



Financial Agility Transfer Pricing

Automate Compliant Transfer Pricing Calculations

Bridging the Gap

A Deloitte seminar on the Implementation and Automation of
Transfer Pricing Policies

PebbleAge Ltd: Our "*raison d'être*"

PebbleAge

Performance Management **Solutions**

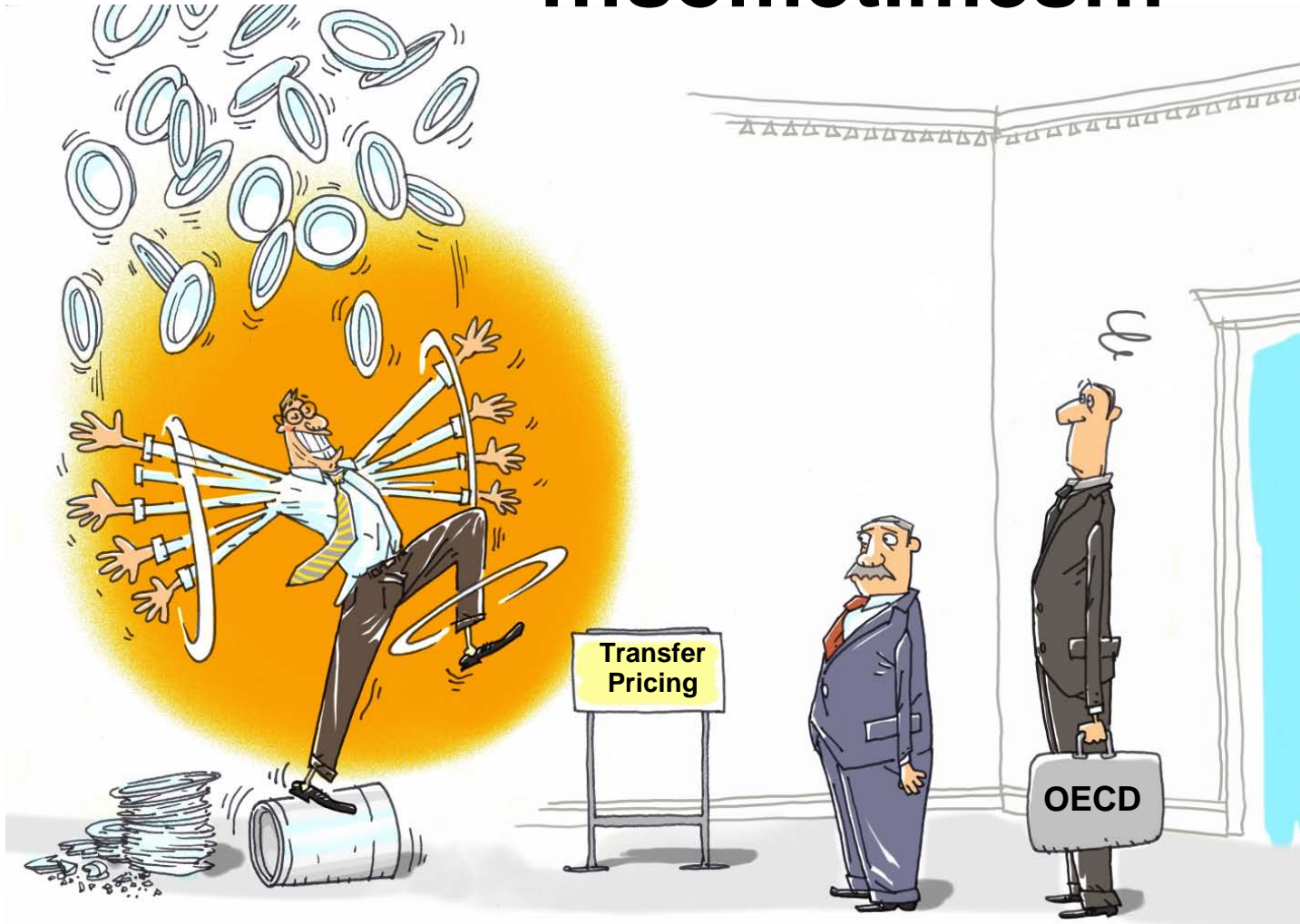
*PebbleAge are a Swiss based software & service company, providing **Corporate Finance, Tax management & Controlling solutions** to multinational businesses, worldwide.*



10 years focusing on integration & bespoke solutions



Transfer Pricing calculation is ...sometimes...



... a balancing act!

Bridging the gap: Our approach

- Single version of the truth
- Centrally Managed Rules
- Do the Math ... All the Math!
- Trace, Report & Document

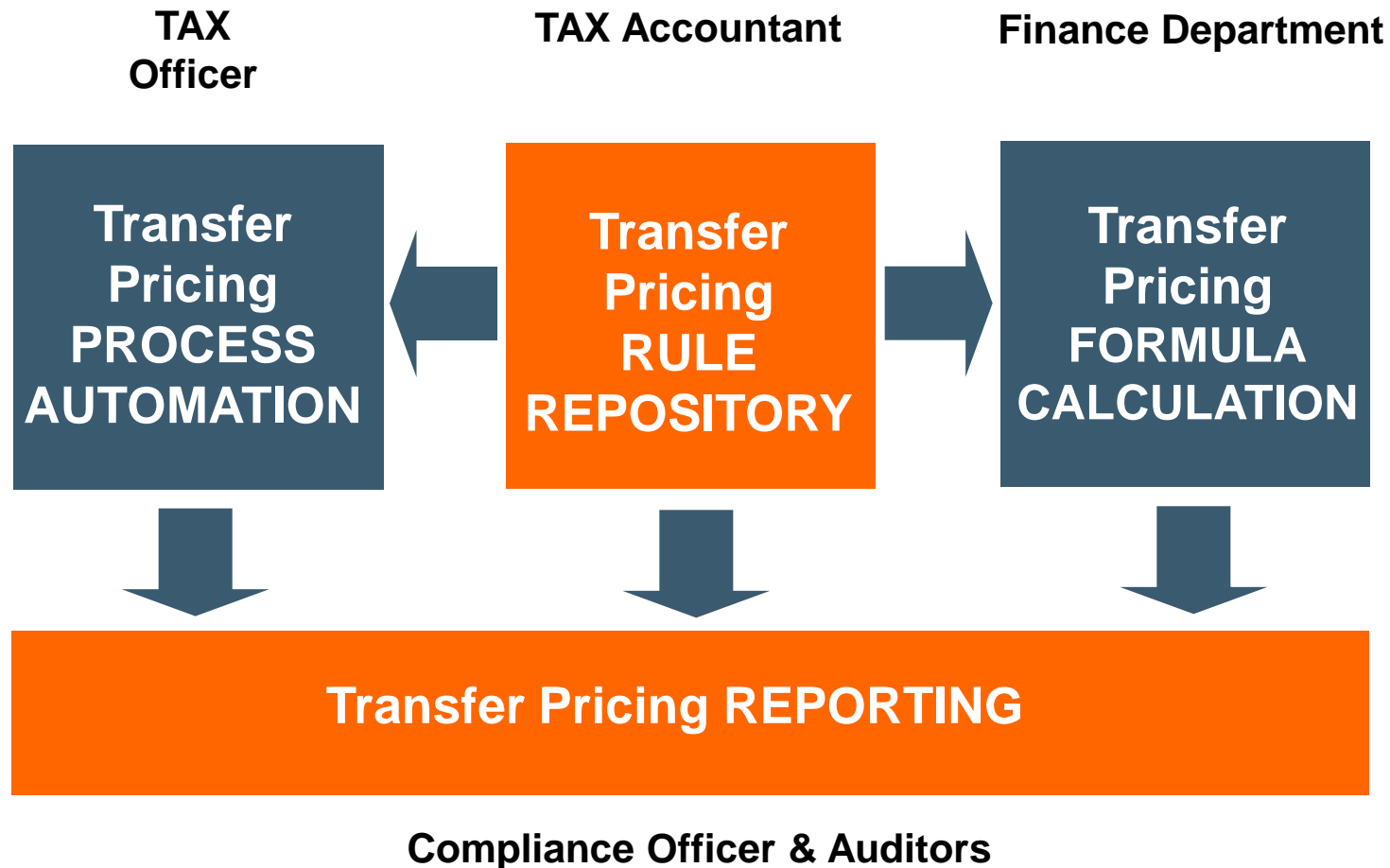


Implement, automate & enforce Tax Policies

- Reduce Risk (reputation, CF, accounting & regime)
- Protect Shareholder Value

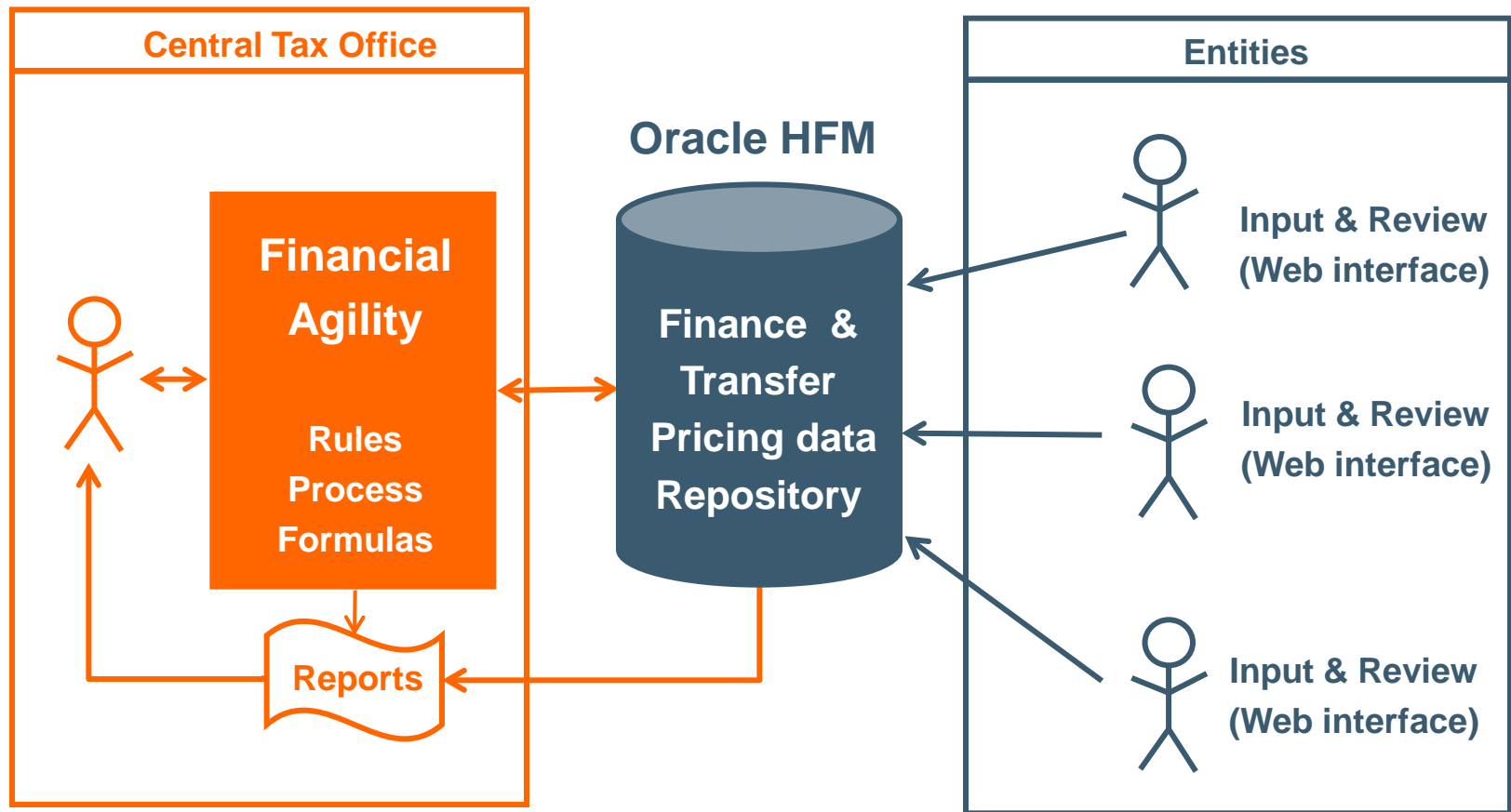
Bridging the gap: Our solution

Collaborative platform for all key user



→ Single version of the truth

Financial Agility Transfer Pricing for HFM



→ Single & central Tax Repository

Financial Agility Transfer Pricing Rule Editor

Rules Editor

Name: EDENTAX TRANSFER PRICING RULESET
Description: EdenTax Transfer Pricing Rules Repository for Generic TP demo Case

- ALL EDENTAX TRANSFER PRICING RULES
 - ALL TRANSFER PRICING EMEA RULES
 - ALL MINUS RESALE RULES
 - Manufacturing MINUS RESALE RULES - February 2008** ← Tax Rule Category
 - Poland manufacturing Recharge REINIT to EMEA Sales at -% Minus Resale
 - Poland manufacturing Recharge to EMEA Sales at -% Minus Resale
 - ALL COST PLUS RULES
 - Manufacturing COST PLUS RULES
 - EMEA Global Services COST PLUS RULES - February 2008
 - Switzerland COST PLUS Recharge RULES
 - Switzerland Admin Services COST PLUS 5% Recharge RULES Based on Gross Revenue**
 - Switzerland IT Recharge RULE** ← Tax Rule
 - Switzerland HR Recharge RULE
 - Switzerland Facilities Recharge RULE



Create, Classify & Document Transfer Pricing Rules

Transfer Pricing Rules Details

Description & Classification
→ RuleType, Business reasons

Parameters
→ Cost Proportion Recharge
→ Cost Plus percentage

Entity Selection
→ Buyers
→ Sellers

The screenshot shows a software interface for configuring a Transfer Pricing Rule. The interface is divided into several sections:

- Design**:
 - Name: Switzerland IT Recharge to Poland Production at COST PLUS
 - Description: IT Costs is allocated to Poland Production
 - BusinessReason: Cost Plus is the usual arm's lenght method
 - RuleType: COST PLUS
- Related Data**:
 - Parameters: CostPlus% = 10; ProportionRecharge% = 25
 - Selection: Month Selection
- Related Information**:
 - Documents:
 - Centrally Provided Services.doc
 - EdenTax Shared Services Cost + Manual
- Related Specific Data**:
 - Buyers: Poland Production
 - Sellers: Switzerland IT

Transfer Pricing Rules

Attach Documents to Rules

The screenshot displays the PebbleAge Financial Agility Studio interface. On the left, a 'Rules Models' list includes '1.4.X.3 - Cost Allocation for EMEA Sales'. The main window shows a Microsoft Word document titled 'Cost Plus Method.doc' with the following content:

EdenTax Tax Accounting Manual

Tax Documentation - Cost plus Method

Cost plus is probably the most misunderstood and misused OECD method applied in pursuing the arm's length principle. The cost plus method is described by the OECD Transfer Pricing Guidelines as one of the traditional transactional methods. The Guidelines discuss this method from Para 2.32 - 2.48.

The starting point should be with the costs incurred by the supplier of the goods or services. A 'plus' percentage should be added to this to give the supplier a profit appropriate to the functions he has carried out and the market conditions. The profit element should be calculated by reference to the profit the supplier earns in comparable uncontrolled transactions. Failing this possibility (because the supplier does not enter into comparable uncontrolled transactions), the mark up that would have been earned in comparable transactions by an independent enterprise can serve as a guide. Note the emphasis on the need to look at comparable transactions. An enterprise which is superficially similar to the tested party may be carrying out comparable transactions but equally it may not.

The OECD Transfer Pricing Guidelines stress that whilst the level of the profit margin is critical, it would be wrong not to give careful consideration to the level and type of costs to which the margin should be applied. This is particularly important when looking for comparable enterprises, which may classify costs in different ways in their accounts – some at operating expense level, some at gross margin level. Further, different types of costs may mean that different functions are being carried out – this of course would mean that the enterprises were not comparable.

The OECD Transfer Pricing Guidelines say at Paragraph 2.32 that the cost plus method is most useful where semi-finished goods are transferred between related parties (e.g. a manufacturing company selling to a distribution affiliate), where joint facility agreements have been concluded, or where the controlled transaction is the provision of services.

Transfer of semi-finished goods

Properties Context Editor

Design

Name
Switzerland IT Recharge RULE

Description
Switzerland IT Shared Services must be reallocated to oth

RuleType
COST PLUS RULE

BusinessReason
Usual Arm's Length TP Meth'od for IT Recharge

Related Data

Parameters
ProportionRecharge% = 30

Selection
IT Entity Selection (with related ICP)

Related Information

Documents

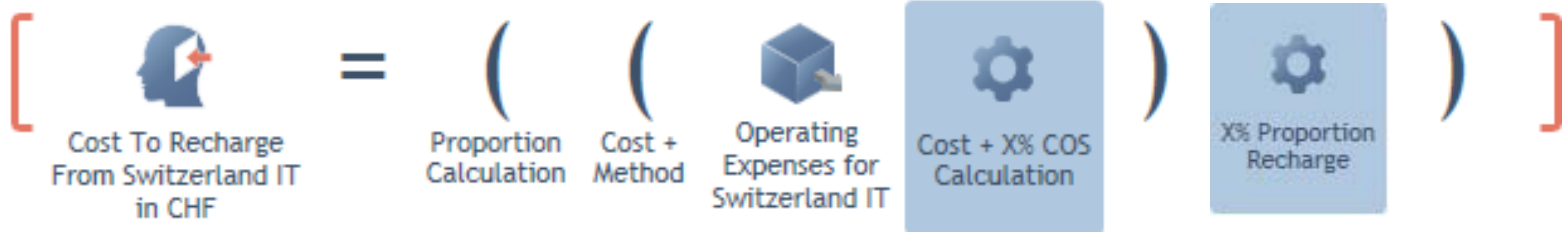
Add

Cost Plus Method.doc Delete

EdenTax Cost Plus Tax Accounting Manual & Rules

→ Do the Math ... All the Math!

STEP 1
Cost To Recharge



Misc

Name: Cost + X% COS Calculation

Description:

Report: [Configure Report](#)

OperationKind: PlusPercent

Value: 5.00

Related Data

Parameters: CostPlus

Misc

Name: X% Proportion Recharge

Description:

Report: [Configure Report](#)

OperationKind: Percent

Value: 30.00

Related Data

Parameters: ProportionRecharge

Cost Plus %
Parameter

Report the results on Processes...

The screenshot displays a software interface with a menu bar at the top containing: Cells Mapping, HFM Metadata, Formula Editor, Rules Editor, Financial Reporting, and Main Transfer Pricing Valuation TEST GEN TP RULE Sample Scenario1.4.seqw. Below the menu bar, there are two tabs: 'Formula Reports' and 'Related Operation Reports'. The 'Formula Reports' tab is active, showing a table with columns: Date, Name, Description, and User. An orange callout box labeled 'At Formula Level' points to the first three rows of this table. Below this, the 'Related Operation Reports' section is visible, containing a table with columns: Date, Name, Description, AuditingOptions, and Rollback. An orange callout box labeled 'At Transaction Level' points to the first four rows of this table. The main list of processes continues below, showing various entries with their respective dates, names, descriptions, and users.

Date	Name	Description	User
02.03.2010 11:14	1.3.1.6 - EDENTAX Cust...		NT AUTHORITY\NETW...
02.03.2010 11:14	1.4.X.01 - EDENTAX GE...		NT AUTHORITY\NETW...
02.03.2010 11:14	1.4.X.3 - TEST EDENTA...	Generic Cost_Plus REVENUES Recharge Opera... Expenses (500000) from <Entity> to All EMEA... Entities and COS Recharge From EMEA Sales to <Entity_ICP> based on <Account_Criteria>	NT AUTHORITY\NETW...

Date	Name	Description	AuditingOptions	Rollback
02.03.2010 11:14	COS	TP COS for EMEA Sales Entities	After	Rollback
02.03.2010 11:14	Local Currencies		After	Rollback
02.03.2010 11:14	PAR deb		After	Rollback
02.03.2010 11:14	REVENUES	TP Revenues for Poland	After	Rollback

...and on data

→ *Calculated transfer prices, details*

Period

EMEA Sales Entities COS for Poland Production Recharge

Point of view

- Scenario - Actual - Actual
- Year - 2008 -
- Period - Jan -
- View - Periodic -
- Value - <Entity Currency> -
- Account - 515300 - Allocations In
- Custom1 - [None] - No Segment
- Custom2 - TPTransactionData - TPTransactionData
- Custom3 - [None] - Scenario @ Scenario Rate
- Custom4 - Manufacturing - Manufacturing

Change columns ICP

Specific HFM structure created for Transfer Prices

Seller

Drag a column header here to group by that column.

Entity	E04_306_3100 - Poland: Mfg Ops
E03_301_1000-Denmark Sales	4466218.29
E03_302_1000-Switzerland Sales	1137053.86
E03_303_1000-Germany Sales	550527.31
E03_304_1000-Italy Sales	757890.29
E03_305_1000-Netherlands Sales	135812.36
E03_307_1000-Spain Sales	26770.69
E03_308_1000-Sweden Sales	246048.99
E03_309_1000-France Sales	91824.00
E03_310_1000-United Kingdom Sales	192906.06
E03_501_1000-South Africa Sales	1063128.14
E03_402_1000-Kuwait Sales	61848.08
E03_401_1000-Bahrain Sales	96582.08

Buyers

Transfer Prices
→ Buyers Debit Notes In local currencies

Manage Buying & Selling Entities

→ Financial Agility HFM Entities Explorer

The screenshot displays the HFM Entities Explorer interface. At the top, there are tabs for 'Cells Mapping', 'HFM Metadata', 'Rules Editor', and 'Formula Editor'. The 'HFM Metadata' tab is highlighted with an orange circle. Below the tabs is a search bar and a 'Look in:' dropdown. The main area shows a tree view of entities. The 'Total Geography' entity is highlighted with an orange box and labeled 'By geography'. The tree view includes the following structure:

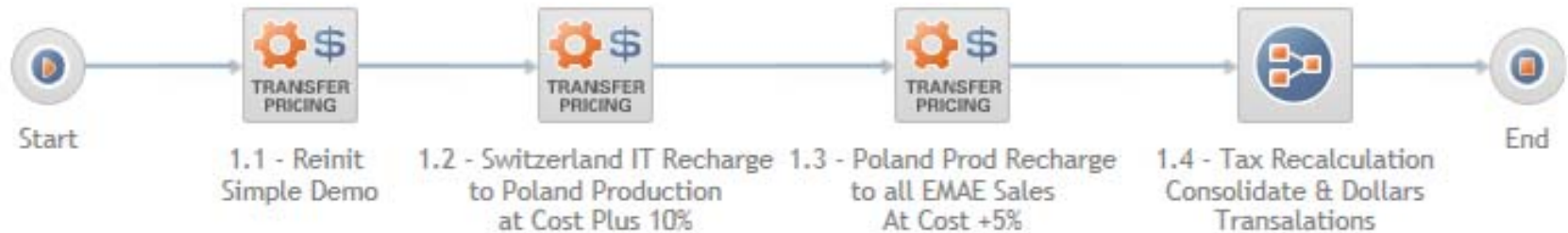
- [None]
- Total Geography (Total Geography)
- E01 North America
- E02 Latin America
- E03 EMEA
 - E03_0 EMEA Corporate
 - E031 Europe
 - E03_301 Denmark
 - E03_301_100 Denmark Sales
 - E03_302 Switzerland
 - E03_302_1000 Switzerland Sales
 - E03_302_2000 Switzerland Admin
 - E01_302_2100 Switzerland Admin Serv
 - E01_302_2110 Switzerland IT
 - E01_302_2120 Switzerland HR
 - E01_302_2130 Switzerland Facilities
 - E01_302_2200 Switzerland Finance
 - E01_302_2210 Switzerland Accounting
 - E01_302_2220 Switzerland Payroll
 - E01_302_2300 Switzerland Marketing
 - E01_302_2310 Switzerland Marketing Admin
 - E01_302_2320 Switzerland Product Marketing
 - E01_302_2400 Switzerland Cust Serv
 - E01_302_2410 Switzerland Cust Serv Admin
 - E01_302_2420 Switzerland Call Center
 - E03_303 Germany
 - E03_303_1000 Germany Sales
 - E03_304 Italy
 - E03_304_1000 Italy Sales
 - E03_305 Netherlands

The right-hand panel shows the properties for the selected entity, 'Switzerland IT'. The 'Occurrences' section lists the following paths:

- /TotalGeography/E03/E031/E03_302/E03_302_2000/E01_302_2100/E01_302_2110
- /Function/Administration/E01_302_2110
- /Legal/EdenInternational/E01_302_2110

An orange circle highlights the 'Existing Financial Reporting Group structure' in the 'Occurrences' section, with an arrow pointing to the first path.

Transfer Pricing Process Manager



Automation



Enforce Tax Compliance
Coordinating interdependent
Tax activities

PebbleAge Financial Agility for Transfer Pricing

User Admin; EdenTax on PGEFA11113

File Edit Process View Help



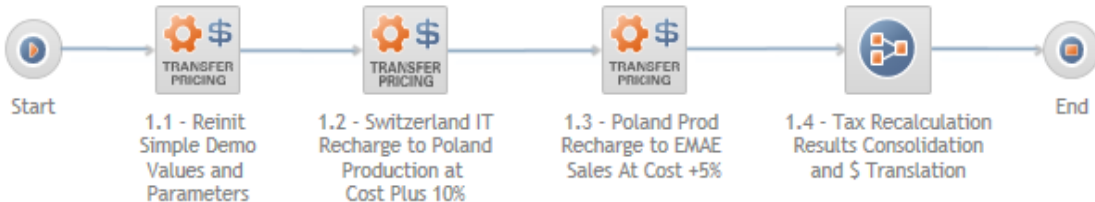
Toolbox Solution

Cells Mapping HFM Metadata Formula Editor Rules Editor 1 - Simple Demo Main TP Process.seqw

Properties Context Editor

- HFM**
 - Extract
 - Input
 - Operation
 - Process
- HSF**
 - Hfm to Hsf Transaction
 - HSF Extract
 - Hsf Operation
 - Hsf to Hfm Transaction
- Path**
 - Merge
 - Split
- Tax**
 - Transfer Pricing
- Workflow**
 - Coordination
 - Cube
 - Decision
 - Exchange
 - Indicator
 - Load
 - Manual
 - Report
 - State
 - Validation

Transfer Pricing Processes



Misc

Cell Selection
Period = January >> X

Process

Name
1 - Simple Demo Main TP Process ...

Description
EdenTax Simple Demo Case

Business Reason
Indirect Shared services must be re- ...

Documents
Add

Output

Clear Save

23:51:29: Connecting to HFM.
23:51:29: Loading complete.

- **CALCULATE** all transfer pricing prices between group entities using:
 - **Existing financial data** from Oracle Hyperion Financial Management
 - **Compliance rules & directives** issuing by Tax advisors (functional analysis, master plan, ...)

- **PRODUCE**
 - **Debit/Credit notes** or **compliant price adjustments** for reconciliation in local accounting systems
 - **Complete audit trail** of transfer calculation steps & results

Financial Agility Transfer Pricing

Core functionalities

- **Define Transfer Pricing Rules with**
 - Buyer & Seller entities
 - Parameters (ie: cost %)

- **Define Transfer Price Calculations methods**
 - Do the maths with Tax & Financial data
 - Write back calculated transfer prices or adjustments

- **Automate calculation processes**
 - To enforce interdependent calculations
 - And monitor monthly calculation processes

Financial Agility Transfer Pricing

Advanced functionalities

- **Simulate Transfer Pricing scenarios**
 - with Financial Agility parameters
- **Generate compliant prices**
 - For debit & credit notes accounting reconciliations
- **Attach documentation & Justifications to**
 - Transfer pricing rules
 - Formulas
 - Processes
- **Custom reporting & functionalities**

Financial Agility Transfer Pricing

Be ready for even more complex tax accounting

- **Tax aspects for Principal Management companies**
 - with allocations & specific tax calculations in line with partnership agreements...
- **Tax planning & simulations**
 - With multiple scenarios & benchmark analysis
 - All based on actual & forecasted financials
- **Full Consolidated financial statements**
 - With Transfer Pricing & Tax calculations immediately available for IFRS/GAAP in monthly closing

Speed

Accuracy

Reliability

Transparency



**Get your Transfer Pricing
Calculation under Control**

Q & A

- Identical reporting structure as for Financial reporting
- Calculate Transfer Pricing Transactions with existing Tax rules
- Management of cost and profit allocation
- Tax scenario management
- Running tax accounting process
- Reporting of transfer pricing rules on different levels

Key take aways

- Decrease the administrative burden
- Transparent reporting
- Audit trail (compliance check)
- Support for a transfer pricing audit
- Alignment transfer pricing with changing business environment
- User friendly application



Financial Agility Transfer Pricing for Oracle Financial Management

How does it work ?

Financial Agility Transfer Pricing *Global Architecture*

PebbleAge

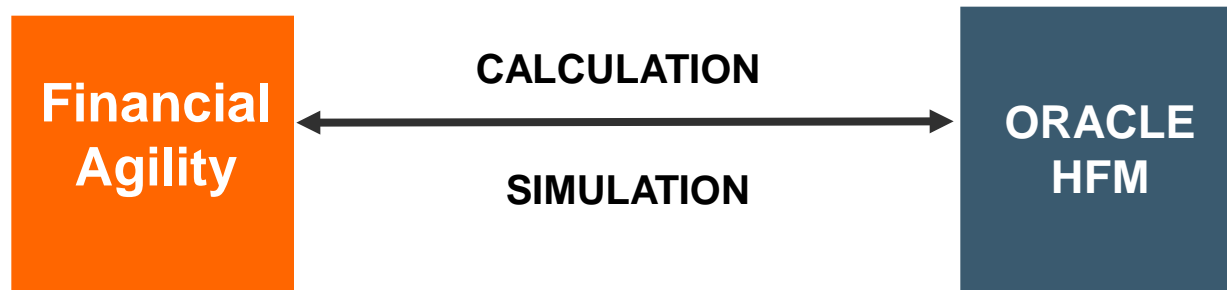
Performance Management Solutions

Management, Statutory & Tax/Transfer Pricing

→ **in the same Repository**

Automate Transfer Pricing Calculations & Simulations

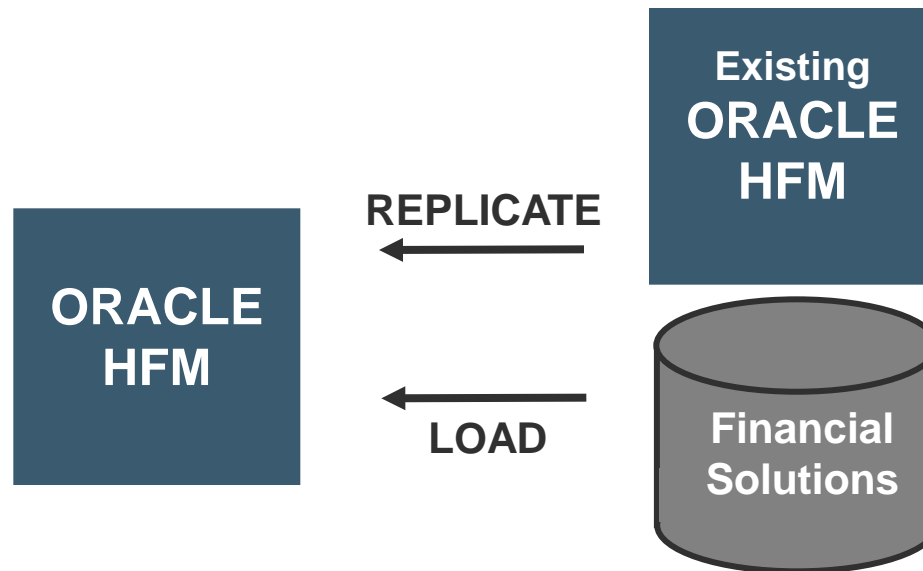
→ **With Financial Agility Transfer Pricing**



How does it Work ?

HFM at the heart of the solution

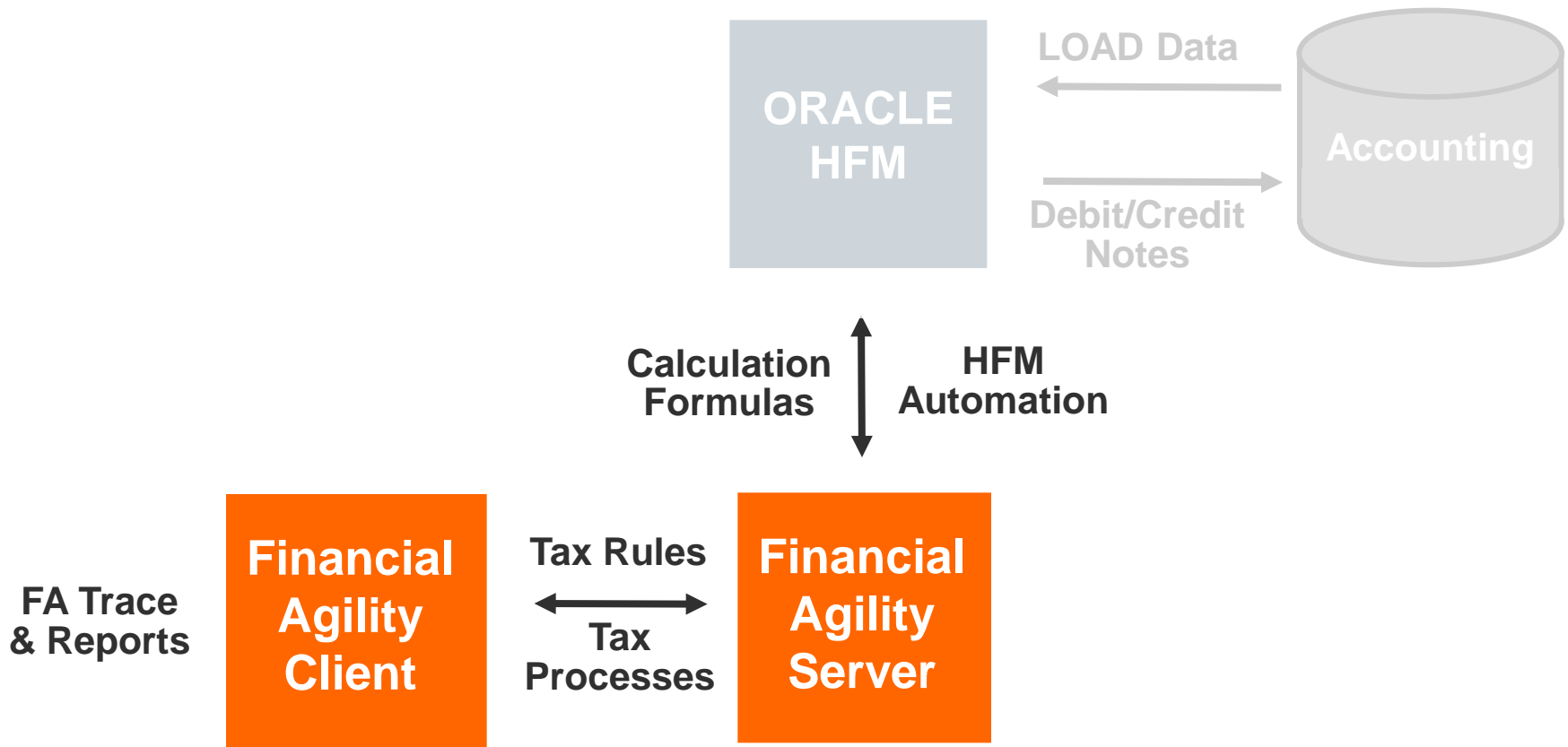
Covers most of Transfer Pricing Data & Functionalities



All your Transfer Pricing Data is concentrated in a Strong Financial Database → HFM

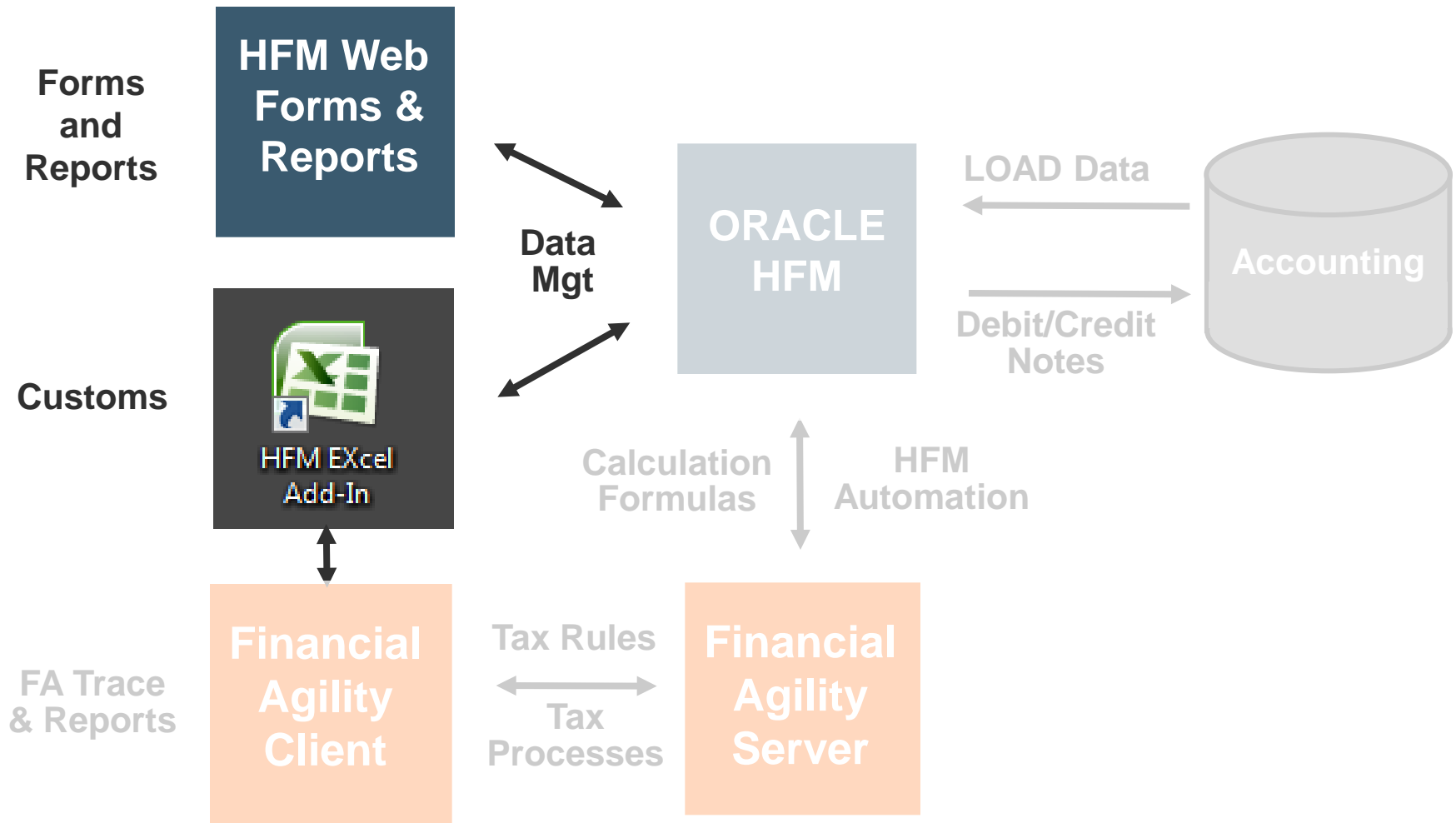
How does it Work ?

Financial Agility allows you to
→ **Create Transfer Pricing Rules & Formulas**
→ **Automate TP Processes**



How does it Work ?

HFM Web, Reports & Excel add-in exist to create Input Forms, Reporting and Custom XL



How does it Work ?

Full Architecture

