

# **FOUNDATION QUALIFICATION IN TRANSFER PRICING**

**SAMPLE QUESTIONS**

**2026 Sitzings**

### Question 1

Company Z owns 100% of company X. Company Z produces toys and bears all the production costs. The toys are sold to an external customer by Company X.

Which **one** of the following statements is **correct** if there were no transfer price for the toys?

- A ☐ All of the sales revenue would be in Company Z
- B ☐ All of the production cost would be in Company X
- C ☐ Company Z would show a very high profit margin
- D ☐ Company X would show a very high profit margin

## Question 2

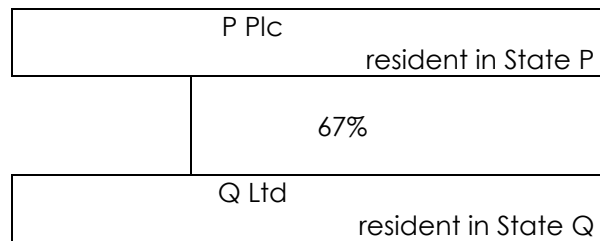
A and B are two newly independent countries. Their tax authorities are discussing a basis for determining cross-border transfer prices. An appropriate basis should

.....

Which **one** of the following options completes the sentence above?

- A ☐ consider the average of the local tax rates in A and B
- B ☐ consider the higher of the local tax rates in A and B
- C ☐ consider the lower of the local tax rates in A and B
- D ☐ be independent of the local tax rates in A and B

### Question 3



State P and State Q are both OECD members. In State P companies are associated where one owns at least 50% of the other. In State Q companies are associated where one owns at least 75% of the other.

Will P Plc and Q Ltd be treated as associated enterprises?

- A** ☐ Yes, in both State P and State Q
- B** ☐ Yes, in State P only
- C** ☐ Yes, in State Q only
- D** ☐ No, not in either state

#### Question 4

The O Inc group has written contracts in place wherever its group companies transact with each other cross-border.

In a comparability analysis seeking to identify the contractual arrangements, which **one** of the following is **true**?

- A** ☐ Comparability analysis will focus entirely on the written contracts
- B** ☐ Comparability analysis will focus on the written contracts but also consider the parties' conduct
- C** ☐ Comparability analysis will examine the parties' conduct first, then the written contracts
- D** ☐ Comparability analysis will focus on the economic reality and will ignore the written contracts

### Question 5

One of D Group's companies buys semi-finished electronic goods from another group company under a longstanding buy-and-supply agreement.

Which **one** of the following transfer pricing methods is likely to be most relevant here?

- A ☐ Profit split
- B ☐ Cost plus
- C ☐ Resale minus
- D ☐ Comparable uncontrolled price

### Question 6

The D AF group makes and sells a varied range of electronic equipment.

Which of the following factors are likely to indicate that the sales function will be classed as low value in a functional analysis?

- (i) A product which is generic
- (ii) A product for which D GmbH's sales people need extensive training in order to be able to demonstrate its features
- (iii) A product which is sold in bulk to retailers rather than direct to final customers

- A** ☐ (i), (ii), and (iii)
- B** ☐ (i) and (iii) only
- C** ☐ (ii) and (iii) only
- D** ☐ (ii) only

### Question 7

H Ltd has been characterised by the H plc group as a simple entity.

Which **one** of the following is correct for H Ltd, compared to complex group entities?

- A ☐ H Ltd is likely to hold valuable intellectual property
- B ☐ H Ltd is unlikely to make losses year on year
- C ☐ H Ltd is likely to take on higher risk
- D ☐ H Ltd is likely to have strategic input into group decisions



### Question 8

Company G is a listed Spanish company with a subsidiary in Argentina, company H. The head office in Spain carries out a number of services for the benefit of itself and its subsidiary. A transfer pricing analysis is carried out on the accounting services and these include management accounts, local statutory accounts of both companies, and consolidation of the Argentinian results into the published accounts of company G.

Which **one** of the following is **true**?

- A** ☐ There is no chargeable service
- B** ☐ The only company which benefits is company G
- C** ☐ The consolidation benefits company H
- D** ☐ The consolidation cost should be separated from the work on the Argentinian accounts

### Question 9

When transfer pricing intra-group loans, a company's gearing will affect the lending risk.

Which **one** of the following companies presents the lowest lending risk?

- A ☐ P Ltd which has equity of \$5M and debt of \$10M
- B ☐ Q Ltd which has equity of \$5M and debt of \$5M
- C ☐ R Ltd which has equity of \$20M and debt of \$10M
- D ☐ S Ltd which has equity of \$1M and no debt

### Question 10

The B Plc Group puts in place a principal structure in relation to its intangible assets (IP). The group sets up a subsidiary in low-tax territory U.

The principal company will be which **one** of the following?

- A ☐ The company that owns the intangibles
- B ☐ The company developing the intangibles
- C ☐ The company paying to use the intangibles
- D ☐ The company paying license fees to other group members

### Question 11

The W plc Group is restructuring. The main purpose of this is to save tax. The relevant tax authority is likely to regard this as .....

Which **one** of the following options completes the sentence above?

- A ☐ criminal
- B ☐ commercial
- C ☐ abusive
- D ☐ acceptable

### Question 12

J Ltd meets the OECD threshold for having a permanent establishment in territory H.

This means that J Ltd has which **one** of the following?

- A** ☐ No presence in territory H
- B** ☐ A substantive presence in territory H
- C** ☐ A business in territory H
- D** ☐ A liability to pay tax in territory H

### Question 13

The E Inc group suffers tax in territory Y and territory Z on a particular source of income.

If territory Z makes a corresponding adjustment, which **one** of the following is true?

- A ☐ The tax suffered in Z will be higher than it would otherwise have been
- B ☐ The tax suffered in Y will be higher than it would otherwise have been
- C ☐ Territory Y must have already made a transfer pricing adjustment
- D ☐ Territory Y must pay back any tax collected in relation to that particular source of income

#### Question 14

Which of the following may result from non-recognition?

- (i) A tax authority disregarding a transaction
- (ii) A tax authority accepting connected parties' own description of a controlled transaction
- (iii) Double taxation

**A** ☐ (i), (ii), and (iii)

**B** ☐ (i) and (ii) only

**C** ☐ (i) and (iii) only

**D** ☐ (i) only

### Question 15

There are four key stages in the advance pricing agreement process.

In which order would the steps take place?

- (i) agreement
- (ii) expression of interest
- (iii) formal application
- (iv) evaluation

- A** ☐ (iii), (ii), (iv), (i)
- B** ☐ (ii), (iii), (iv), (i)
- C** ☐ (iii), (ii), (i), (iv)
- D** ☐ (ii), (iii), (i), (iv)



## ANSWERS

Question	Answer(s)
1	D
2	D
3	B
4	B
5	B
6	B
7	B
8	D
9	D
10	A
11	C
12	B
13	C
14	C
15	B