feb 19</td>
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<td>Empirical Studies I: Income Shifting Studies</td>
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<td>Feb 21</td>
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<td>Empirical Studies II: Direct Estimates of Transfer Price Manipulation</td>
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<td>Feb 26</td>
<td>Mon</td>
<td>12</td>
<td>History of the Arm’s Length Standard</td>
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<tr>
<td>Feb 28</td>
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<td>13</td>
<td>Formulary Apportionment vs. Arm’s Length Standard</td>
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<tr>
<td>Mar 5</td>
<td>Mon</td>
<td>14</td>
<td>Transfer Pricing Rules for Goods #1 – Transaction-Based Methods</td>
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<tr>
<td>Mar 7</td>
<td>Wed</td>
<td>15</td>
<td>Transfer Pricing Rules for Goods #2 – Profit-Based Methods</td>
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<td>Mar 12</td>
<td>Mon</td>
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<td>MARCH BREAK – no class</td>
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<tr>
<td>Mar 14</td>
<td>Wed</td>
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<td>Mar 19</td>
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<td>Transfer Pricing Rules for Intangibles #1: Royalty Payments</td>
<td>Asgn due</td>
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<td>Mar 21</td>
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<td>Transfer Pricing Rules for Intangibles #2: Cost Sharing Arrangements</td>
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<tr>
<td>Mar 26</td>
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<td>Transfer Pricing Rules for Services #1: Intragroup Services</td>
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<tr>
<td>Mar 28</td>
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<td>Transfer Pricing Rules for Services #2: Offshored Services and Location Savings</td>
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<td>Apr 2</td>
<td>Mon</td>
<td>20</td>
<td>US Transfer Pricing Court Cases (student presentations)</td>
<td>Paper due</td>
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<tr>
<td>Apr 4</td>
<td>Wed</td>
<td>21</td>
<td>US Transfer Pricing Court Cases (student presentations)</td>
<td>Paper due</td>
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<td>Apr 9</td>
<td>Mon</td>
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<td>Transfer Pricing Procedures I: Transfer Pricing Penalties</td>
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<td>Apr 11</td>
<td>Wed</td>
<td>23</td>
<td>Transfer Pricing Procedures II: Advance Pricing Agreements</td>
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<tr>
<td>Apr 16</td>
<td>Mon</td>
<td>24</td>
<td>Special Topics I: Worldwide Trends in Transfer Pricing Regulation</td>
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<tr>
<td>Apr 18</td>
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<td>Special Topics II: Transfer Pricing Statistical Packages</td>
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<tr>
<td>Apr 23</td>
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<td>26</td>
<td>Special Topics III: Tax Havens</td>
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<tr>
<td>Apr 25</td>
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<td>Special Topics IV: Ethical Dilemmas in Transfer Pricing</td>
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<tr>
<td>Apr 30</td>
<td>Mon</td>
<td>28</td>
<td>Student Reports on Transfer Pricing Interviews and Class Wrap-Up</td>
<td>Paper due</td>
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</tbody>
</table>
REQUIRED READING LIST (BY CLASS DATE)

To follow.

INSTRUCTOR’S NOTES ON THE READINGS

1. **How to Handle the Readings.** Each class typically includes two-four journal articles and/or book chapters, representing about 100 pages a week. I recommend that you prepare for each class’s readings as follows.
   (1) Download the readings from the web portal to your hard drive and print one copy for your personal use.
   (2) All readings are listed in the order in which I recommend they be read. For most but not all weeks, this is chronological order (oldest first).
   (3) Quickly read the week’s readings -- at one sitting -- to get an overview of the topic.
   (4) Next, read the articles more slowly, underlining key sections and writing brief notes in the margins.
   (5) Then, at one sitting, read quickly through the complete set again, and prepare your Idea Sheet.
   (6) Bring the readings with you to class along with two copies of your Idea Sheet, one for the instructor and one for yourself. (Laptops are not permissible in class.)

2. **How to Analyze an Article.** When you read an article or book chapter, look for and think about the following items. I recommend you flag/highlight these in the text of the article and jot notes about them in the paper’s margins.
   (1) MOTIVATION: The key issue that motivated the paper (why the author(s) wrote the paper)
   (2) RQ: the research question or questions being addressed
   (3) APPROACH: the theoretical approach or approaches lying behind the paper
   (4) ARGUMENT: the core argument(s)
   (5) HYPOTHESES: the hypotheses or propositions (if any)
   (6) METHODS: types of empirical methods used (if any), e.g., case studies, regression analysis.
   (7) RESULTS: the paper’s conclusions.

3. **How to Evaluate What You Read.** Once you have read and digested an article, then you are ready to analyze it. Use these questions when doing your Idea Sheets. Ask yourself the following questions about each reading:
   (1) LIKE: What did you like/dislike about the paper and why?
   (2) AGREE: Did you agree/disagree with the paper’s argument and conclusions?
   (3) FIT: How does the paper fit into the literature we have read already, or that you know from other courses you have taken?
   (4) FIX: How could the paper have been improved or extended?
   (5) IMPLICATIONS: What are the paper’s public policy and managerial implications?
   (6) TAKEAWAY: What did you “takeaway” from the paper (that is, what will stick with you? If you think about the paper six months from now, what will you remember)?
BIBLIOGRAPHY OF TRANSFER PRICING BOOKS


Cravens, Karen Sue. 1982. *Comparative investigation of transfer pricing practices in an international environment*.


Shulman, James S. Transfer Pricing in Multinational Business. Soldiers Field Press, MA.


