



Transfer Pricing and Mays Business School Students

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Howdy! Since 2007, I have been teaching a graduate seminar **MGMT 663 International Transfer Pricing** at Texas A&M University.¹ Transfer pricing is the setting of prices for transactions that move between or among related parties; examples include technology transfers from a parent firm to its foreign subsidiary, business services provided by one affiliate to its sister affiliate, and intermediate goods moving along the value chain in manufacturing. Almost all Mays students who study transfer pricing with me are Accounting, Finance or MBA students, but **any Mays graduate student who is either in stand-alone degree program (masters or PhD) or in one of the new 3+2 or 4+1 joint degree programs is welcome.** The course is also the core course for the Transfer Pricing sub-track in the Tax Track of the PPA program. Students graduating in December 2017 or May 2018 will be on the market for fulltime employment after graduation; students graduating in December 2018 or May 2019 would be looking for a summer internship in 2018 with employment after graduation.

What do students do after taking Transfer Pricing? More than 275 graduate students have studied transfer pricing with me since 2007. Of that group, more than one-third have pursued transfer pricing as a career after graduation and almost one-third are in related careers in accounting, finance and tax.² Their employers are Big Four consulting firms, other consulting and boutique transfer pricing firms, multinationals (MNEs), government agencies, banks and law firms. Most work in the USA, but others are in Australia, Brazil, Canada, China, England, India, Mexico, the Netherlands, etc.

Transfer Pricing Module: Graduate students in the Mays Business School may (if they wish) in addition to taking MGMT 663 also complete a **Transfer Pricing Module** by selecting the courses below as electives or core courses in their own degree program. Specifics and options vary from program to program; for example, transfer pricing is a sub-track in the PPA Tax Track with its own requirements. The four courses I recommend for a module are:

- MGMT 663 International Transfer Pricing (core course).
- MGMT 679 International Business Policy (or an approved substitute).
- ACCT 647 Financial Statements Analysis.
- A “depth” course in an international functional area (e.g., international accounting, international finance) or industry (e.g., energy, pharmaceuticals, autos) or specialized area related to transfer pricing (e.g., corporate taxation, forensic accounting, asset valuation, risk management, anti-money laundering, information security).

Might this career be right for you? The background needed for a successful career in transfer pricing, in addition to a love of solving puzzles and the courses listed above, includes some or all of the following:

- Economics courses: Examples include microeconomics, international, public finance, industrial organization.
- Quant courses: Statistics and econometrics; advanced EXCEL is highly recommended (e.g., VLOOKUP, Pivot tables).
- Certifications: CFA Level 1 or 2 is not necessary but is a plus.
- Languages: Excellent oral and written English skills are a must; other languages are also useful.
- Soft skills: Courses that emphasize team building, leadership, negotiation, writing and presentations.
- Nationality: Many firms will hire a foreign student who has excellent English skills and help them through the US Permanent Resident process; a foreign student with poor English, however, should look outside of the USA.

When is the course next offered? Two sections of MGMT/INTA/ECON 663 will be offered in Fall 2017 (section 601: MW 2:20-3:50; section 602: MW 4:30-6:00). The course will NOT be offered in Spring 2018. There are enrolment caps and entry decisions are based on the student’s program, background and interest. Please contact Prof. Eden at leden@tamu.edu.

TRANSFER PRICING AGGIES I run a closed LinkedIn group, *Transfer Pricing Aggies*, with 260+ members; almost all are former students. The group is a great networking resource for former and current students not only in transfer pricing but also in valuation, tax, accounting, banking and auditing careers.

More info See <http://www.voxprof.com/eden/eden-transfer-pricing.html> or make an appointment to see me.

¹ The course is also cross-listed in the Bush School as INTA 663 and in Economics as ECON 663.

² The remaining one-third are either still in school or information is missing on their current or post-graduation job placement.

TRANSFER PRICING FOR ACCOUNTING AND FINANCE STUDENTS

Nearly 100 percent of Mays Accounting and Finance students have a full-time job lined up when they graduate; almost all students know what they will be doing after graduation by the time they complete their internships. So, why bother studying transfer pricing if you know you are going to be working on Wall Street or in an accounting firm?

Transfer pricing knowledge is useful for accounting and finance careers. Consider, for example, the following:

- **Consulting career with a Big Four firm:** Transfer pricing is the fastest growing practice within the Big Four firms. From the manager level on up, transfer pricing experts spend much of their time inside MNEs helping set up transfer pricing policies, providing advice in tax disputes with governments, and the like.
- **Clients are MNEs or you work for a large MNE:** If your job involves large US or foreign MNEs, they all engage in thousands of related party transactions that must be structured and valued.
- **M&A expert:** Transfer pricing affects the book and tax values of assets and liabilities in mergers & acquisitions deals since valuations are based on legal entities, and intrafirm trade is often embedded within these valuations.
- **Career in a multinational bank or insurance company:** Funds transfer pricing is a specialization within transfer pricing that deals specifically with banks, insurance and reinsurance companies.
- **Tax expert:** Jobs involving corporate or international taxation almost always involve transfer pricing.

Some of the accounting and finance activities that involve transfer pricing are the following:

- **Financial statement disclosures:** FASB ASC Topic 740, Income Taxes, requires all firms now recognize, measure and report their uncertain tax positions (UTP) on Form 740. (US MNEs with foreign uncertain tax positions do not need to report as long as they are permanently or indefinitely held outside the USA.) More than 20% of Form 740 filings to date have involved transfer pricing disputes.
- **Deferred assets and liabilities:** Financial statements are supposed to report assets and liabilities that are expected to be recovered or settled. Differences between the book and tax basis of assets and liabilities are reported as deferred, e.g., loss or credit carryforwards. ASC 740 requires firms assess, value and report deferred tax assets.
- **Deferred taxes on foreign earnings:** ASC 740 assumes that undistributed earnings of a foreign subsidiary will ultimately be repatriated to its US parent so there is a deferred tax liability on the “outside basis” (the difference between the book and tax basis) for foreign subsidiaries.
- **Taxable income:** Transfer pricing can affect the amount of taxable income on repatriation as well as income from categories taxed on an accrual basis under Subpart F of the income tax code.
- **Business restructurings:** MNEs often restructure their business operations by redeploying assets, risks and functions among countries to take advantage of arbitrage opportunities. Economies of scale often led to pooling or centralization of functions in finance, HR, R&D and marketing hubs. Restructurings that create migration of intellectual property, assets or services can trigger transfer pricing audits that affect tax positions.
- **Separate company financial statements:** Businesses that prepare consolidated statements often also prepare separate financial statements at the business unit or subsidiary level. The new Country-by-Country-Reporting requirements that are being adopted by most national tax authorities as a result of the OECD’s BEPS (Base Erosion and Profit Shifting) initiative will greatly increase the number of firms reporting at lower tier levels within the MNE group. Reporting of costs and revenues must be consistent with national transfer pricing policies.

More generally, successful accounting and finance professionals must look at their clients from a holistic perspective and be able to suggest other types of services that the firm could provide the client. Knowing something about transfer pricing enables an accounting or finance professional to work as part of a transfer pricing team and to suggest areas where the client might usefully think about the valuation or tax aspects of its related party transactions, restructurings and M&A decisions. The trend also, over time, is to provide more specialized services and transfer pricing is the fastest growing service provided by the Big Four accounting firms.

Most large MNEs now also have their own in-house transfer pricing team who work together with staff from Big Four and other consulting firms to develop and implement their transfer pricing policies.