CS207 Citations


[AlcockBG:09] Alistair Alcock, John Birds, and Steve Gale: Alcock, Bird and Gale on the Companies Act 2006; Jordans, 2009. s.172 CA 2006, "to promote the success of the company for the benefit of its members as a whole". It sets out six factors to which a director must have regards in fulfilling the duty to promote success. These are: 1. the likely consequences of any decision in the long term, 2. the interests of the company’s employees, 3. the need to foster the company’s business relationships with suppliers, customers and others, 4. the impact of the company’s operations on the community and the environment, 5. the desirability of the company maintaining a reputation for high standards of business conduct, and, 6. the need to act fairly as between members of a company. This represents a considerable departure from the traditional notion that directors’ duties are owed only to the company.


[Boehm:00] Barry Boehm et al.: Software Cost Estimation with Cocomo II; Prentice-Hall, 2000. Not the topic of CS207!

[BoultonLS:00] Richard Boulton, Barry Libert, And Stev Samek: Cracking the Value Code; Arthur Andersen. Harper Business, 2000. Bought on Amazon for $0.01! p.28: A company’s value is determined daily as millions of shareholders buy and sell its stock.


[CerfK:00] Vint Cerf and Bob Kahn: "Al Gore and the Internet" 29 September 2000. http://amsterdam.nettime.org/Lists-Archives/nettime-l-0009/msg00311.html ] ))) "As far back as the 1970s Congressman Gore promoted the idea of high-speed telecommunications as an engine for both economic growth and the improvement of our educational system. He was the first elected official to grasp the potential of computer communications to have a broader impact than just improving the conduct of science and scholarship [...] the Internet, as we know it today, was not deployed until 1983. When the Internet was still in the early stages of its deployment, Congressman Gore provided intellectual leadership by helping create the vision of the potential benefits of high speed computing and communication. As an example, he sponsored hearings on how advanced technologies might be put to use in areas like coordinating the response of government agencies to natural disasters and other crises .


Multinational undertake 70% of US int. trad and 41 % is intrafirm.

Kimberly A. Clausing: Multinational Firm Tax Avoidance and Tax Policy; National Tax J., vol. 62 no.4, Dec 2009, pp.703-725. Here is the abstract: This paper considers the tax policy consequences of both real and financial types of international tax avoidance, focusing on U.S. multinational firms over the period 1982–2004. First, income shifting is examined by estimating the relationship between U.S. affiliate profit rates and foreign country tax rates. Second, the effects of taxes on multinational firms’ real operations across countries are considered. Estimates of both financial and real responsiveness to tax rate differences among countries are used to calculate how profits would differ from their current levels absent tax incentives, and thus how U.S. government revenues are affected. Finally, several policy alternatives are discussed.


[Damodaran:00], A Damodaran: Damodaran on Valuation, 2nd edition, New York: John Wiley and Sons, , 2006.,


[Doebele:04] Justin Doebele: "Flex Forward: Flextronics' Michael Marks says that outsourcing can only get much, much bigger"; Chief Executive, 1 Jul .2004.


to have the sub make a sequence of royalty payments, the taxpayer has an incentive to overstate its projections of the sub’s post buy-in sales. In contrast, when the taxpayer elects to have the sub make a lump-sum payment, we observe that the taxpayer has an incentive to understate the sub’s post buy-in sales.


[HandL:03] John Hand and Baruch Lev (editors): Intangible Assets, Values, Measures. and Risks; Oxford University Press, 2003. In the year 2000 $61.4B was spent for prepackaged software, and $57B custom software. About $128B was spent by companies for internal software development and maintenance [Bureau of Economic Analysis] Chap. 12 provides data for routine and non-routine returns have.

[Harrison:03] Bonnie Harrison, College of Southern Maryland, LaPlata, Maryland: “Intangible Assets”; Chapter 10: in Weygandt, Kieso and Warfield: Fundamentals of Intermediate Accounting, Wiley 2003.. Intangibles are written off over their useful lives, where the assets have determinable useful lives. Where the intangibles have indefinite useful lives, they are not amortized. Trademarks and Trade names are renewable indefinitely by the original user in periods of 10 years each. Goodwill has an indefinite life and should not be amortized. Impairment test performed at least annually, If applicable, loss recorded. No impairment if sum of expected future net cash flows from use and disposal of asset is equal to or more than the carrying amount


to adapt already to deal with mobility of economic activity, and rely less on income
taxes. During the period from 1950 to 2004, total world exports and imports grew by an
average of 5.9 percent a year. From 1975 to 2004 the rate of growth of international trade
relative to world output quickened for all goods to 2.3 percent a year, and for
manufacturing to 3.0 percent a year.

[Hitchner:06] James R. Hitchner (editor): Financial valuation:: applications and models, 2nd
edition; Wiley, 2006. Income approach, market approach, asset approach, pass-through
entities

[Hirst:02] Clayton Hirst: “Silicon fen `needs £2bn` to stop business exodus”; The Independent,
21 Sep. 2002. .. urgent need for the UK Government to throw money at the road
network.

[Houlder:10] Vanessa Houlder: “Tax haven Drive will mean greater scrutiny”; Financial Times,
20 March 2010. Chines G’vmnt uses information to stop taxhaven transfers.


[Howard:01] Philip K. Howard: The Collapse of the Common Good; Updated version of : The

[Hulten:06] Charles Hulten: [IASB:10] International Accounting Standards Board: Who we are
and what we do; IFRS Foundation, March 2010.


[Jayson:10] Seth Jayson: Here’s How Flextronics International May be Failing You; The Motley
Fool, 30 Nov 2010.

[Johnson:05] Calvin H. Johnson: Tales from the Skunk Works: The Basis-Shift or Defective
Redemption Shelter; Tax Analysts, Special report, 2005. “Complexity has a tendency to
intimidate and deter any outside review. “ Individual tax shelters promoted are FLIP —
short for “Foreign Leveraged Investment Program’ using a Cayman corporation, ’; later
OPIS — short for “Offshore Portfolio Investment Strategy” using a Cayman partnership
and derivatives.


Congress.

[KaplanN:03] Robert Kaplan and David Norton: Using the Balanced Scorecard as a Strategic

Kaplan, R. S. and D. P. Norton (2004), Strategy Maps: Converting Intangible Assets into Tangible
[Kao:07] John Kao: *Innovation Nation, How America is losing its innovation edge, why it matters, and what we can do to get it back*; Free Press, 2007


http://e.mckinseyquarterly.com/a/tBC2FwWAG8, have copy at Outsourcing/EBSCOhost.pdf. Globalization.


unfortunate that relatively few persons at multi-national corporations [MNEs] possess significant experience with transfer pricing issues.” [p. v.], “absent transfer pricing rules MNEs could intentionally or unintentionally use transfer pricing to shift large amounts of income from one tax jurisdiction to another... that benefit could be used to reduce the MNE’s overall tax rate” [p.2], `double taxation’ computation looks fair > [p.3], “Tax payers may report arms-length results on [a] income tax return that are different than the results reported on their books” [p.5]. “Commensurate with income’ … for intangibles” [p.6]. “Transfer of IP occurs when … sold, assigned, loaned, or otherwise made available in any manner” [p.41], if the terms include rights to exploit an intangible embedded within a tangible, the price may have to be determined separately” [p.41-42], taxpayers hope to get away with low valuations by taking extreme positions [p.83].

Bought 19Jan 2009, Transfer Pricing Rules and Compliance Handbook [Paperback], Price $91.49 Marc M. Levey; Steven C. Wrappe; and Kerwin Chung, Sold by: Amazon.com, LLC.


[MarkleS:09] Kevin S. Markle and Douglas A. Shakelford: Do Multinationals or Domestic Firms Face higher Effective Tax Rates; University of North Carolina Univ, June 2009. Many details on effective tax rates. Including tax haven effects, local and for multinationals. Consistent with U.S. multinationals’ exploiting their ability to report profits in locations with more favorable tax systems than the U.S., the foreign affiliates of American companies reported more of their aggregate net income in the Netherlands (13%), Luxembourg (8%), and Bermuda (8%) than any country in 2006 (http://www.bea.gov/international/d1usdop.htm). Other locations with profits that far exceeded assets, sales and employees were Ireland (7%), Switzerland (6%), Singapore (4%), and UK islands in the Caribbean (3%). For comparison, 7% of the aggregate net income of U.S. foreign affiliates was reported to Canada (the U.S. largest trading partner) and the UK, while only 2% was reported in Japan and Germany, which are considered among the most highly-taxed countries.


[NodderWD:99] Chris Nodder, Gayna Williams, and Deborah Dubrow: "Evaluating the usability of an evolving collaborative product — changes in user type, tasks and

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evaluation methods over time”; Proceedings of the international ACM SIGGROUP conference on Supporting group work, Phoenix, Arizona, United States, 1999, pp150 – 159.


[Ramos:07] Joanne Ramos: A survey of offshore finance; The Economist; 22 Feb 2007. Offshore financial centres, Macau Bermuda, Liechtenstein, Guernsey , are booming as thanks to their easy-going tax regimes. But the best of them are more than tax havens: they are
good for the global financial system. Now also Dubai, Kuweit, Saudi Arabia, Shanghai (China), Khartoum (Sudan).


[Rashkin:07] Michael Rashkin: Practical Guide to Research and Development Tax Incentives: Federal, State, and Foreign, 2nd Edition; CH Wolters Kluwer Publications, 2007. "The Joint Committee on Taxation estimates that in 2004 U.S. corporations will use the research credit and R&D expensing to reduce their tax liabilities by 9.2 billion dollars. The perception used to be that the high-tech sector was the only heir to this tax fortune. But the Treasury Department liberalized the rules, as reflected in the 2001 proposed regulations, and now even traditional manufacturing industries are capitalizing on the research credit and R&D expensing. While maximizing these tax incentives saves companies huge sums of money, the credit in particular can represent a very confusing area of law. Both business people and their tax advisors may be unclear about the rules and how to use them to secure the greatest tax savings. Michael Rashkin, J.D., LL.M., (General Tax Counsel for Marvell Semiconductor, Inc.) provides something that has been missing in professional tax literature--authoritative, comprehensive coverage of this complex and evolving topic. It explains the elements of qualified research, exclusions, computational rules, and basic research payment credits. Historically, the IRS has been vigilant in denying R&D credits. This resource explains how to satisfy the IRS's requirements, document the credit, and defend against IRS challenges. It also examines research incentives offered by individual states and describes the R&D incentives available in the major economies of the world, offering helpful charts that show the key differences among the various countries."

[Razgaitis:03] Richard Razgaitis: Valuation and Pricing of Technology-Based Intellectual Property; Wiley, Kindle edition, 2003. Talks mainly about licensing methods - which is his field. Many observations about the many alternatives available, and the many factors that come into play. Has some data on typical ratios, but recommends not only looking at standards, but using multiple assessments to set a reasonable rate. In the end it is the arms-length negotiation between licensee and licensor that determines the rate that will be used. Income-based method is also described, with simple examples. Don’t do scaling down (wedding cakes)


[ReillyS:98] Robert F. Reilly, and Robert P. Schweih, Valuing Intangible Assets; Irwin Library of Investment and Finance; McGraw-Hill, 1998. Have copy of Chapter 1, p.3:29: Identification Defines IP p.20-22; and Chapter 19, p 363-380: Data Processing Intangible Assets, Special Consideration on Software Valuation, Cocomo 1981. "The Discounted cash Flow method is typically used in the valuation of data-processing intangibles when there is an identifiable income stream associated with the intangible asset. Therefore, this method is usually used in the valuation of product software or databases that generate income through their sale or license" "... the economic life of software is an entirely different issue [from the life for income tax depreciation or amortization]. The analyst should consider a number of factors, including: o the age of the software and maintenance or enhancement practices". The market for the software. " [p.370] "...
physical deterioration is not generally applicable to data-processing intangibles ... . Functional obsolescence is often immaterial when the software is continually maintained and enhanced"[p.372]. “human capital intangibles” consist of “trained and assembled workforce” and various contracts such as non-compete agreements, all having possible separate and quantifiable value. They consider goodwill to be a separate intangible. Intellectual property, for the authors, is a separate category still, characterized by creativity/innovation and by separate legal recognition/protection.[?]


[Reuters:10] Flextronics sees Pressure on operating margins, 8 spt 2110 . 3.5%. Foxconn, Hon Hai Shares fall on weak earnings 31 Aug 2010


Acceptable methods of the valuation of identifiable intangible assets and intellectual property fall into three broad categories. They are either market based, cost based, or based on estimates of future economic benefits. Cost based methodologies, such as the cost to create or the cost to replace, assume that there is some relationship between cost and value and the approach has very little to commend itself other than ease of use."


[Rodrick:98] Dani Rodrik, Why do more open economies have bigger governments? *Journal of Political Economy*, October 1998, 106 (5), 997-1032. Open economies, with more trade, (e.g., Austria, Netherlands, Norway) have larger government sectors than closed economies, which he attributes to their greater demand for public expenditures that cushion the effects of globalization. Based on correlation.

[Rosenberg:10] Dave Rosenberg: “Oracle-Sun versus commodity hardware”; *Cnet News*, 31 Jan. 2010. Acer 2 to 3%, Oracle-Sun 82%. routine 2% to 8%


[Sharpe:85] William F. Sharpe: *Investments*; Prentice-Hall, 1985. Capital asset pricing model (CAPM). Expected rate of return on equity capital \( R_{REC} = R_{RiskFreeRate} + \beta \times (R_{BroadStockPortfolioReturn} - R_{RiskFreeRate}) \). In 2000 the RiskFreeRate based on U.S.Treasury Bonds was 6.13%. The BroadStockPortfolioReturn in 2000 was 11.1%, Beta for SW was 1.31, making \( R_{REC} = 12.68 \). Per PWC a small company premium, to be added for startups is 4.4% giving 17%. Without the small-business correction the beta would be 2.174 versus the broad portfolio, less for better matching portfolio.


[Smith:1759] Adam Smith: *The Theory of Moral Sentiments*; Uplifting Publications, Amazon Kindle edition. 2010. Deals with “sympathy”, “propriety”, “happiness”, “compassion”, “To what purpose is all the toil and bustle of this world? What is the end of avarice and ambition, the pursuit of wealth, of power, and preeminence”

[Smith:1776] Adam Smith: *The Wealth of Nations*; Amazon Kindle edition. 2009. “The directors of such [joint-stock] companies, ... being the managers of other people’s money that their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own”
A new term "Intellectual Capital" has entered the business lexicon. "... what walks out of door at the end of the day. ".. knowledge that can be converted to value", and finally "We believe that intellectual capital is not a new category of business assets but rather a different way of classifying business assets in order to focus on their management. Intellectual capital is said to be a combination of human capital, intellectual assets, and intellectual property."


Value Based Management.net: The Value of Intellectual Capital; http://www.valuebasedmanagement.net/faq_do_intangible_assets_create_value.html, 2004. For Research & Development (R&D) (the only intangible asset reported separately in corporate financial statements) there has been substantial research, showing that estimated rates of returns are in between 20-35 percent annually. - The contribution of basic research often turns out to be much bigger than the contribution of product development or of process R&D (although riskier as well).

US Tax Court; Veritas Software and Subsidiaries v. Commissioner of Internal Revenue; 133 T.C. no.14, Docket No. 12075-06, filed 10 Dec. 2009. In the case, Judge Maurice Foley held the IRS improperly valued the buy-in payment in the cost-sharing agreement between VERITAS, a U.S.-parented software company, and its Irish subsidiary (236 DTR K-1, 12/11/09). Discount rate 20.47%.


