

# Automating the transfer pricing cost segmentation and allocation process



**Preparation of segmental data is generally a key requirement to assess transfer pricing/ business outcomes. However, in many organisations, existing ERPs may not be configured to prepare such customised segmental reports. Hence, segmental accounts are prepared manually on multiple Excel sheets.**

**Segmental data (reflecting cost segmentation mechanism, allocation keys, etc.) is also requested by tax authorities to inter alia understand:**

**Accuracy of the arm's length margins**

**Calculation of cost-plus mark-ups for invoicing purposes**

**Calculation of head office allocation**

## Challenges:

Manually preparing such segmental data poses the following challenges:

- Time consuming
- Potential for inconsistency
- Error prone
- May result in inaccurate Transfer Pricing (TP) policy implementation.

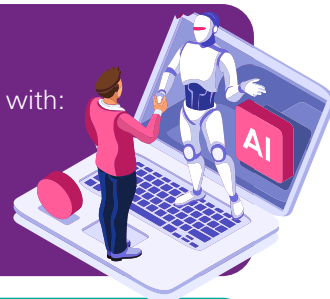
To address these challenges, KPMG in India has developed a technology enabled tool which can be customised to automate the process of segmentation and invoicing.



## Our automation tool

With the KPMG Transfer Pricing Cost Segmentation Tool, we can assist organisations with:

- Automation of the segment / Inter company invoice calculation process
- Generation of segmental reports / invoices
- Creation of standard / customised analytical dashboards.



## Value proposition – key potential benefits

- Significant savings in time and effort
- Consistent approach year on year basis
- Detailed and summarised reports providing a complete trail of the data
- Intuitive dashboards providing valuable insights for informed decision making.

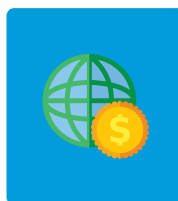


# Allocations required for



## TP compliance and audits

- Related party / non related party;
- Functional profitability



## HO allocations / Management cross charges



## Operational transfer pricing (scenario analysis for TP policy implementation)

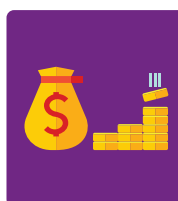


## Advance pricing agreements



## Business analysis

- Product / service wise profitability;
- SEZ / non SEZ



## Accounting v/s Segments for TP

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