

LB&I International Practice Service Transaction Unit

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Volume	6	Inbound Income Shifting	UIL Code	9422
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Chapter	6.7.1	Inbound Distributor - Sales or Leases of Tangible Property/Goods	Level 3 UIL	N/A
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Unit Name	CPM Simple Distributor Inbound
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Issue and Transaction Overview

CPM Simple Distributor Inbound

Foreign parent companies often sell tangible goods to other members of their controlled groups for distribution in other countries or markets. United States (“U.S.”) entities acting as distributors are sometimes the controlled purchasers of these goods. The price at which the tangible goods are sold between controlled parties is the transfer price. If the price charged in the controlled sale exceeds an arm’s length price, then excess profits are effectively shifted from the U.S. entity to the foreign parent.

The arm’s length standard governs controlled transactions, such as sales of tangible goods between controlled parties. The Comparable Profits Method (“CPM”) is one of the specified transfer pricing methods that is used to determine whether a transaction between controlled parties is at arm’s length. The CPM is based on the notion that similarly situated business operations tend to earn similar returns over time. The CPM typically compares the Tested Party’s operating results over a range of years with those of uncontrolled taxpayers during a similar time period. The reliability of the results derived from the CPM is affected by the quality of the accounting data of both the Tested Party and the uncontrolled comparables.

The CPM evaluates whether the amount charged in a controlled sale of tangible property is at arm’s length by referring to objective measures of profitability, known as profit level indicators (“PLIs”), derived from uncontrolled taxpayers that engage in similar business activities under similar circumstances. PLIs are financial ratios that objectively measure the relationship between profits, costs and resources. For a simple distributor of tangible goods, the most common PLIs used are the ratio of operating profit to sales (or Operating Margin), and the ratio of gross profit to operating expenses (commonly known as the “Berry Ratio”).

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Issue and Transaction Overview (cont'd)

CPM Simple Distributor Inbound

CPM does not price each transaction or product line separately, but rather determines if the transfer price is arm's length by comparing the profitability of similar ("comparable") enterprises that have similar functions, assets and risks and that conduct business with unrelated ("uncontrolled") parties in free markets. The selection of the appropriate comparable enterprises and the most reliable profit level measures is critical in determining an arm's length result.

This unit assumes that CPM is the Best Method. For more information regarding the Best Method, please review the IPS Unit on Best Method Determination for an Inbound Distributor ISI/944.09_04. Additionally, in order to fully understand the applicability of this IPS Unit, the reader should also review the Three Requirements of Section 482 ISI/9422.09_02, the Arm's Length Standard ISI/9422.09_06, Comparability for an Inbound Distributor, ISI/9422.07_02, and Functional Analysis for an Inbound Distributor, ISI/9422.07_01. See Index of Other Related Issues at the end of this chapter.

Lastly, this unit focuses on reviewing Taxpayer's transfer pricing documentation to understand the basics of CPM. It is important to note that an independent analysis based on the Taxpayer's facts and circumstances should be performed by the exam team.

T Treaty Consideration: If a pricing or valuation adjustment is pursued and gives rise to double taxation, the Taxpayer may have access to double tax relief under Article 25 and the Mutual Agreement Process. Make sure you consult with the Advance Pricing and Mutual Agreement Program ("APMA").

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Transaction and Fact Pattern

CPM Simple Distributor Inbound

Diagram of Transaction	Facts
<p>The diagram illustrates the transaction flow between the Foreign Parent (FP) and the United States Subsidiary (USS). FP is shown as a blue box at the top, and USS (Foreign Owned) is shown as a white box at the bottom. A vertical arrow points from FP to USS. A large green curved arrow on the left points from FP to USS, labeled 'Inventory'. A large green curved arrow on the right points from USS to FP, labeled 'Payment'. A callout box at the bottom left points to USS and contains the text 'USS is a distributor'.</p>	<ul style="list-style-type: none"> Foreign Parent (“FP”) wholly owns United States Subsidiary (“USS”). FP manufactures the goods it sells to USS. FP is the entrepreneurial entity and bears all business risks regarding its manufacturing activities. USS functions as a distributor (does not have any embedded services or intangibles and acts as a true third-party distributor), purchasing finished goods from FP and selling the finished products to unrelated customers. USS does not provide any advertising or promotion activities, and does not have other lines of business activity other than distribution of products purchased from FP. USS pays FP for the finished goods and is using the CPM method for evaluating whether the purchase price is arm’s length. USS prepared and provided IRC 6662 documentation (Transfer Pricing Study) to the Exam Team.

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Summary of Potential Issues

CPM Simple Distributor Inbound

Issue 1	Did the Taxpayer choose the correct Tested Party?
Issue 2	Did the Taxpayer select the appropriate Profit Level Indicator (“PLI”)?
Issue 3	Did the Taxpayer select the appropriate comparables and make the appropriate adjustments to achieve comparability?
Issue 4	Did the Taxpayer use the appropriate financial data and assumptions?

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All Issues, Step 1: Initial Factual Development

CPM Simple Distributor Inbound

The Comparable Profits Method (“CPM”) is a common method for establishing the arm’s length amount charged in a controlled transaction based on objective measures of profitability. The CPM is a specified transfer pricing method that compares the Taxpayer’s operating results with those of uncontrolled taxpayers.

Fact Element	Resources	6103 Protected Resources
<ul style="list-style-type: none"> ▪ Does Form 5472 represent that purchases are being made from FP? 	<ul style="list-style-type: none"> ▪ Form 5472, Purchases of Stock-in Trade (Inventory) ▪ Transfer Pricing Studies ▪ Organizational Chart ▪ Transfer Pricing Roadmap 	
<ul style="list-style-type: none"> ▪ What entity did the Taxpayer choose as the Tested Party? 		
<ul style="list-style-type: none"> ▪ What PLI was used: <ul style="list-style-type: none"> – Operating Margin? – Berry Ratio? – Other PLI? 		

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All Issues, Step 1: Initial Factual Development (cont'd)

CPM Simple Distributor Inbound

The Comparable Profits Method (“CPM”) is a common method for establishing the arm’s length amount charged in a controlled transaction based on objective measures of profitability. The CPM is a specified transfer pricing method that compares the Taxpayer’s operating results with those of uncontrolled taxpayers.

Fact Element	Resources	6103 Protected Resources
<ul style="list-style-type: none"> ▪ What comparables did the Taxpayer choose? ▪ Did the Taxpayer make adjustments either to the Tested Party or the comparables? 	<ul style="list-style-type: none"> ▪ Transfer Pricing Studies ▪ Transfer Pricing Roadmap ▪ Financial Statements ▪ Capital IQ ▪ Security and Exchange Commission (“SEC”) Filings 	

Volume	Part	Chapter	Sub-Chapter
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Issue 1, Step 2: Review Potential Issues

CPM Simple Distributor Inbound

Issue 1

Did the Taxpayer choose the correct Tested Party?

Explanation of Issue	Resources	6103 Protected Resources
<p>The choice of the tested party depends on the availability of comparable data. It is recommended to select the least complex entity of the related parties involved in the controlled transaction for application of the CPM. Usually, more comparable data will be in existence and fewer adjustments will be required to account for differences in functions and risks between the controlled and uncontrolled transactions when the Tested Party is the least complex entity.</p> <p>Generally, the Tested Party will not own valuable intangible property or unique assets that distinguish it from potential uncontrolled comparables.</p>	<ul style="list-style-type: none"> ▪ Treas. Reg. § 1.482-5(b)(2)(i), Tested Party in general ▪ IRM 4.61.3-4 Functional Analysis Questionnaire 	

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Issue 1, Step 3: Additional Factual Development

CPM Simple Distributor Inbound

Issue 1

Did the Taxpayer choose the correct Tested Party?

Fact Element	Resources	6103 Protected Resources
<ul style="list-style-type: none"> ▪ What functions do the Tested Party and the controlled entity perform? ▪ What risks do the Tested Party and controlled entity assume? ▪ Does the Tested Party own any intangibles? Are any intangibles conveyed in the transaction? 	<p><i>Request and/or Review the following:</i></p> <ul style="list-style-type: none"> ▪ Organizational Chart ▪ Transfer Pricing Studies ▪ IRM 4.61.3-4 Functional Analysis Questionnaire ▪ Controlled Party Contracts ▪ Intercompany Agreements ▪ Invoices (sample relating to transaction) ▪ Transfer Pricing Roadmap 	
<ul style="list-style-type: none"> ▪ Does the Tested Party have reliable financial data? 	<ul style="list-style-type: none"> ▪ Financial Statement Data ▪ General Ledger ▪ Trial Balance 	


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Issue 1, Step 4: Develop Arguments

CPM Simple Distributor Inbound

Issue 1

Did the Taxpayer choose the correct Tested Party?

Explanation of Approach	Resources	6103 Protected Resources
<p>The analysis for whether the Taxpayer chose the correct Tested Party is based on whether the Tested Party has the most reliable data and requires the fewest and least complex adjustments. Additionally, there must be reliable data regarding the uncontrolled comparables. The Tested Party generally will not own any valuable intangible property or unique assets.</p> <p> CONSULTATION: If uncertain as to the choice of Tested Party, please consult with the Transfer Pricing Practice (TPP), economist, or engineer.</p>	<p>Treas. Reg. § 1.482-5:</p> <ul style="list-style-type: none"> ▪ Treas. Reg. Sec. 1.482-5(b)(2)(i), Tested Party in general ▪ Treas. Reg. Sec. 1.482-5(b)(2)(ii), Adjustments for Tested Party 	


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Issue 2, Step 2: Review Potential Issues

CPM Simple Distributor Inbound

Issue 2

Did the Taxpayer select the appropriate Profit Level Indicator (“PLI”)?

Explanation of Issue	Resources	6103 Protected Resources
<p>The selected PLI should appropriately measure relationships between profits and costs incurred or resources employed based on:</p> <ul style="list-style-type: none"> ▪ the nature of the activities of the Tested Party; ▪ the reliability of the available data with respect to uncontrolled comparables, and; ▪ the extent to which the profit level indicator is likely to produce a reliable measure of the income that the Tested Party would have earned had it dealt with controlled taxpayers at arm's length, given the facts and circumstances. <p>In general, the most commonly used PLIs for distributors are the operating margin (Operating Profit/Net Sales) and the Berry Ratio (Gross Profit/Operating Expenses). Please be aware if the Berry Ratio is used, ensuring costs are properly classified between COGS and operating expense is necessary. Misclassifying costs above the line or below the line can distort the results.</p>	<ul style="list-style-type: none"> ▪ Treas. Reg. § 1.482-5(b)(4), Profit Level Indicators 	
 CONSULTATION: Please consult with an economist or the TPP if you have questions about PLI selection.		

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Issue 2, Step 3: Additional Factual Development

CPM Simple Distributor Inbound

Issue 2

Did the Taxpayer select the appropriate Profit Level Indicator (“PLI”)?

Fact Element	Resources	6103 Protected Resources
<ul style="list-style-type: none"> ▪ What is the nature of the activities of the Tested Party? ▪ What PLI did the Taxpayer select? <ul style="list-style-type: none"> – Did Taxpayer choose the Operating Margin, the Berry Ratio or another ratio? 	<ul style="list-style-type: none"> ▪ Transfer Pricing Studies ▪ Intercompany Agreements or Contracts ▪ Transfer Pricing Functional Analysis Questionnaire ▪ SEC Reports 	
<ul style="list-style-type: none"> ▪ If Taxpayer selected the Berry Ratio: <ul style="list-style-type: none"> – Is the Tested Party’s ratio of COGS to operating expense consistent with the same ratio of the comparables? – Determine whether there may be cost allocation issues between COGS and operating expenses (for example, are operating expenses improperly included in COGS). 	<ul style="list-style-type: none"> ▪ Trial Balance ▪ General Ledger ▪ Financial Statements ▪ Workpapers with Supporting Computations ▪ Capital IQ for comparable party data 	

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Issue 2, Step 3: Additional Factual Development (cont'd)

CPM Simple Distributor Inbound

Issue 2

Did the Taxpayer select the appropriate Profit Level Indicator (“PLI”)?

Fact Element	Resources	6103 Protected Resources
<ul style="list-style-type: none"> ▪ Is the computation of the PLI consistent with and clearly reflect the behavior of a party operating at arm’s length? <ul style="list-style-type: none"> – Is the Taxpayer’s computation of operating profit correct and consistent with U.S. Generally Accepted Accounting Principles (“GAAP”)? – Comparison of operating profit, not taxable income, is performed. – Foreign based companies may use International Financial Reporting Standards (“IFRS”) for their financial statements which may require some adjustments to U.S. GAAP comparable companies in some cases. – GAAP allows certain expenses to be categorized as COGS or operating expenses. Determine if cost categorization is consistent between the Tested Party and the comparables. 	<ul style="list-style-type: none"> ▪ Transfer Pricing Studies ▪ Capital IQ for Industry Reports 	

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Issue 2, Step 4: Develop Arguments

CPM Simple Distributor Inbound

Issue 2

Did the Taxpayer select the appropriate Profit Level Indicator (“PLI”)?

Explanation of Approach	Resources	6103 Protected Resources
<p>A variety of PLIs can be calculated for any given case. Whether the use of a particular PLI is appropriate depends upon:</p> <ul style="list-style-type: none"> ▪ The nature of the activities of the Tested Party; ▪ The reliability of the available data with respect to the uncontrolled comparables; and ▪ The extent to which the PLI produces a reliable measure of profitability that would have resulted if the Tested Party operated at arm’s length. <p>The PLI should be derived from a sufficient number of years of data to reasonably measure returns that accrue to uncontrolled comparables. Generally, such a period should, at a minimum, encompass the taxable year under review and the preceding two taxable years.</p>	<ul style="list-style-type: none"> ▪ Treas. Reg. § 1.482-5(b)(4), Profit Level Indicators 	


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Issue 2, Step 4: Develop Arguments (cont'd)

CPM Simple Distributor Inbound

Issue 2

Did the Taxpayer select the appropriate Profit Level Indicator (“PLI”)?

Explanation of Approach	Resources	6103 Protected Resources
<p>You may want to use a second PLI as a validation of the results from the PLI selected by the Taxpayer. In many instances, transfer pricing studies will actually use a back up second method to validate the results.</p> <p> CONSULTATION: Consult with an economist, engineer, or the TPP if you have questions about the PLI selection and/or a corroborating method. An economist or engineer report should be referenced and incorporated into the Facts, Law and Analysis sections of your Notice of Proposed Adjustment (“NOPA”). Do not simply state “see attached report” in the NOPA.</p>	Treas. Reg. § 1.482-5(b)(4)(iii)	

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Issue 3, Step 2: Review Potential Issues

CPM Simple Distributor Inbound

Issue 3

Did the Taxpayer select the appropriate comparables and make the appropriate adjustments to achieve comparability?

Explanation of Issue	Resources	6103 Protected Resources
<p>The CPM tests the Taxpayer's operating results with those of comparable entities. In order for the uncontrolled entity to be a reliable comparable, there must be sufficient similarity in the functions performed, contractual terms, risks assumed, economic conditions and property or services of the Taxpayer and the uncontrolled comparable. Thus, when selecting the CPM as the best method, the Taxpayer must demonstrate there are uncontrolled comparable entities.</p> <p>The Taxpayer may make adjustments for material differences between the controlled and uncontrolled transactions. Sales and purchase adjustments (often known as asset intensity or working capital adjustments) and adjustments for differences in interest rates are commonly made. These adjustments may be needed to improve the reliability of the results derived when applying the CPM.</p>	<ul style="list-style-type: none"> ▪ Treas. Reg. § 1.482-5(c), Comparability and reliability considerations ▪ Treas. Reg. §1.482-1(d), Comparability ▪ Capital IQ can be used to search for comparables 	

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Issue 3, Step 3: Additional Factual Development

CPM Simple Distributor Inbound

Issue 3

Did the Taxpayer select the appropriate comparables and make the appropriate adjustments to achieve comparability?

Fact Element	Resources	6103 Protected Resources
<ul style="list-style-type: none"> ▪ Did the Taxpayer make the appropriate comparable selection based on: <ul style="list-style-type: none"> – Product/Industry codes (typically measured by Standard Industry Codes (“SIC”); – Operating geography of the Tested Party; – Company independence; – Adequacy and accuracy of comparable data; and/or – Other criteria, for example, size, R&D and advertising? ▪ Does the selection/rejection of comparables seem logical and rational? 	<ul style="list-style-type: none"> ▪ Transfer Pricing Studies ▪ Capital IQ, used to find comparables and get industry reports ▪ SIC Codes, used to find comparables ▪ North American Industry Classification System (“NAICS”) Codes, used to find comparables ▪ Transfer Pricing Roadmap 	

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Issue 3, Step 3: Additional Factual Development (cont'd)

CPM Simple Distributor Inbound

Issue 3

Did the Taxpayer select the appropriate comparables and make the appropriate adjustments to achieve comparability?

Fact Element	Resources	6103 Protected Resources
<ul style="list-style-type: none"> ▪ Did the Taxpayer take into consideration and make the following adjustments if necessary: <ul style="list-style-type: none"> – Terms of Sale and Purchase (known as working capital adjustments); – Inventory Levels; – Accounts Receivable and/or Accounts Payable (known as asset intensity adjustments); and – Stock Based Compensation. ▪ Are other adjustments necessary? ▪ What effect do the adjustments have on the adjusted arm's length range? ▪ Do the adjustments make the data more reliable? 	<ul style="list-style-type: none"> ▪ Transfer Pricing Studies ▪ Financial Statements ▪ SEC Filings ▪ Capital IQ ▪ Workpapers with Supporting Computation ▪ Transfer Pricing Roadmap 	


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Issue 3, Step 3: Additional Factual Development (cont'd)

CPM Simple Distributor Inbound

Issue 3

Did the Taxpayer select the appropriate comparables and make the appropriate adjustments to achieve comparability?

Fact Element	Resources	6103 Protected Resources
<ul style="list-style-type: none"> Did the Taxpayer make its asset intensity adjustments for differences using the prime rate, Libor, T-bill rates or some other appropriate rate? 	<ul style="list-style-type: none"> Transfer Pricing Studies Workpapers with Supporting Computation 	
 <p>CONSULTATION: Consult with an economist or the TPP if you have questions about the selection of the comparable set and/or asset intensity adjustments. The economist can also assist with reviewing or calculating adjustments necessary to make the comparable data more reliable.</p>		

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Issue 3, Step 4: Develop Arguments

CPM Simple Distributor Inbound

Issue 3

Did the Taxpayer select the appropriate comparables and make the appropriate adjustments to achieve comparability?

Explanation of Approach	Resources	6103 Protected Resources
<p>Uncontrolled entities engaged in comparable transactions under comparable circumstances are considered appropriate comparables. The uncontrolled entity does not need to be identical to the Taxpayer's Tested Party, but must be sufficiently similar in terms of functions, risk and resources.</p> <p>Adjustments can be made to account for differences between the Tested Party and the comparables. However, it is possible that more adjustments will produce less reliable data and the comparable will be less "sufficiently similar" to the Tested Party.</p>	<ul style="list-style-type: none"> ▪ Treas. Reg. § 1.482-5(c)(2) ▪ Treas. Reg. §1.482-1(d) ▪ Treas. Reg. § 1.482-5(c)(2)(iv) 	

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Issue 4, Step 2: Review Potential Issues

CPM Simple Distributor Inbound

Issue 4

Did the Taxpayer use the appropriate financial data and assumptions?

Explanation of Issue	Resources	6103 Protected Resources
<p>The CPM evaluates whether the amount charged in a controlled transaction is arm's length based on objective measures of profitability or PLIs derived from uncontrolled taxpayers who engage in similar business activities under similar circumstances.</p> <p>The two major factors which directly affect the quality of data and assumptions used to determine the reliability of operating profits are:</p> <ul style="list-style-type: none"> ▪ Consistency in accounting principles and ▪ Allocation of costs, income and assets. <p>The CPM focuses on operating profits rather than gross profits. Please note that operating profit is gross profit less operating expenses, which is not the same as taxable income. CPM analyses are performed utilizing book income (financial statement income), not taxable income.</p>	<ul style="list-style-type: none"> ▪ Treas. Reg. § 1.482-5(c)(3), Data and Assumptions ▪ Treas. Reg. § 1.482-5(d)(3) and (4) 	

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Issue 4, Step 3: Additional Factual Development

CPM Simple Distributor Inbound

Issue 4

Did the Taxpayer use the appropriate financial data and assumptions?

Fact Element	Resources	6103 Protected Resources
<ul style="list-style-type: none"> ▪ Was there consistency in accounting principles between the Tested Party and the uncontrolled comparables? <ul style="list-style-type: none"> – Did the Tested Party and uncontrolled comparables use the same accounting methods? – Were the same multiple years used to evaluate the Tested Party and the uncontrolled comparables? – Did the Taxpayer use an interquartile range of results? – Were fiscal years properly aligned? – What adjustments were made to the Tested Party and/or to the accepted uncontrolled comparable companies? – Are the adjustments accurate and reliable? 	<p><i>Request and/or Review the following:</i></p> <ul style="list-style-type: none"> ▪ Transfer Pricing Studies including Exhibits detailing the comparable companies ▪ Financial Statements ▪ SEC Reports for Financial data ▪ Transfer Pricing Roadmap 	

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Issue 4, Step 3: Additional Factual Development (cont'd)

CPM Simple Distributor Inbound



Issue 4

Did the Taxpayer use the appropriate financial data and assumptions?

Fact Element	Resources	6103 Protected Resources
<ul style="list-style-type: none"> ▪ Were the costs, income and assets directly allocated, or were there indirect allocations or apportionments? <ul style="list-style-type: none"> – Did the Tested Party use segmented data? – Does the segmented data appear reasonable in light of the financials and unallocated residual costs? – Does the segmented data include the controlled transaction? – Is the composition of the Tested Party's operating expenses similar to that of the uncontrolled comparables (<i>i.e.</i>, is there consistency between the Tested Party and uncontrolled comparable regarding classifying items as COGS or operating expenses)? 	<ul style="list-style-type: none"> ▪ Transfer Pricing Studies ▪ Financial Statements ▪ General Ledger ▪ Trial Balance ▪ Journal Entries ▪ SEC Filings ▪ Capital IQ ▪ Workpapers for Supporting Computations ▪ Transfer Pricing Roadmap 	

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Issue 4, Step 3: Additional Factual Development (cont'd)

CPM Simple Distributor Inbound		
Issue 4		
Did the Taxpayer use the appropriate financial data and assumptions?		
Fact Element	Resources	6103 Protected Resources
 <p>DECISION POINT: Were the allocations of costs, income and assets directly based on factual relationships? If not, were the allocations based on a reasonable allocation formula? Was the appropriate financial data used?</p>		
 <p>CONSULTATION: For questions involving the use of the appropriate financial data and/or determining if the allocations were based on a reasonable allocation formula. please consult with the TPP, economist, or engineer.</p>		

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Issue 4, Step 4: Develop Arguments

CPM Simple Distributor Inbound

Issue 4

Did the Taxpayer use the appropriate financial data and assumptions?

Explanation of Approach	Resources	6103 Protected Resources
<p>Whether the results derived from the application of the CPM are reliable depends on the quality of the data and assumptions utilized. Consistency in the accounting principles between the Tested Party and the uncontrolled comparables is needed.</p> <p>In addition, if it is necessary to make an allocation of costs, income or assets between the relevant business activity and other activities of the Tested Party or uncontrolled comparables, such allocations should be directly based on factual relationships.</p>	<ul style="list-style-type: none"> Treas. Reg. § 1.482-5(c)(3), Data and Assumptions 	

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Training and Additional Resources

Chapter 6.7.1 Inbound Distributor - Sales or Leases of Tangible Property/Goods

Type of Resource	Description(s) and/or Instructions for Accessing	References
CENTRA sessions	<ul style="list-style-type: none"> ▪ FY2012 Transfer Pricing Introduction to 482. ▪ FY2013 IRC 482 Overview. IBC IRC 482 OVERVIEW 50767 (HLL028040). ▪ FY2012 Comparable Profits Method – High Value. ▪ FY2012 PLIs in a CPM World. 	<ul style="list-style-type: none"> ▪ Transfer Pricing Introduction to 482 Overview and Introduction to IRC Sec 482 FINAL with BR 6 revisions.ppt (QRP785958) ▪ 2012 (TPO) CPE CENTRA - Comparable Profits Method (LHL430034) ▪ 2013 (TPO) CPE CENTRA - PLIs in a CPM World (FPM304428)
Issue Toolkits	<ul style="list-style-type: none"> ▪ IRM 4.61.3-4 Functional Analysis Questionnaire ▪ Checklist - IRC 482 Transfer Pricing Case Development Tool ▪ IRM 4.61.3 Development of IRC section 482 Cases 	

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Training and Additional Resources (cont'd)

Chapter 6.7.1 Inbound Distributor - Sales or Leases of Tangible Property/Goods		
Type of Resource	Description(s) and/or Instructions for Accessing	References
Podcasts / Videos	<ul style="list-style-type: none"> ▪ CENTRA 2011 (TPO) CPE CENTRA - Risk and Comparability (Day 3) ▪ CENTRA 2011 (TPO) CPE CENTRA - Economic Analysis (Day 3) 	
Other Training Materials	<ul style="list-style-type: none"> ▪ International Examiner Phase III Training, Module E-1, Overview of IRC 482 ▪ International Examiner Phase II Training, Lesson 3, Controlled Services Transactions ▪ 2012 (TPO) Economist Phase V Training-Legal Matters (Transfer of Intangibles Off-shore) ▪ Transfer Pricing Roadmap ▪ Bittker and Lokken, Fundamentals of International Taxation, Chapter 79: Reallocation of Income ▪ OECD Transfer Pricing Guidelines 	

Volume	Part	Chapter	Sub-Chapter
Inbound Income Shifting	Sales or Leases of Tangible Property/Goods	Inbound Distributor - Sales or Leases of Tangible Property/ Goods	N/A

Glossary of Terms and Acronyms

Acronym	Definition
APMA	Advance Pricing and Mutual Agreement Program
COGS	Cost of Goods Sold
CPE	Certified Professional Education
CPM	Comparable Profits Method
CUP	Comparable Uncontrolled Price
FP	Foreign Parent
GAAP	Generally Accepted Accounting Principles
IBC	International Business Compliance
IFRS	International Financial Reporting Standards
IPN	International Practice Network
IPS	Issue Practice Service
IRC	Internal Revenue Code
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
ISI	Income Shifting Inbound

Volume	Part	Chapter	Sub-Chapter
Inbound Income Shifting	Sales or Leases of Tangible Property/Goods	Inbound Distributor - Sales or Leases of Tangible Property/ Goods	N/A

Glossary of Terms and Acronyms (cont'd)

Acronym	Definition
LB&I	Large Business & International
NAICS	North American Industry Classification System
NOPA	Notice of Proposed Adjustment
OECD	Organisation for Economic Co-operation and Development
PLI	Profit Level Indicator
SEC	Securities and Exchange Commission
SIC	Standard Industry Classification
TPM	Transfer Pricing Method
U.S.	United States
USS	A foreign-owned United States subsidiary

Volume	Part	Chapter	Sub-Chapter
Inbound Income Shifting	Sales or Leases of Tangible Property/Goods	Inbound Distributor - Sales or Leases of Tangible Property/ Goods	N/A

Index of Related Issues

Issue	Associated UIL(s)	References
Comparability	9422.07	IPS Unit: Comparability Analysis for Tangible Goods Transactions Inbound, ISI/9422.07_02(2013)
Functional Analysis	9422.07	IPS Unit: Functional Analysis for an Inbound Distributor, ISI/9422.07_01 Coming Soon
Resale Price Method Simple Distributor	9422.07	IPS Unit: Inbound Resale Price Method Routine Distributor, ISI/9422.07_04(2013)
Tangible Goods-Inbound CUP	9422.07	IPS Unit: Purchase of Tangible Goods from a Foreign Parent CUP Method, ISI/9422.07_09(2013)5(2013)
3 Requirements of IRC 482	9422.09	IPS Unit: Three Requirements of IRC 482, ISI/9422.09_02(2013)
Arm's Length Standard	9422.09	IPS Unit: Arms Length Standard, ISI/9422.09_06(2013)
Core 482 Inbound	9422.09	IPS Unit: Core 482 Inbound, ISI/9422.09_05 Coming Soon

Volume	Part	Chapter	Sub-Chapter
Inbound Income Shifting	Sales or Leases of Tangible Property/Goods	Inbound Distributor - Sales or Leases of Tangible Property/ Goods	N/A

Index of Related Issues (cont'd)

Issue	Associated UIL(s)	References
Rev. Proc. 99-32	9422.09	IPS Unit Coming Soon
MAP Procedural Issues	9450.12	IPS Unit Coming Soon
Exchange of Information	9450.13	IPS Unit Coming Soon
Treaty-based EOI	9460.01	IPS Unit Coming Soon
Penalties-Substantial	9560.11	IPS Unit Coming Soon
Penalties-Gross	9560.12	IPS Unit Coming Soon