

**University of Texas, Austin**

**McCombs School of Business**

**Spring 2021**

**IB 366 & ACC 366 International Accounting/Transfer Pricing**

**Class room:** CBA 4.328

**Instructor:** Dr. Kathrin Zoeller (she/her)

**Email:** Kathrin.zoeller@mcombs.utexas.edu

**Office hours:** Please reach out via email and I will be glad to agree a time to talk to you.

**Class format:** This is a hybrid class. Due to the current COVID 19 pandemic, we will begin classes as online classes. I hope that it will be possible to resume the class with in-person class room sessions (accompanied by online alternatives) later in the semester. See links below for helpful resources.

**Canvas:** All instructions, assignments, readings, and essential information will be on Canvas at <https://utexas.instructure.com>.

**Changes:** Changes to the schedule may be made if circumstances require. I will do my best to ensure that you receive the changes with as much advanced notice as possible.

**Required Materials and Class Format:** Case study??

There are no textbooks that you are required to purchase for this course. Class materials, supplemental resources, grades, and announcements will be posted on Canvas.

As an instructor who practices transfer pricing in the corporate world, my approach to teaching will be very focused on sharing insights gained from working in the “real world” and guiding you to acquire skills that will be readily useful in a career involving strategic financial analysis, tax, accounting, or a related field. This means we will discuss problems facing multinational companies in international business today and you will become familiar with the issues and can try your hand on solutions. Class assignments will closely resemble assignments given to professionals in a work environment and position you well at the beginning of a professional career to meet or exceed employers’ expectations. When evaluating the assignments and class participation, I will value insightful, clear comments, writing, and presentations, just as do in my professional work. This also means that students will be expected to work individually and with others, to evaluate questions from multiple perspectives (multiple disciplines like accounting, finance, economics, business management, public policy, etc. as well as the perspectives of different stakeholders within companies, in governments, or other stakeholders around the world and pros and cons to arguments). Everyone is expected to actively participate in all assignments and class discussions and to show curiosity, courtesy, and respect for one another and a broad range of arguments and views expressed.

Regardless of the format we use to conduct class sessions online or in person, let’s all try to make the best of the situation. For online classes, please participate like you would in the class room. Please reduce background noise and outside distractions as best as possible. Please don’t multitask, be visible, and participate actively throughout the class.

### Assignments and Grading:

Assignments	Due Dates	Weight
Class discussion	throughout semester	25%
3 Short Exams	see below	25%
Memos based on class discussion and assigned research	throughout semester; I will let you know which topics; they will be due at End of Day (EOD) the day before our next class.	20%
Team presentation	see below	15%
Solo paper	see below	15%
		100%

### Late Work and Grace Periods:

Each student will have two “Last-Minute Exceptions” to be used at your discretion. (For example: The assignment is due End Of Day before the next class, if you don’t make it EOD the day before class (latest midnight), you may turn it in anytime between midnight and the beginning of our next class, i.e. 2 PM availing yourself of one “Last-Minute Exception” each time you do this.)

### Absences:

Being and active participant during in-person and online meetings is critical to achieving our goals for this course. You are welcome to utilize one class absence during the semester as needed without explanation to me. In this case, you will be allowed to make up assignments or participation points you may have missed during this session.

Excused Absence: Please let me know if you have a religious holiday or extenuating circumstances due to an emergency or illness. You will not be penalized for this absence, although you will still be responsible for any work you will miss on that day if applicable.

**Class Content:** Enormous volume of international trade is trade within multinational companies (also referred to as multinational enterprises (MNEs), multis, international groups, or similar. Through cross-border trade of goods and services and the exchange of know how and capital, i.a., these large groups conduct business around the world.

Multinational companies provide goods, components, access to intellectual property, services, etc. within the global company (internal business). We will cover how multinational companies manage these internal business transactions efficiently for the purpose of effective global management and efficient resource allocation. We will also address how internal pricing (i.e. transfer pricing) needs to be analyzed, documented, and disclosed around the world for tax purposes and how this can drive the company's overall tax rate and can result in large tax controversies. This class is intended for students with an interest in international business management, accounting, finance, tax accounting, tax law, public finance, and public policy, and related fields.

The course introduces students to strategic considerations in managing multinational companies. The management of international business involves developing a value chain strategy involving multiple countries that determines how to conduct business, what functions to perform in which location, which types of risks to bear, which investments in assets and intangibles to make, and how to adapt to market conditions, how to employ resources efficiently, how to measure business success of each location and of the overall company, and how to incentivize, integrate, and reward employees.

At the heart of the strategic considerations for a multinational company lies the question how to price internal transfers of goods, services, financial funds, intellectual property, and other transfers. These internal prices determine profits and losses of locations around the world and provide important incentives to management of locations. The management of internal incentives is critical for overall business success. The proper alignment with external laws and requirements, particularly tax laws, is critical for managing tax risk and tax planning opportunities and avoiding expensive failures.

**The course exposes students to**

- strategic considerations in setting up international businesses
- measurements and incentives of value contribution throughout the MNE
- methods used to analyze the value chains of multinational companies, including financial results and measurements of profitability, international accounting standards, differences between management accounting and statutory accounting and internal scorekeeping approaches
- the connection to tax and trade compliance rules
- the arm's length principle
- the methods used by companies to price internal exchanges of goods, intangibles, services, funding, etc. and the methods prescribed in transfer pricing regulations in several countries, in guidelines published by the OECD and other government bodies
- the controversies that arise in tax or trade compliance contexts
- relevant cases involving multi-billion dollar transfer pricing controversies (Coca Cola, Amazon, Facebook, and others)

- transfer pricing rules, policies, enforcement from the policy makers perspective and the economic impact of policies on the country's economy
- compliance and reporting requirements for companies

**Main skills and attitudes to be developed**

- multi-discipline perspective on International business including management of multinational companies, value chain analysis
- ways to illustrate and measure the international value chains of multinational companies
- financial analysis of transfer prices; methods used to set transfer prices and analyze them
- benchmarking/comparables analysis
- analysis and description of the company's international strategy and transfer pricing approach
- memo writing
- valuation
- presentation skills

**Students who have a solid foundation in transfer pricing can leverage the skills gained in i.a. international management, tax, accounting, finance, and public policy-related professions.**

**Calendar:**

January 19	First day of spring semester
March 15 - 19	UT Spring Break
May 6	Last Day of spring semester classes
May 18	Final Exams

Workload expectations: Approx. 2:1 (work outside of class per hour in class). As managing time and learning to estimate how much time an assignment will take are very valuable skills in the work world, I encourage you to monitor your time and be ready to discuss the scope and time intensity of the assignments in class.

**Class #1: Jan 19<sup>th</sup>:**

- Introduce yourselves
- Overview of class
- Discuss first assignment

- How much international business is there per year?
- How much internal business to company groups?
- What types of MNE-internal transfers are there?
- What to consider when developing an international business strategy?

due EOD day before next class

**Class #2: Jan 21<sup>th</sup>:**

- Discuss findings of first assignment
- Challenges of managing international business Assignment: write memo summarizing class discussion & supplement with addtl 1-hour research; due EOD day before next class

**Class #3: Jan 26<sup>th</sup>:**

- Discuss findings of assignment
- What is remote shoring/offshoring?
- What are operational models?

Assignment: write memo summarizing class discussion & supplement with addtl 1-hour research; due EOD day before next class

**Class #4: Jan 28<sup>th</sup>:**

- Discuss findings of assignment
- What is a value chain? How are large MNEs organized in terms of functions performed, responsibilities, assets owned, and risks borne by international location
- Assignment: Picture contest: first look at the Coca Cola transfer pricing court case; read how the facts of the international business are described and depict and describe in summary the value chain in a Powerpoint presentation based on the facts described in the case; due EOD day before next class

**Class #5: Jan 28<sup>th</sup>:**

- Discuss findings of assignment
- How to manage multinational value chains? How are large MNEs managed and measured?
- What are the pros and cons of different internal scorekeeping mechanisms?
- Assignment: Imagine yourself in the position of a CEO of a multinational company, describe how you might go about measuring and rewarding the employees of the company who work in your company across the world. Please describe the pros and cons of your system of measurement and incentives; you may take a stab at discussing which financial ratios may help you measure the success of the international locations, but this is optional; due EOD day before next class

**Class #6: Feb 2nd:**

- Discuss findings of assignment
- Let's look at financial statements (P&L and BS) and discuss what financial ratios can be used to set transfer prices and measure the performance of your international business.
- Assignment: Take a first look at the US transfer pricing regulations under section 482. Find where the regulations talk about the methods to set and measure transfer prices. No written submission due but be ready to discuss the methods in class.

**Class #7: Feb 4<sup>h</sup>:**

- Discuss findings of assignment
- Hands on examples of setting and measuring transfer prices
- Assignment: Select one method discussed in the US transfer pricing regulations and come up with your own example to summarize the method with an example in a one-page summary. Please address in the summary what types of fact patterns the method is suitable for and what the data requirements are; due EOD day before our next class

**Class #8: Feb 9<sup>th</sup>:**

- Tested party
- Describe the functions and risks
- Assignment: Get together with your team and discuss why risks matter in the context of establishing a correct benchmark

**Class #9: Feb 11<sup>th</sup>:**

- Discuss assignment
- Benchmarking and CPM comparables
- Break out: discuss comparables and describe your team's selection of comparables and statistical results
- Assignment: complete and document and describe your analysis; be sure to qc the work; due EOD day before next class

**Class #10: Feb 16<sup>th</sup>:**

- Discuss findings of assignment
- What is a PLI?
- Assignment: exercise.... PLI calculation.....due EOD day before next class

**Class #11: Feb 18<sup>h</sup>:**

**OECD guidelines**

**Class #12: Feb 23<sup>rd</sup>:**

OECD guidelines and different countries regulations

**Class #13: Feb 25<sup>th</sup>:**

- **20 Min exam**
- Discuss assignment
- What is a transfer pricing study?
- Assignment: Discuss with team members what aspects of transfer pricing studies can lead to transfer pricing controversy

**Class #14: Mar 2<sup>nd</sup>:**

- More on risk
- What if it is arm's length but you can't document it
- Implementation and clear facts
- IC agreement – what for?

**Class #15: Mar 4<sup>th</sup>:**

- Coca Cola case study continued; application of transfer pricing methods

**Class #16: Mar 9<sup>th</sup>:**

- Amazon case study; CUP method
- No assignment

**March 15<sup>th</sup> -20<sup>th</sup> Monday-Saturday Spring break.**

**Class #17: Mar 23<sup>rd</sup>:**

- Discuss findings of assignment
- Break out: discuss how to do a valuation analysis
- perform and qc a valuation
- Assignment: complete and document and describe your valuation; be sure to qc the work; due EOD day before next class
  
- **Class #18: Mar 25<sup>th</sup>:** Discuss findings of assignment
- Break out: perform and qc a valuation using a different approach
- Assignment: complete and document and describe your valuation; be sure to qc the work; due EOD day before next class

**Class #19: Mar 30<sup>th</sup>:**

Moot court

Coca Cola

No assignment

**Class #20: Apr 1<sup>st</sup>: 20 Min exam**

- Moot court
- Amazon
- No assignment
- Tax systems of the world

- ....

**Class #21: Apr 6<sup>th</sup>: Tax systems of the world**

**Class #22: Apr 8<sup>th</sup>: Tax systems of the world**

**Class #23: Apr 13<sup>th</sup>: BEPS**

**Class #24: Apr 15<sup>th</sup>: BEPS**

**Also: Deadline to agree Solo Paper topics with me**

**Class #25: Apr 20<sup>th</sup>: Digital Tax**

**Class #26: Apr 22<sup>nd</sup>: Digital Tax**

**Class #27: Apr 27<sup>th</sup>: EU State Aid and Impact on global MNEs; Apple case**

**Class #28: Apr 29<sup>th</sup>: Role play: the policy maker's dilemma- tax revenue, economic growth, public opinion**

**Class #29: May 4<sup>th</sup>:**

- Q&A

**Class #30: May 6<sup>th</sup>: 20 Min exam (addresses second half of semester since first short exam)**

**Monday-Tuesday, Sunday No-class days.**

**May 18<sup>th</sup>: Solo paper due at midnight.**

**The paper should be on a topic that relates to what we discussed in class and contains theoretical and quantitative elements. Please pick a topic that interests you and agree it with me no later than April 15<sup>th</sup>**

**The paper should be approximately 5 pages long.**



## COVID Guidance

COVID 19 updates: [https://coronavirus.utexas.edu/students\\_](https://coronavirus.utexas.edu/students_)

Should anyone get sick and require flexibility regarding exams and assignments, please reach out to me.

Resources for Students related to COVID-19—Please note that a website has been set up by the University to provide resources and FAQs related to coping with our unusual circumstances and continued effective learning: <https://onestop.utexas.edu/keep-learning/>

To help keep everyone at UT and in our community safe, it is critical that students report COVID-19 symptoms and testing, regardless of test results, to University Health Services, and faculty and staff report to the HealthPoint Occupational Health Program (OHP) as soon as possible. Please see this link to understand what needs to be reported. In addition, to help understand what to do if a fellow student in the class (or the instructor or TA) tests positive for COVID, see this University Health Services link.

Safety and Class Participation/Masks: We will all need to make some adjustments in order to benefit from in-person classroom interactions in a safe and healthy manner. Our best protections against spreading COVID-19 on campus are masks (defined as cloth face coverings) and staying home if you are showing symptoms. Therefore, for the benefit of everyone, this means that all students are required to follow these important rules.

Every student must wear a cloth face-covering properly in class and in all campus buildings at all times.

Students are encouraged to participate in documented daily symptom screening. This means that each class day in which on-campus activities occur, students must upload certification from the symptom tracking app and confirm that they completed their symptom screening for that day to Canvas. Students should not upload the results of that screening, just the certificate that they completed it. If the symptom tracking app recommends that the student isolate rather than coming to class, then students must not return to class until cleared by a medical professional.

Information regarding safety protocols with and without symptoms can be found [here](#).

If a student is not wearing a cloth face-covering properly in the classroom (or any UT building), that student must leave the classroom (and building). If the student refuses to wear a cloth face covering, class will be dismissed for the remainder of the period, and the student will be subject to disciplinary action as set forth in the university's Institutional Rules/General Conduct 11-404(a)(3). Students who have a condition that precludes the wearing of a cloth face covering must follow the procedures for obtaining an accommodation working with Services for Students with Disabilities.

## Sharing of Course Materials is Prohibited

Sharing of Course Materials is Prohibited: No materials used in this class, including, but not limited to, lecture hand-outs, videos, assessments (quizzes, exams, papers, projects, homework assignments), in-class materials, review sheets, and additional problem sets, may be shared online or with anyone outside of the class unless you have my explicit, written permission. Unauthorized sharing of materials

promotes cheating. It is a violation of the University's Student Honor Code and an act of academic dishonesty. I am well aware of the sites used for sharing materials, and any materials found online that are associated with you, or any suspected unauthorized sharing of materials, will be reported to Student Conduct and Academic Integrity in the Office of the Dean of Students. These reports can result in sanctions, including failure in the course.

#### FERPA and Class Recordings

**Class Recordings:** Class recordings are reserved only for students in this class for educational purposes and are protected under FERPA. The recordings should not be shared outside the class in any form. Violation of this restriction by a student could lead to Student Misconduct proceedings. Guidance on public access to class recordings can be found [here](#).

#### Other Policies and Helpful Links

Class rosters are provided to the instructor with the student's legal name, unless they have added a "preferred name" through <http://diversity.utexas.edu/genderandsexuality/publications-and-resources>. If you have registered a request there or just let me know what your preferences are for name and/or pronouns, I will gladly honor your request as I will gladly try to remember nicknames and pronunciation, but you need to guide me.

**Services for Students with Disabilities:** The university is committed to creating an accessible and inclusive learning environment consistent with university policy and federal and state law. Please let me know if you experience any barriers to learning so I can work with you to find accommodation. If you are a student with a disability and need accommodations please contact Services for Students with Disabilities (SSD). Please refer to SSD's website for contact and other information:

<http://diversity.utexas.edu/disability>

If you are already registered with SSD, please deliver your Accommodation Letter to me as early as possible in the semester so we can discuss your approved accommodations and needs in this course.

**Counseling and Mental Health Center:** The Counseling and Mental Health Center provides mental health programs and services that enhance and support students' well-being, academic and life goals. To learn more about your counseling and mental health options, call CMHC at (512) 471-3515. If you are experiencing a mental health crisis, call the CMHC Crisis Line 24/7 at (512) 471-2255.

**The Sanger Learning Center:** UT undergraduate students have access to the Sanger Learning Center to improve their academic performance. For more information, please visit <http://www.utexas.edu/ugs/slc> or call 512-471-3614 (JES A332).

**Undergraduate Writing Center:** <http://uwc.utexas.edu>

**Library:** <http://www.lib.utexas.edu/ITS>

**Student Emergency:** <http://deanofstudents.utexas.edu/emergency/BeVocalBeVocal> is a university-wide initiative to promote the idea that individual Longhorns have the power to prevent high-risk behavior and harm. At UT Austin all Longhorns have the power to intervene and reduce harm. To learn more about BeVocal and how you can help to build a culture of care on campus, go to:

<https://wellnessnetwork.utexas.edu/BeVocal>.

<https://protect.utexas.edu>

Office of Campus Safety and Emergency Evacuation Procedures

The following recommendations regarding emergency evacuation from the Office of Campus Safety and Security, 512-471-5767, <http://www.utexas.edu/safety/>

For additional campus resources, please visit Familiarize yourself with all exit doors of each classroom and building you may occupy. Remember that the nearest exit door may not be the one you used when entering the building.

Students requiring assistance in evacuation shall inform their instructor in writing during the first week of class.

In the event of an evacuation, follow the instruction of faculty or class instructors. Do not re-enter a building unless given instructions by the following: Austin Fire Department, The University of Texas at Austin Police Department, or Fire Prevention Services office.

Link to information regarding emergency evacuation routes and emergency procedures can be found at:

[www.utexas.edu/emergency](http://www.utexas.edu/emergency)

Title IX Reporting: Title IX is a federal law that protects against sex and gender-based discrimination, sexual harassment, sexual assault, unprofessional or inappropriate conduct of a sexual nature, dating/domestic violence and stalking at federally funded educational institutions. UT Austin is committed to fostering a learning and working environment free from discrimination in all its forms. When unprofessional or inappropriate conduct of a sexual nature occurs in our community, the university can:

1. Intervene to prevent harmful behavior from continuing or escalating.
2. Provide support and remedies to students and employees who have experienced harm or have become involved in a Title IX investigation.
3. Investigate and discipline violations of the university's relevant policies.

Beginning January 1, 2020, Texas Senate Bill 212 requires all employees of Texas universities, including faculty, report any information to the Title IX Office regarding sexual harassment, sexual assault, dating violence and stalking that is disclosed to them. Texas law requires that all employees who witness or receive any information of this type (including, but not limited to, writing assignments, class discussions, or one-on-one conversations) must be reported. I am a Responsible Employee and must report any Title IX related incidents that are disclosed in writing, discussion, or one-on-one. Before talking with me, or with any faculty or staff member about a Title IX related incident, be sure to ask whether they are a

responsible employee. If you would like to speak with someone who can provide support or remedies without making an official report to the university, please email [advocate@austin.utexas.edu](mailto:advocate@austin.utexas.edu). For more information about reporting options and resources, visit <http://www.titleix.utexas.edu>, contact the Title IX Office via email at [titleix@austin.utexas.edu](mailto:titleix@austin.utexas.edu), or call 512-471-0419.

**Academic Integrity:** Each student in the course is expected to abide by the University of Texas Honor Code: "As a student of The University of Texas at Austin, I shall abide by the core values of the University and uphold academic integrity. Plagiarism is taken very seriously at UT. Therefore, if you use words or ideas that are not your own (or that you have used in previous class), you must cite your sources.

UT's Academic Honesty and the University Honor Code which can be found at <https://deanofstudents.utexas.edu/conduct/standardsconduct.ph> Drop Policy (modified for Spring 2021 semesters)

If you want to drop a class after the 12th class day, you'll need to execute a Q drop before the Q-drop deadline, which typically occurs near the middle of the semester, but has been extended for the spring 2021 semester to May 11. Under Texas law, you are only allowed six Q drops while you are in college at any public Texas institution—however, for the fall 2020 and spring 2021 semesters, all Q-drops will be considered "non-academic," which allows students to drop a class without counting toward the six-class limit. For more information about Q drops in general, see:

<http://www.utexas.edu/ugs/csacc/academic/adddrop/qdrop>

For information about spring 2021 updates to the Q Drop Policy, see:  
<https://t.e2ma.net/message/r3htee/j51jb0.Pass/Failor Credit/No Credit>

**Grading Policy:** For the spring 2021 semester, undergraduate students may choose to have a total of three (3) classes graded on a Pass/Fail or Credit/No Credit basis without penalty. These exceptions are new and apply only to the spring 2021 semesters. For more information please visit UT's policy on the Extended deadline for Q-drops and P/F Flexibility.