

FORM BE-577 (REV. 12/94)	U.S. DEPARTMENT OF COMMERCE BUREAU OF ECONOMIC ANALYSIS	1. Report for quarter ending Month Day Year	2. If revised - Mark (X) here	Affiliate ID	
DIRECT TRANSACTIONS OF U.S. REPORTER WITH FOREIGN AFFILIATE MANDATORY - CONFIDENTIAL QUARTERLY REPORT		3. Name of U.S. Reporter			
Public burden for this collection of information is estimated to be 1.15 hours per response (form). The burden on the U.S. Reporter will vary depending on the number of forms that must be submitted in a given reporting period; this ranges from 1 to 225 forms. The estimated burden of 1.15 hours per form includes the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing burden, to Director, Bureau of Economic Analysis (BE-1), U.S. Department of Commerce, Washington, DC 20230; and to the Office of Management and Budget, Paperwork Reduction Project (0608-0004), Washington, DC 20503.					
MAIL REPORTS TO U.S. Department of Commerce Bureau of Economic Analysis BE-69(Q) Washington, DC 20230		4. Name of foreign affiliate			
OR		5. Country of location (country where affiliate's physical assets are located or primary activity is carried out)			
DELIVER REPORTS TO U.S. Department of Commerce Bureau of Economic Analysis, BE-69(Q) Shipping and Receiving Section M-100 1441 L Street, NW Washington, DC 20005		6. If affiliate's industry classification has changed, or if an initial filing - Mark (X) here → <input type="checkbox"/> and complete Form BE-507.			
		7. Foreign affiliate is incorporated in country of location <input type="checkbox"/> Yes <input type="checkbox"/> No			
		8. If affiliate's reporting status changed during period - Mark (X) one <input type="checkbox"/> Initial report - Affiliate was not previously reported <input type="checkbox"/> Resumed report - Affiliate was previously reported but became temporarily exempt Final report - Affiliate was: <input type="checkbox"/> Merged or reorganized - Attach explanation. <input type="checkbox"/> Sold or seized <input type="checkbox"/> Liquidated <input type="checkbox"/> Exempt - Affiliate fell below exemption level - Complete Certificate of Exemption (on reverse side). <input type="checkbox"/> Inactivated For final report - Specify date of status change →			
		9. If the U.S. Reporter does not hold a direct equity interest in the foreign affiliate named in item 4, give the ID number of the foreign affiliate in this affiliate's ownership chain that is directly owned by the U.S. Reporter. Complete only Parts II and III quarterly. Complete Part VI, Section B, annually.			
		Address label ID Industry code Affiliate ID number			
Part I U.S. REPORTER'S EQUITY IN FOREIGN AFFILIATE'S:					
Report all amounts in thousands of U.S. dollars					
10. Quarterly net income (loss) after provision for foreign income taxes					
• For items 11 and 12: Certain realized and unrealized gains (losses) (excluding translation adjustments) after foreign income taxes					
11. Included in item 10 - See Specific Instructions.					
12. Not included in item 10, but taken directly to retained earnings for an incorporated affiliate, or to owners' equity for an unincorporated affiliate - See Specific Instructions.					
13. Change in balance sheet translation adjustment account during quarter					
14. Dividends on common and preferred stock (exclude stock and liquidating dividends) of incorporated foreign affiliate or distributed earnings of unincorporated foreign affiliate - Gross amount					
15. Tax withheld on dividends or distributed earnings in item 14					
16. Dividends on common and preferred stock of incorporated foreign affiliate or distributed earnings of unincorporated foreign affiliate - Net amount (item 14 less item 15)					
Part II RECEIPTS AND PAYMENTS (NET OF WITHHOLDING TAXES) BETWEEN U.S. REPORTER AND FOREIGN AFFILIATE DURING QUARTER Enter amounts received, paid, or entered into intercompany accounts, whichever occurred first.					
Report all amounts in thousands of U.S. dollars					
Credited to U.S. Reporter or charged to foreign affiliate (whether or not paid) (1)					
Credited to foreign affiliate or charged to U.S. Reporter (whether or not paid) (2)					
17. Interest on amounts reported in items 21 and 22, including interest on capital leases - For affiliates that are banks, report interest on permanent invested debt capital only.					
18. Royalties, license fees, and other fees for use or sale of intangible property					
19. Charges for use of tangible property, including film and television tape rentals					
20. Allocated expenses and sales of services - Include (a) allocated expenses (such as R&D assessments) and reimbursements between U.S. Reporter and affiliate for services that are normally included in "other income" of the provider of the service and (b) receipts by U.S. Reporter from, or payments by U.S. Reporter to, affiliate for services that are normally included in sales or gross operating revenues of the seller of the service. (Complete Part VI, Section B, annually.)					
Part III DEBT AND OTHER INTERCOMPANY BALANCES BETWEEN FOREIGN AFFILIATE AND U.S. REPORTER Include current and long-term items, indebtedness resulting from a capital lease, and the net book value of equipment under a long-term operating lease. (For affiliates that are banks, item 21 should reflect only those amounts that the U.S. Reporter considers to be permanent invested debt capital and item 22 should be blank.)					
Report all amounts in thousands of U.S. dollars					
Beginning of quarter (1)					
End of quarter (2)					
21. Owed to U.S. Reporter by affiliate					
22. Owed to affiliate by U.S. Reporter					
Part IV CHANGE DURING THE QUARTER IN U.S. REPORTER'S EQUITY IN CAPITAL STOCK AND/OR ADDITIONAL PAID-IN CAPITAL OF INCORPORATED FOREIGN AFFILIATE OR EQUITY INVESTMENT IN UNINCORPORATED FOREIGN AFFILIATE Report transactions during the quarter that changed the U.S. Reporter's equity holdings in the foreign affiliate. Exclude changes caused by carrying net income to the equity account, stock and cash dividends (other than liquidating dividends), the distribution of earnings during the period, and the quarterly balance sheet translation adjustment (item 13 above). Exclude the effect of treasury stock transactions with persons other than the U.S. Reporter and reorganizations in capital structure that do not affect total equity. Report all amounts at transaction value, i.e., the value of the consideration given (received) by the U.S. Reporter.					
Amount paid or received Report all amounts in thousands of U.S. dollars (1)					
• Increase in equity interest					
23. Establishment of affiliate or acquisition (partial or total) of equity interest in this affiliate by U.S. Reporter either from this affiliate or from other foreign persons					
24. Capital contributions and other transactions of the U.S. Reporter with foreign persons that increase equity in this affiliate - Specify					
25. Acquisition (partial or total) of equity interest in this affiliate by U.S. Reporter from other U.S. persons - Give name and address of seller					
• Decrease in equity interest					
26. Liquidation of affiliate or sale (partial or total) of equity interest in this affiliate by the U.S. Reporter either to the affiliate or to other foreign persons					
27. Return of capital contributions and other transactions of the U.S. Reporter with foreign persons that decrease equity in this affiliate - Specify					
28. Sale (partial or total) of equity interest in this affiliate by U.S. Reporter to other U.S. persons - Give name and address of new owner					
• For items 23 through 28 - Enter the amounts by which the transaction value -					
For acquisition (1)					
For liquidation or sale (2)					
29. Exceeds the value carried on the books of the affiliate					
30. Is less than the value carried on the books of the affiliate					
BEA USE ONLY					
		462	463	464	465

Part V		PROVISION FOR LOAN LOSS OF BANK AFFILIATES TO BE COMPLETED FOR AFFILIATES IN BANKING ONLY (ISI 600 AND 603)			Report all amounts in thousands of U.S. dollars			
Report amounts based on the U.S. Reporter's percentage of direct equity interest in the foreign affiliate.					313			
31. QUARTERLY provision for loan loss – Amount charged to the loan loss reserve account during the quarter.								
Part VI		SELECTED ANNUAL DATA – TO BE COMPLETED FOR ALL AFFILIATES ON AN ANNUAL BASIS.			Month	Day	Year	
Complete items below once a year, no later than the second report following the close of the fiscal year. If an initial report, complete items 32–34 and 42–47 as of the ending date of the quarter for the initial report.					322			
32. Foreign affiliate's fiscal year (or, if an initial report, for quarter) ending date.								
33. U.S. Reporter's percent of direct ownership based on voting stock if an incorporated affiliate, or an equivalent interest in an unincorporated affiliate. Round to the nearest percent.					332		%	
Section A		U.S. REPORTER'S EQUITY IN AFFILIATE'S ANNUAL NET INCOME			Report all amounts in thousands of U.S. dollars			
34. U.S. Reporter's equity in affiliate's annual net income (loss) after provision for foreign income taxes.					342			
Section B		ANNUAL RECEIPTS AND PAYMENTS FOR SERVICES TRANSACTIONS (NET OF WITHHOLDING TAXES) BETWEEN U.S. REPORTER AND FOREIGN AFFILIATE			Report all amounts in thousands of U.S. dollars			
Include (a) allocated expenses (such as R&D assessments) and reimbursements between U.S. Reporter and affiliate for services that are normally included in "other income" of the provider of the service and (b) receipts by U.S. Reporter from, or payments by U.S. Reporter to, affiliate for services that are normally included in sales or gross operating revenues of the seller of the service.					Credited to U.S. Reporter or charged to foreign affiliate (whether or not paid) (1)	Credited to foreign affiliate or charged to U.S. Reporter (whether or not paid) (2)		
35. TOTAL ALLOCATED EXPENSES AND SALES OF SERVICES – Equals the sum of item 36 through 41. Annual amounts reported in item 35, columns (1) and (2) must agree with the sum of quarterly amounts reported in item 20, columns (1) and (2), revised to reflect subsequent changes as appropriate.					353	354		
36. Insurance services – To avoid duplication with other BEA surveys, report only receipts or payments for transactions between a foreign insurance affiliate and those parts of the fully consolidated U.S. Reporter that are not insurance companies (i.e., not in ISI codes 631, 632, or 639). In column (1), report losses paid by the foreign affiliate to the U.S. Reporter on primary insurance sold to it by the foreign affiliate. In column (2), report payments by the U.S. Reporter of premiums on such insurance.					363	364		
37. Financial services – Fees and commissions for financial services. Include brokerage commissions on transactions executed for the U.S. Reporter's (or foreign affiliate's) own account, or for the account of its customers, and include selling concessions received from a U.S. Reporter (or foreign affiliate) who is a lead underwriter.					373	374		
38. Transportation – In column (1), report U.S. Reporter's receipts from the foreign affiliate for carrying merchandise from the United States to foreign destinations and for carrying freight between foreign destinations, and in column (2), report U.S. Reporter's payments to the foreign affiliate for carrying merchandise from foreign countries to U.S. destinations or between foreign destinations.					383	384		
39. Computer and information services – Receipts and payments for (a) computer and data processing services, including data entry, processing, tabulation; computer systems analysis, design, engineering, and custom programming; and other computer services, including time sharing, maintenance, and repair, and (b) database and other information services, including business, financial, or technical databases; reservation systems; and credit reporting and authorization systems.					393	394		
40. Communication services – Receipts and payments for use of company-owned or leased communication channels and for value-added telecommunications services, such as electronic or voice mail and management and operation of data networks.					403	404		
41. Other services – Report receipts and payments for other services performed by or for the U.S. Reporter, such as management, professional, technical, or other services. – Specify					413	414		
Section C		U.S. REPORTER'S EQUITY IN NET WORTH OF FOREIGN AFFILIATE AT YEAREND (OR QUARTER END IF AN INITIAL REPORT)			Report all amounts in thousands of U.S. dollars			
• U.S. Reporter's equity in net worth of foreign affiliate as of the date given in item 32 Incorporated foreign affiliate –					352			
42. Total equity – Equals the sum of items 43 through 46.					362			
43. Capital stock, common and preferred, and additional paid-in capital					372			
44. Retained earnings					382			
45. Translation adjustment – cumulative amount					392			
46. Other – Specify					402			
47. • Unincorporated foreign affiliate – U.S. Reporter's share of total owners' equity. (In calculating net worth, assets, or liabilities of the affiliate carried on any owners', as well as those carried on the affiliate's, books should be included. Net worth should include cumulative earnings not distributed.)								
CERTIFICATE OF EXEMPTION		Complete A or mark (X) B below to indicate reason affiliate is exempt. See "Reporting Requirements" for determining exempt status.			Amount – Report all amounts in thousands of U.S. dollars		Amounts in 48, 49, and 50 are for affiliate's fiscal year ending (2)	
A. The affiliate is exempt because none of the three items listed below was greater than \$20 million (positive or negative) at any time during the affiliate's fiscal year.					(1)	Month	Day	Year
48. Total assets,					481	502		
49. Annual net sales or gross operating revenues, excluding sales taxes, and					491			
50. Annual net income after provision for foreign income taxes.					501			
B. <input type="checkbox"/> The affiliate is exempt because it is indirectly owned and none of the following items exceeds \$1 million.								
<ul style="list-style-type: none"> Item 21, column (2) (foreign affiliate's end-of-quarter payables to the U.S. Reporter) Item 22, column (2) (foreign affiliate's end-of-quarter receivables from the U.S. Reporter) 		<ul style="list-style-type: none"> The sum of items 18, 19, and 20, column (1) (U.S. Reporter's receipts of royalties, license fees, and charges for other services, from the foreign affiliate) The sum of items 18, 19, and 20, column (2) (U.S. Reporter's payments of royalties, license fees, and charges for other services, to the foreign affiliate) 						
BEA USE ONLY		466	467	468	469			

DIRECT TRANSACTIONS OF U.S. REPORTER WITH FOREIGN AFFILIATE

INTRODUCTION

Purpose – Reports on this form are required in order to provide reliable and up-to-date information on U.S. direct investment abroad for inclusion in the U.S. balance of payments and the national income and product accounts.

Authority – This survey is being conducted pursuant to the International Investment and Trade in Services Survey Act (P.L.94-472, 90 Stat. 2059, 22 U.S.C. 3101-3108 as amended) – hereinafter "the Act", and the filing of reports is mandatory pursuant to Section 5(b) (2) of the Act (22 U.S.C. 3104). The responsibility for conducting the quarterly survey of U.S. direct investment abroad has been delegated by the President to the Secretary of Commerce, who has redelegated it to the Bureau of Economic Analysis. The implementing regulations are contained in Title 15, CFR, Part 806.

This report has been approved by the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C. 3501, et seq.).

Penalties – Whoever fails to report may be subject to a civil penalty of not less than \$2,500, and not more than \$25,000, and to injunctive relief commanding such person to comply, or both. Whoever willfully fails to report shall be fined not more than \$10,000 and, if an individual, may be imprisoned for not more than one year, or both. Any officer, director, employee, or agent of any corporation who knowingly participates in such violation, upon conviction, may be punished by a like fine, imprisonment, or both. (See Section 6 of the Act, 22 U.S.C. 3105.)

Confidentiality – The information filed in this report may be used only for analytical and statistical purposes and access to the information shall be available only to officials and employees (including consultants and contractors and their employees) of agencies designated by the President to perform functions under the Act. The President may authorize the exchange of the information between agencies or officials designated to perform functions under the Act, but only for analytical and statistical purposes. No official or employee (including consultants and contractors and their employees) shall publish or make available any information collected under the Act in such a manner that the person to whom the information relates can be specifically identified. Reports and copies of reports prepared pursuant to the Act are confidential and their submission or disclosure shall not be compelled by any person without the prior written permission of the person filing the report and the customer of such person where the information supplied is identifiable as being derived from the records of such customer (22 U.S.C. 3104).

DEFINITIONS

United States, when used in a geographic sense, means the several States, the District of Columbia, the Commonwealth of Puerto Rico, and all territories and possessions of the United States.

Foreign, when used in a geographic sense, means that which is situated outside the United States or which belongs to or is characteristic of a country other than the United States.

Person means any individual, branch, partnership, associated group, association, estate, trust, corporation, or other organization (whether or not organized under the laws of any State), and any government (including a foreign government, the United States Government, a State or local government), and any agency, corporation, financial institution, or other entity or instrumentality thereof, including a government-sponsored agency.

U.S. person means any person resident in the United States or subject to the jurisdiction of the United States.

Direct investment means the ownership or control, directly or indirectly, by one person of 10 per centum or more of the voting securities of an incorporated foreign business enterprise or an equivalent interest in an unincorporated foreign business enterprise, including a branch.

Affiliate means a business enterprise located in one country which is directly or indirectly owned or controlled by a person of another country to the extent of 10 per centum or more of its voting securities for an incorporated business or an equivalent interest for an unincorporated business enterprise, including a branch.

Foreign affiliate means an affiliate located outside the United States in which a U.S. person has direct investment.

U.S. Reporter means the U.S. person which has direct investment in a foreign business enterprise, including a branch. If the U.S. person is an incorporated business enterprise, the U.S. Reporter is the fully consolidated U.S. domestic enterprise, which is defined as: (1) the U.S. corporation whose voting securities are not owned more than 50 percent by another U.S. corporation, and (2) proceeding down each ownership chain from that U.S. corporation, any U.S. corporation (including Foreign Sales Corporations located in the United States) whose voting securities are more than 50 percent owned by the U.S. corporation above it. This consolidation excludes foreign branches and all other foreign affiliates.

Banking covers business enterprises engaged in deposit banking or closely related functions, including commercial banks, Edge Act corporations engaged in international or foreign banking, foreign branches and agencies of U.S. banks whether or not they accept deposits abroad, savings and loans, savings banks, and bank holding companies, i.e., holding companies for which over 50 percent of their total income is from banks that they hold.

Lease is an arrangement conveying the right to use property, plant, or equipment (i.e., land and/or depreciable assets), usually for a stated period of time.

- 1. Capital lease** – A long-term lease under which a sale of the asset is recognized at the inception of the lease. These may be shown as lease contracts or accounts receivable on the lessor's books. The asset would not be considered to be owned by the lessor.
- 2. Operating lease** – Generally a lease with a term which is less than the useful life of the asset and in which a transfer of ownership is not contemplated.

REPORTING REQUIREMENTS

Who must report – A Form BE-577 is required from every U.S. person that had direct transactions or positions with a foreign business enterprise in which it had a direct and/or indirect ownership interest of at least 10 percent of the voting stock if an incorporated business enterprise or an equivalent interest if an unincorporated business enterprise at any time during the reporting period, except as exempted below. Reports are required even though a foreign affiliate may have been established, acquired, seized, liquidated, expropriated, sold, or inactivated during the reporting period.

Coverage – All transactions or positions with the foreign affiliate by all U.S. domestic subsidiaries, divisions, etc., which constitute the U.S. Reporter, as defined, must be combined on one Form BE-577.

Basic requirement – A BE-577 report must be filed for each foreign affiliate for which any one of the following three items was greater than \$20 million (positive or negative):

- 1. Total assets,**
- 2. Annual net sales or gross operating revenues, excluding sales taxes, or**
- 3. Annual net income after provision for foreign income taxes.**

REPORTING REQUIREMENTS - Continued

Other requirements – An indirectly owned foreign affiliate is not required to report unless an intercompany account balance with the U.S. Reporter (item 21 or 22) exceeds \$1 million or fee and royalty receipts or payments (the sum of items 18, 19, and 20, column (1) or column (2)) exceed \$1 million. Complete the Certificate of Exemption on the reverse side of Form BE-577.

An inactive foreign affiliate is not required to be reported except in the reporting period in which it becomes active or inactive. Complete item 8 to indicate an affiliate's inactive status.

Quarterly reports for a year may be required retroactively when it is determined that the exemption level has been exceeded. If a foreign affiliate's total assets, sales, or net income (loss) exceed the exemption level in a given year, it is deemed that the exemption level will also be exceeded in the following year. A U.S. Reporter claiming exemption from filing a given report must complete the Certificate of Exemption, giving the levels of these three items.

Rules for consolidation of foreign affiliate – The following rules should be used in determining which foreign business enterprises may be consolidated into one foreign affiliate:

1. FOREIGN BUSINESS ENTERPRISES LOCATED IN DIFFERENT COUNTRIES MAY NOT, UNDER ANY CIRCUMSTANCES, BE CONSOLIDATED;
2. Foreign business enterprises located in the same country that are integral parts of the same business operation **may** be consolidated into one affiliate (example: German enterprise A manufactures automobile engines and a majority of its sales are to German enterprise B which produces complete automobiles);
3. Foreign business enterprises located in the same country and in the same 3-digit International Surveys Industry (ISI) classification, as given on Form BE-507, Industry Classification Questionnaire, **may** be consolidated; and
4. Foreign bank branches of the U.S. Reporter that are located in the same country **must** be consolidated on one Form BE-577, even if it is the U.S. Reporter's practice to report data for these branches separately to the Federal Reserve (on Form FFIEC 030) or to the Comptroller of the Currency. Incorporated foreign bank affiliates of the U.S. Reporter located in the same country **may** be consolidated.

NOTE – An affiliate's level of consolidation, name, country of operation, or industry may be changed on Form BE-577 **provided** that this is done consistently thereafter on all of BEA's direct investment surveys (BE-577, BE-10, and BE-11), and provided the change is consistent with BEA's reporting rules.

GENERAL INSTRUCTIONS

Currency amounts should be reported in U.S. dollars and rounded to thousands. If an amount is between + or - \$500.00, enter "0". Use parentheses to indicate negative numbers.

Data should be based on the books of the U.S. Reporter except for items 10-13, 32-34, and 42-47 which should be based on the books of the foreign affiliate.

Note for U.S. Reporters that cannot distinguish between equity and debt investment in their unincorporated foreign affiliates: if your accounting records do not distinguish between intercompany debt (items 21 and 22) and equity (item 47), then:

1. Compute the net change in the home office account. (This equals: End-of-quarter home office account minus beginning-of-quarter home office account.)

2. Subtract net income (item 10), certain realized and unrealized gains (losses) taken directly to retained earnings or owner's equity (item 12), and the quarterly translation adjustment (item 13).
3. If the amount computed above is positive, show it as an increase in equity (item 24). If the amount computed in 2. is negative, show it as a remittance of earnings (items 14 and 16) to the extent that there is quarterly net income; show the residual, if any, as a decrease in equity (item 27). Items 21 and 22 should be blank.

Special note for foreign banking affiliates of U.S. parents that are also banks: Relationship of data to be reported on this form and on Treasury International Capital Forms BL-1, 2; BC; and BQ-1, 2. For foreign banking affiliates of U.S. parents that are also banks, item 21 should reflect only those amounts that the U.S. Reporter considers to be permanent investment in the affiliate, and any interest receipts entered in item 17 should relate only to this debt. Item 22 should be blank. (See Specific Instructions for items 21 and 22.) This permanent debt investment and the U.S. Reporter's equity investment in the affiliate (in Parts III and IV) and **must not** be reported on Treasury International Capital Forms BL-1, 2, BC and BQ-1, 2.

SPECIFIC INSTRUCTIONS

(FOR ADDITIONAL INFORMATION TELEPHONE (202) 606-5566)

Item 2 – Mark with an "X" if a prior report was filed and this is a replacement for that report. A revised report must be completed in its entirety.

Item 3 – Reflects the name of the U.S. company not owned to the extent of more than 50% of its voting stock by another U.S. corporation. Use the same name on all reports filed subsequently by this U.S. Reporter with the Bureau of Economic Analysis, i.e., Forms BE-577, BE-10, and BE-11.

Item 4 – Enter name of the foreign affiliate. Use the same name on all reports filed subsequently for this affiliate with the Bureau of Economic Analysis, i.e., Forms BE-577, BE-10, and BE-11.

Item 5 – Country of location does not refer to the country of incorporation but, rather, to the country where the affiliate's physical assets are located or where its primary activity is carried out. Enter "International" if the affiliate is engaged in petroleum shipping, other water transportation, or oil and gas drilling, and has operations spanning more than one country. For example, an oil drilling rig that moves from country to country during the year should be classified in International.

Item 6 – Industry classification refers to the 3-digit International Surveys Industry (ISI) classification codes as given on Form BE-507, Industry Classification Questionnaire.

Item 7 – Country of location refers to the country named in item 5.

Item 9 – If this affiliate is not directly owned by the U.S. Reporter, enter the affiliate ID (or, if unavailable, the name) of the foreign affiliate in this affiliate's ownership chain that is directly owned by the U.S. Reporter. For example, if the U.S. Reporter directly owns foreign affiliate A, which, in turn, owns foreign affiliate B, which, in turn, owns foreign affiliate C, affiliate A's ID should appear in this item on both foreign affiliate B's and C's forms. For affiliates that are both directly and indirectly owned by the U.S. Reporter, do not complete this item; for such affiliates, the amounts reported in Parts I, IV, and V must be based upon the U.S. Reporter's direct equity interest only. Amounts reported in Parts II and III should reflect actual direct transactions, irrespective of direct or indirect ownership.

SPECIFIC INSTRUCTIONS – Continued

Item 10 – Net income in this item should be reported on a quarterly basis, **not** on a cumulative or year-to-date basis.

The amount entered should represent the U.S. Reporter's equity, based on its directly held equity interest, in the foreign affiliate's net income (loss) for the quarter, before provision for common or preferred dividends and before any reduction for foreign withholding taxes on dividends, but after provision for other foreign income taxes. In calculating net income, do **not** eliminate intercompany transactions. Include certain foreign currency gains (losses) in net income in accordance with FASB 52 or other currently applicable standard of the Financial Accounting Standards Board. Do **not** include foreign currency translation adjustments in net income; report such amounts in item 13.

Net income should include, on an equity basis, the foreign affiliate's share in the net income of unconsolidated foreign enterprises owned by it.

If this report is for the U.S. Reporter's direct transactions or accounts with a foreign affiliate in which it does not hold a direct equity interest, the U.S. Reporter's share in net income should be zero. If the U.S. Reporter holds both a direct and indirect equity interest, only the share representing the direct equity interest should be given in this item.

Items 11 and 12 – In item 11, enter the U.S. Reporter's share of gains (losses) that are included in net income, item 10. Include gains (losses) net of foreign income tax effects, resulting from: **a.** Sale, disposition, or revaluation of investment securities. (Dealers in securities, other finance companies, and insurance companies, see special instructions below.) **b.** Sale, disposition, or revaluation of land, other property, plant and equipment or other assets. (Real estate companies, see special instructions below.) **c.** Remeasurement of foreign affiliate's foreign currency-denominated assets and liabilities due to changes in foreign exchange rates during the period and transaction gains (losses) taken to income in accordance with FASB 52. **d.** Extraordinary items (except those resulting from the early retirement or forgiveness of debt, legal judgments, and accidental damage to fixed assets). **e.** Cumulative effect of any net transition obligation per FASB 106, Postemployment and Postretirement Benefits other than Pension; and **f.** Unusual or infrequently occurring items.

In item 12, enter the U.S. Reporter's share of gains (losses) **not included** in net income of the foreign affiliate but, instead taken directly to retained earnings for an incorporated affiliate, or to owner's equity for an unincorporated affiliate, after provision for income taxes. Do not include foreign currency translation adjustments.

Certain realized and unrealized gains (losses) for securities dealers, finance companies, and real estate companies:

1. Gains or losses from the sale, disposition, or revaluation of investment securities.

Securities dealers should not include realized gains or losses due to profit or loss on the sale or maturity of investments in item 11. However, unrealized gains or losses due to changes in the valuation of investments that are recognized during the period should be included in item 12.

Finance companies (other than dealers in securities) and insurance companies should include realized gains or losses due to profit or loss on the sale or maturity of investments in item 11 and should include unrealized gains or losses due to changes in the valuation of investments in item 12.

2. Gains or losses from the sale, disposition, or revaluation of land, other property, plant and equipment, or other assets.

Real estate companies should not include in item 11 gains or losses from the sale of real estate in the ordinary course of trade or business. However, a gain or loss that is recognized due to revaluation of assets without a sale should be included in item 12.

Item 13 – Report foreign currency translation adjustments resulting from the translation of the foreign affiliate's financial statements from the affiliate's functional currency into the U.S. dollar. Such adjustments should be computed in accordance with FASB 52 or other currently applicable standard of the Financial Accounting Standards Board. Report translation adjustments on a quarterly basis, **not** on a cumulative or year-to-date basis.

Items 14–20 – Amounts should be entered as of the date they were either received from (paid to), or entered into intercompany accounts with, the foreign affiliate, whichever occurred first. Include amounts for which payment was made in kind. For an item entered into intercompany account (item 21 or 22) in this or previous periods, in order to avoid duplication, any subsequent settlement of the account should not be reflected again in one of these items but should be reflected only as a reduction in intercompany account.

Item 19 – Receipts or payments for the use of tangible property include rentals for operating leases of one year or less, net rent on operating leases of more than one year that have not been capitalized, and film and television tape rentals. Net rent is equivalent to the total lease payment less the return of capital (depreciation) component. (See instructions for items 21 and 22.)

Items 21 and 22 – Include all intercompany accounts or indebtedness of the foreign affiliate with the U.S. Reporter whether current or long-term. The current quarter's opening balance should be equal to the preceding quarter's closing balance; therefore, if it is necessary to translate the balance into U.S. dollars, use the same exchange rate to translate the opening balance for the current quarter as was used to translate the closing balance of the preceding quarter. If the closing balance on the preceding quarter's report was in error, **note the correction**. Entries in items 21 and 22 should be consistent with entries in items 16–20 insofar as they reflect the latter entries. (For example, dividends shown in item 16 and not received by the U.S. Reporter in the current quarter should be included in item 21.)

If leases between the U.S. Reporter and the foreign affiliate are capitalized in accordance with FASB 13, the outstanding capitalized value should be shown here as an intercompany balance. Lease payments should be disaggregated into the amount that is **a.** a reduction in the intercompany balance, which should be reflected in either item 21 or 22, and **b.** interest, which should be entered in item 17.

For operating leases of equipment for more than one year that have not been capitalized, include the net book value (original cost less accumulated depreciation). (Operating leases of one year or less should not be entered here.) Lease payments should be disaggregated into **a.** the return of capital, consisting of principal payments for capital leases and the depreciation component for operating leases, which should be reflected as a reduction in one of these items, and **b.** interest for capital leases, which should be included in item 17, and net rent for operating leases, which should be included in item 19.

SPECIFIC INSTRUCTIONS – Continued

FILING THE BE-577

Items 23–28 – Report the market value of consideration paid, received, or owed for increases or decreases in the U.S. Reporter's equity capital investment during the quarter. For investments that are written off, enter zero in items 26–28 (include the amount written off in item 29 or 30 as appropriate); if an account receivable due to the U.S. Reporter from the affiliate is also written off, report the amount of the receivable in item 24 as a capital contribution (and include in the computation of item 29 or 30 as appropriate).

For an affiliate that is sold, report the sale price in item 26 or 28, as appropriate. Foreign income taxes, if any, on gains (and tax refunds on losses) should be included in the calculation of these items. The end-of-quarter intercompany debt position for the affiliate (column (2) of items 21 and 22) should be reported as zero; to the extent that debt positions still exist, they are between a U.S. person and an unaffiliated foreign person, and may be reportable on the Department of the Treasury International Capital report forms.

For a newly established or acquired affiliate, report what the U.S. Reporter paid to establish or acquire the affiliate in item 23 or 25, as appropriate; do **not** report the book value of the equity interest in the affiliate, if different in these items. (For directly owned affiliates only, report book value in items 42–47.)

For affiliates that are entirely indirectly owned, items 23–28 should be blank; equity transactions between a directly owned foreign affiliate and foreign affiliates that it, in turn, owns, are not reportable on this form.

Items 29 and 30 – If the book value of the U.S. Reporter's equity investment changed by more or less than the value of the consideration paid, received, or owed, enter the amount of the difference in the appropriate box. For example, if the book value of an affiliate was \$10 million and the affiliate was sold for \$11 million, enter \$1 million in column (2) of item 29. Report the amount gross of U.S. income taxes, if any.

Items 32–34 and 42–47 – For directly owned affiliates only, report these items once a year, but no later than the second report following the end of the fiscal year. Also, complete these items on the initial report for a directly owned affiliate. In item 34, report annual net income calculated on the same basis used for calculating quarterly net income, item 10. Include the cumulative translation adjustment in item 45 or 47 as appropriate. Retained earnings of unconsolidated indirectly owned affiliates should be included on the report of the directly owned foreign affiliate parent in item 44 or 47 as appropriate, on an equity basis.

Due date – Form BE-577 is a quarterly report. A single copy of each report should be filed within 30 days after the close of each fiscal quarter, except for the final quarter of the fiscal year, when reports should be filed within 45 days. Requests for extension of the filing date, additional forms, or clarification of the reporting requirements should be directed to the appropriate address below.

Where to send the report – Reports filed by mail through the U.S. Postal Service should be sent to: U.S. Department of Commerce, Bureau of Economic Analysis, BE-69(Q), Washington, DC 20230.

For filing by direct private delivery, send reports to: U.S. Department of Commerce, Bureau of Economic Analysis, BE-69(Q), Shipping and Receiving Section M-100, 1441 L Street, NW, Washington, DC 20005.

Estimates – Reasonable estimates may be used in order to file a timely report when data are not available from customary accounting records or precise data could not be obtained without undue burden. Estimates should be labeled as such.

Revisions – File revisions to any prior period data either by letter, if the revisions are minimal, by noting changes on a file copy of the previously completed form, or by completing a revised form in its entirety and refiling it.

Questions – Telephone (202) 606–5566 with questions on Form BE-577.