OMB No. 0608-0004; Approval Expires November 30, 1991

FORM BE-577
(Rev. 1-89)

U.S. DEPARTMENT OF COMMERCE
BUREAU OF ECONOMIC ANALYSIS

DIRECT TRANSACTIONS OF U.S. REPORTER WITH FOREIGN AFFILIATE

MANDATORY—CONFIDENTIAL QUARTERLY REPORT

1. Report for quarter ending

MONTH	DAY	YEAR

2. If revised, mark here → ☐

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3. Name of U.S. Reporter — Reporter ID

4. Name of foreign affiliate — Affiliate ID

Public burden for this collection of information is estimated to be 1 hour 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 125 forms. The estimated burden of 1 hour 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.

5. Country of location (country where affiliate's physical assets are located or primary activity is carried out)

6. If affiliate's industry classification has changed, or if an initial filing, *mark here* ☐ *and complete form BE-507*

Ind ID

7. Foreign affiliate is incorporated in country of location
☐ YES ☐ NO

RETURN TO U.S. Department of Commerce
Bureau of Economic Analysis, BE-50(II)
Washington, D.C. 20230

IMPORTANT: This report covers items received from, paid to, or entered into intercompany accounts with the foreign affiliate. Read instructions on reverse side before completing this form DATA SHOULD BE BASED ON BOOKS OF U.S. REPORTER EXCEPT FOR ITEMS 10-12 AND 37-43.

8. If affiliate's reporting status changed during period, *mark one:*

☐ Initial report—affiliate was not previously reported

☐ Resumed report—affiliate was previously reported but not recently

Final report—affiliate was:
☐ Merged or reorganized
☐ Sold or seized
☐ Liquidated
☐ Discontinued report—affiliate fell below exemption level

Enter Date → Month Year

9. If the U.S. Reporter does not hold a direct equity interest in the foreign affiliate named in **4**, *mark here* → ☐ *and give name of foreign affiliate in this affiliate's ownership chain that is directly owned by the U.S. Reporter.*

I. U.S. REPORTER'S EQUITY IN FOREIGN AFFILIATE'S:	REPORT ALL AMOUNTS IN THOUSANDS OF U.S. DOLLARS — Current quarter	Preceding quarter, if revised
10. Quartely net income (loss) after provision for foreign income taxes *(see instructions)*	101	102
• **Net unrealized and realized capital gains [losses], including exchange gains [losses] and translation adjustments:** **11.** included in item 10, after provision for foreign income taxes	111	112
12. taken directly to retained earnings or surplus account	121	122
13. Dividends on common and preferred stock (exclude stock and liquidating dividends) of incorporated foreign affiliate or remittances of earnings of unincorporated foreign affiliate - gross amount	131	132
14. Tax withheld on dividends or remitted earnings in item 13	141	142
15. Dividends on common and preferred stock of incorporated foreign affiliate or remittances of earnings of unincorporated foreign affiliate—net amount (item 13 less item 14)	151	152

II. RECEIPTS, PAYMENTS, OR ACCRUALS [NET OF WITHHOLDING TAXES] OF:	Credited to U.S. Reporter by foreign affiliate whether or not paid	Credited to foreign affiliate by U.S. Reporter whether or not paid
16. Interest, including interest on capital leases. (For affiliates that are banks, report interest on permanent invested debt capital only)	161	162
17. Royalties, license fees, and other fees for use or sale of intangible property	171	172
18. Charges for use of tangible property, including film and television tape rentals	181	182
19.1 Allocated expenses (such as R & D assessments) and reimbursements for management, professional, technical, or other services that normally would be *excluded* from sales or gross operating revenues of the provider of the service	193	194
19.2 Sales of services that would normally be *included* in sales or gross operating revenues of the seller of the service	195	196

III. DEBT AND OTHER INTERCOMPANY BALANCES BETWEEN FOREIGN AFFILIATE AND U.S. REPORTER. Include current and long term items, and the net book value of property, plant and equipment under a capital lease. [For foreign affiliates that are banks, item 20 should reflect only those amounts that the U.S. Reporter considers to be permanent invested debt capital and item 21 should be blank.]	Beginning of quarter	End of quarter
20. Owed to U.S. Reporter by affiliate	201	202
21. Due to affiliate from U.S. Reporter	211	212

IV. CHANGE IN U.S. REPORTER'S EQUITY IN INCORPORATED FOREIGN AFFILIATE'S CAPITAL STOCK AND/OR ADDITIONAL PAID-IN CAPITAL OR IN ITS EQUITY INVESTMENT IN UNINCORPORATED FOREIGN AFFILIATE: Exclude changes caused by carrying net income to the equity account, the receipt of stock and cash dividends [other than liquidating dividends], and the distribution of earnings during the period. *REPORT ALL AMOUNTS AT TRANSACTION VALUE.*	Amount paid or received
• **Increase in equity interest** **22.** Establishment of affiliate	222
Acquistion, partial or total, by U.S. Reporter from: **23.** This affiliate	232
24. Other foreigners	242
25. U.S. persons — *give name and address*	252
26. Capital contribution (For an incorporated foreign affiliate, report only those contributions not resulting in the issuance of stock)	262
27. Other increase in equity interest — *specify*	272
• **Decrease in equity interest** **28.** Liquidation of affiliate	282
Sale, partial or total, by U.S. Reporter to: **29.** This affiliate	292
30. Other foreigners	302
31. U.S. persons — *give name and address*	312
32. Return of capital contribution	322
33. Other decrease in equity interest — *specify*	332

• For items 22-23, enter the amounts by which the transaction value	For acquisition	For liquidation or sale
34. Exceeds the value carried on the books of the affiliate	341	342
35. Is less than the value carried on the books of the affiliate	351	352

V. U.S. REPORTER'S SHARE IN ANNUAL INCOME AND EQUITY POSITION *Complete items below once a year, no later than the second report following the close of the calendar or fiscal year or, if an initial report, complete items 36, 37 and 39-43 as of the ending date of the quarter that the initial report is for.*	
36. For affiliate's calendar (or fiscal) year (or, if an initial report, for quarter) ending	362 MONTH DAY YEAR
37. U.S. Reporter's percentage ownership of affiliate's voting stock as of date given in item 36.	372 %
38. U.S. Reporter's equity in affiliate's annual net income (loss) after provision for foreign income taxes *(see instructions)*	382
• **U.S. Reporter's equity in net worth of foreign affiliate as of date given in item 36:** **Affiliate incorporated in a foreign country:** **39.** Total equity (equals items 40 + 41 + 42)	392
40. Capital stock, common and preferred, and additional paid-in capital	402
41. Retained earnings—compute on the "equity basis" consistent with items 10 and 38	412
42. Other surplus	422
Unincorporated foreign affiliate: **43.** U.S. Reporter's share of total owners' equity (In calculating net worth, assets or liabilities of the affiliate carried on any owner', as well as those carried on the affiliate's, books should be included Net worth should include cumulative earnings not remitted)	432

BEA USE ONLY ▶	438	439	440	441	442

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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 balance of payments statistics.

Authority — Reports on Form BE-577 are mandatory under Section 5(b)(2) of the International Investment and Trade in Services Survey Act (P.L. 94-472, 90 Stat. 2059, 22 U.S.C. 3101 — hereinafter "the Act"). In section 3 of Executive Order 11961, the President designated the Department of Commerce as the federal executive agency responsible for collecting the required data on direct investment, and the Secretary of Commerce has assigned this responsibility 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 not exceeding $10,000 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.

United States 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 business enterprise or an equivalent interest in an unincorporated business enterprise.

U.S. direct investment abroad 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 stock for an incorporated business or an equivalent interest for an unincorporated business, 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 consisting of the U.S. parent corporation which is not owned to the extent of more than 50% of its voting stock by another U.S. corporation and all other domestic corporations in which the parent corporation directly or indirectly owns over 50% of the outstanding voting stock.)

Lease is a contract by which one person gives another person the use and possession of tangible property (other than real estate) for a specified time in return for agreed-upon payments.

INSTRUCTIONS

Who must report — A Form BE-577 is required from every U.S. person to report its 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 and equivalent interest in 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.

Exemption — A foreign affiliate must be reported if any of the following three items for the affiliate (not the U.S. Reporter's share) exceeds $15,000,000, either positive or negative.

(1) Total assets for the quarter,

(2) Annual net sales or gross operating revenues, excluding sales taxes, or

(3) Annual net income (loss) after foreign income taxes.

However, an indirectly owned foreign affiliate is not required to be reported unless an intercompany account balance with the U.S. Reporter (item 20 or 21) exceeds $1 million or fee and royalty receipts or payments (the sum of items 17, 18, 19.1 and 19.2) exceeds $1 million.

An inactive foreign affiliate is not required to be reported except in the reporting period in which it became inactive.

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. Since these items are not reported on Form BE-577, a U.S. Reporter claiming exemption from filing a given report must furnish a certification as to the levels of these three items.

Consolidation — In cases where the recordkeeping system of the foreign affiliates makes it impossible or extremely difficult to file a separate report for each foreign affiliate, a U.S. Reporter may consolidate affiliates in the **same country** when the following conditions apply:

(1) The affiliates are in the same BEA 3-digit industry as given in the Industry Classification Questionnaire, Form BE-507

OR

(2) The affiliates are integral parts of the same business operation. For example, if German affiliate A manufactures tires and a majority of its sales are to German affiliate B which produces autos, then affiliates A and B may be consolidated.

Under no circumstances may a U.S. Reporter consolidate foreign affiliates in different countries.

INSTRUCTIONS - Continued

Filing of report — Form BE-577 is a quarterly report. A single copy of each report should be sent to U.S. Department of Commerce, Bureau of Economic Analysis, BE-50(II), Washington, D.C. 20230, within 30 days after the close of each calendar (or fiscal) quarter, except for the final quarter of the calendar (or fiscal) year, when reports may be filed within 45 days. Requests for extension of the filing date, additional forms, or clarification of the reporting requirements or instructions should be directed to the above address.

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 Foreign Exchange Forms BL-1, 2; BC; and BQ-1, 2 — For foreign banking affiliates of U.S. parents that are also banks, item 20 should reflect only those amounts that the U.S. Reporter considers to be permanent invested debt capital in the affiliate, any interest receipts entered in item 16 should relate only to this capital, and item 21 should be blank. This permanent invested debt capital and the U.S. Reporter's equity investment in the affiliate (parts III and IV) **must not** be reported on Treasury Foreign Exchange Forms BL-1, 2, BC and BQ-1, 2.

Special Note for U.S. Reporters of affiliates in the United Kingdom: If you received a refund of British Advance Corporation Tax paid by your British subsidiary(ies), you should include the gross amount of the refund in affiliate earnings (item 10) and in gross dividends (item 13). Taxes withheld on the refund should be included in item 14.

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 (item 20 and 21) and equity (item 43), 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.) Subtract earnings (item 10), and subtract net unrealized and realized capital gains (losses) taken directly to retained earnings or a surplus account (item 12). (2) If the amount computed above is positive, show the amount as an increase in equity (item 27). If the amount computed above is negative, show the amount as a remittance of earnings (items 13 and 15) to the extent there are quarterly earnings; show the residual, if any, as a decrease in equity (item 33). Items 20 and 21 should be blank.

Currency amounts should be reported in U.S. dollars and rounded to the nearest thousand. If an amount is between ± $500 enter "0". Use parentheses to indicate negative numbers.

Item 4. Name of foreign affiliate. Use the same name on all reports filed for this affiliate with the Bureau of Economic Analysis, e.g., Forms BE-133B, BE-133C, and BE-11.

Item 5. Country of location does not refer to the country of incorporation but, rather, it refers 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 rig that moves from place to place during the year should be classified in International.

Item 6. Industry classification refers to the BEA 3-digit industry codes given in the industry Classification Questionnaire, Form BE-507.

Item 9. If this affiliate is not directly owned by the U.S. Reporter, enter the name (or I.D. code) 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 name should appear in this item on both foreign affiliate B's and C's forms.

Items 10 and 38. Net income in item 10 should be reported on a quarterly basis, **NOT** on a cumulative basis. Net income for the period shown in item 1 should be entered in the "current quarter" column. The "preceding quarter" column should used to correct data that were incorrect or were not given in the preceding report.

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 or year, before provision for common and preferred dividends and before any reduction for foreign withholding taxes on dividends, but after provision for other foreign income taxes. The income statement underlying this and related items should be on the "all inclusive" basis. Unrealized gains (losses) resulting from the translating (or remeasuring) of the affiliate's financial statements from its local currency into dollars due to a change in the exchange rate between the local currency and the dollar during the period should be included in net income or taken directly to retained earnings or a surplus account in accordance with the Financial Accounting Standards Board's currently applicable standard. U.S. Reporters whose foreign affiliates are in extractive industries should report net income after deduction of book depletion; i.e., those charges representing the periodic chargeoff of the actual cost of capital assets related to the extraction of natural resources; tax or percentage depletion should not be deducted.

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 an indirect equity interest, only the share representing the direct interest should be given in this item.

Items 11 and 12. Net unrealized and realized capital gains (losses) include net capital gains (losses) resulting from changes in foreign affiliate's foreign currency denominated assets and liabilities due to changes in foreign exchange rates during the period, net unrealized capital gains (losses), which are recognized, resulting from revaluation of assets, and net realized capital gains (losses) resulting from disposition of assets such as the sale of investment securities or property, plant or equipment items. Include a directly-owned affiliate's equity in indirectly-owned affiliates' capital gains (losses). All gains (losses) included in net income, item 10, should be shown in item 11, gains (losses) not included in net income but taken directly to retained earnings or a surplus account should be shown in item 12.

Items 13-21. These items should be based on the books of the U.S. Reporter. Amounts should be entered as of the date they were either received from (paid to), or entered into intercompany accounts with, the affiliate, whichever occurred first. Include amounts for which payment was made in kind. For an item entered into intercompany account 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 18. Receipts or payments for 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 instruction for item 20 and 21).

Items 20 and 21. Include all intercompany accounts or indebtedness of the foreign affiliate with the U.S. Reporter.

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 to 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 should be consistent with entries in Part I and Part II insofar as they reflect the latter entries. (For example, dividends shown in item 15 and not received by the U.S. Reporter in the current quarter should be included in item 20.)

If leases between the U.S. Reporter and the foreign affiliate are capitalized (in the manner, or in a manner similar to that, prescribed in FASB Statement No. 13), then the outstanding capitalized value should be shown here as an intercompany balance. Lease payment should be disaggregated into the amount which is (a) a reduction in the intercompany balance, which would be reflected in one of these items, and (b) interest, and thus entered in item 16. For capital leases and for operating leases of more than 1 year that have not been capitalized, include the net book value. For capital leases, net book value is the amount of principal payments remaining due at the specified time including payment called for by a bargain purchase option, if any. For operating leases, the net book value of leased plant and equipment is the original cost less accumulated depreciation. Operating leases of 1 year or less should not be entered here. Lease payment 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 would be shown in item 16, and net rent for operating leases, which would be shown in item 18.

OMB No. 0608-0004; Approval Expires November 30, 1991

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(Rev. 1-89)

U.S. DEPARTMENT OF COMMERCE
BUREAU OF ECONOMIC ANALYSIS

DIRECT TRANSACTIONS OF U.S. REPORTER WITH FOREIGN AFFILIATE

MANDATORY—CONFIDENTIAL QUARTERLY REPORT

1. Report for quarter ending			2. If revised, mark here → ☐	BEA USE ONLY
MONTH	DAY	YEAR		

3. Name of U.S. Reporter — Reporter ID

4. Name of foreign affiliate — Affiliate ID

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6. If affiliate's industry classification has changed, or if an initial filing, *mark here* ☐ *and complete form BE-507* — Ind ID

7. Foreign affiliate is incorporated in country of location ☐ YES ☐ NO

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☐ Discountinued report—affiliate fell below exemption level

Enter Date → Month Year

9. If the U.S. Reporter does not hold a direct equity interest in the foreign affiliate named in 4, *mark here* → ☐ *and give name of foreign affiliate in this affiliate's ownership chain that is directly owned by the U.S. Reporter.*

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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 not exceeding $10,000 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.

United States 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 business enterprise or an equivalent interest in an unincorporated business enterprise.

U.S. direct investment abroad 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 stock for an incorporated business or an equivalent interest for an unincorporated business, 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 consisting of the U.S. parent corporation which is not owned to the extent of more than 50% of its voting stock by another U.S. corporation and all other domestic corporations in which the parent corporation directly or indirectly owns over 50% of the outstanding voting stock.)

Lease is a contract by which one person gives another person the use and possession of tangible property (other than real estate) for a specified time in return for agreed-upon payments.

INSTRUCTIONS

Who must report — A Form BE-577 is required from every U.S. person to report its 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 and equivalent interest in 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.

Exemption — A foreign affiliate must be reported if any of the following three items for the affiliate (not the U.S. Reporter's share) exceeds $15,000,000, either positive or negative.

(1) Total assets for the quarter,

(2) Annual net sales or gross operating revenues, excluding sales taxes, or

(3) Annual net income (loss) after foreign income taxes.

However, an indirectly owned foreign affiliate is not required to be reported unless an intercompany account balance with the U.S. Reporter (item 20 or 21) exceeds $1 million or fee and royalty receipts or payments (the sum of items 17, 18, 19.1 and 19.2) exceeds $1 million.

An inactive foreign affiliate is not required to be reported except in the reporting period in which it became inactive.

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. Since these items are not reported on Form BE-577, a U.S. Reporter claiming exemption from filing a given report must furnish a certification as to the levels of these three items.

Consolidation — In cases where the recordkeeping system of the foreign affiliates makes it impossible or extremely difficult to file a separate report for each foreign affiliate, a U.S. Reporter may consolidate affiliates in the **same country** when the following conditions apply:

(1) The affiliates are in the same BEA 3-digit industry as given in the Industry Classification Questionnaire, Form BE-507

OR

(2) The affiliates are integral parts of the same business operation. For example, if German affiliate A manufactures tires and a majority of its sales are to German affiliate B which produces autos, then affiliates A and B may be consolidated.

Under no circumstances may a U.S. Reporter consolidate foreign affiliates in different countries.

INSTRUCTIONS - Continued

Filing of report — Form BE-577 is a quarterly report. A single copy of each report should be sent to U.S. Department of Commerce, Bureau of Economic Analysis, BE-50(II), Washington, D.C. 20230, within 30 days after the close of each calendar (or fiscal) quarter, except for the final quarter of the calendar (or fiscal) year, when reports may be filed within 45 days. Requests for extension of the filing date, additional forms, or clarification of the reporting requirements or instructions should be directed to the above address.

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 Foreign Exchange Forms BL-1, 2; BC; and BQ-1, 2 — For foreign banking affiliates of U.S. parents that are also banks, item 20 should reflect only those amounts that the U.S. Reporter considers to be permanent invested debt capital in the affiliate, any interest receipts entered in item 16 should relate only to this capital, and item 21 should be blank. This permanent invested debt capital and the U.S. Reporter's equity investment in the affiliate (parts III and IV) **must not** be reported on Treasury Foreign Exchange Forms BL-1, 2, BC and BQ-1, 2.

Special Note for U.S. Reporters of affiliates in the United Kingdom: If you received a refund of British Advance Corporation Tax paid by your British subsidiary(ies), you should include the gross amount of the refund in affiliate earnings (item 10) and in gross dividends (item 13). Taxes withheld on the refund should be included in item 14.

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 (item 20 and 21) and equity (item 43), 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.) Subtract earnings (item 10), and subtract net unrealized and realized capital gains (losses) taken directly to retained earnings or a surplus account (item 12). (2) If the amount computed above is positive, show the amount as an increase in equity (item 27). If the amount computed above is negative, show the amount as a remittance of earnings (items 13 and 15) to the extent there are quarterly earnings; show the residual, if any, as a decrease in equity (item 33). Items 20 and 21 should be blank.

Currency amounts should be reported in U.S. dollars and rounded to the nearest thousand. If an amount is between ± $500 enter "0". Use parentheses to indicate negative numbers.

Item 4. Name of foreign affiliate. Use the same name on all reports filed for this affiliate with the Bureau of Economic Analysis, e.g., Forms BE-133B, BE-133C, and BE-11.

Item 5. Country of location does not refer to the country of incorporation but, rather, it refers 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 rig that moves from place to place during the year should be classified in International.

Item 6. Industry classification refers to the BEA 3-digit industry codes given in the industry Classification Questionnaire, Form BE-507.

Item 9. If this affiliate is not directly owned by the U.S. Reporter, enter the name (or I.D. code) 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 name should appear in this item on both foreign affiliate B's and C's forms.

Items 10 and 38. Net income in item 10 should be reported on a quarterly basis, **NOT** on a cumulative basis. Net income for the period shown in item 1 should be entered in the "current quarter" column. The "preceding quarter" column should used to correct data that were incorrect or were not given in the preceding report.

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 or year, before provision for common and preferred dividends and before any reduction for foreign withholding taxes on dividends, but after provision for other foreign income taxes. The income statement underlying this and related items should be on the "all inclusive" basis. Unrealized gains (losses) resulting from the translating (or remeasuring) of the affiliate's financial statements from its local currency into dollars due to a change in the exchange rate between the local currency and the dollar during the period should be included in net income or taken directly to retained earnings or a surplus account in accordance with the Financial Accounting Standards Board's currently applicable standard. U.S. Reporters whose foreign affiliates are in extractive industries should report net income after deduction of book depletion; i.e., those charges representing the periodic chargeoff of the actual cost of capital assets related to the extraction of natural resources; tax or percentage depletion should not be deducted.

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 an indirect equity interest, only the share representing the direct interest should be given in this item.

Items 11 and 12. Net unrealized and realized capital gains (losses) include net capital gains (losses) resulting from changes in foreign affiliate's foreign currency denominated assets and liabilities due to changes in foreign exchange rates during the period, net unrealized capital gains (losses), which are recognized, resulting from revaluation of assets, and net realized capital gains (losses) resulting from disposition of assets such as the sale of investment securities or property, plant or equipment items. Include a directly-owned affiliate's equity in indirectly-owned affiliates' capital gains (losses). All gains (losses) included in net income, item 10, should be shown in item 11, gains (losses) not included in net income but taken directly to retained earnings or a surplus account should be shown in item 12.

Items 13-21. These items should be based on the books of the U.S. Reporter. Amounts should be entered as of the date they were either received from (paid to), or entered into intercompany accounts with, the affiliate, whichever occurred first. Include amounts for which payment was made in kind. For an item entered into intercompany account 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 18. Receipts or payments for 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 instruction for item 20 and 21).

Items 20 and 21. Include all intercompany accounts or indebtedness of the foreign affiliate with the U.S. Reporter.

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 to 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 should be consistent with entries in Part I and Part II insofar as they reflect the latter entries. (For example, dividends shown in item 15 and not received by the U.S. Reporter in the current quarter should be included in item 20.)

If leases between the U.S. Reporter and the foreign affiliate are capitalized (in the manner, or in a manner similar to that, prescribed in FASB Statement No. 13), then the outstanding capitalized value should be shown here as an intercompany balance. Lease payment should be disaggregated into the amount which is (a) a reduction in the intercompany balance, which would be reflected in one of these items, and (b) interest, and thus entered in item 16. For capital leases and for operating leases of more than 1 year that have not been capitalized, include the net book value. For capital leases, net book value is the amount of principal payments remaining due at the specified time including payment called for by a bargain purchase option, if any. For operating leases, the net book value of leased plant and equipment is the original cost less accumulated depreciation. Operating leases of 1 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 would be shown in item 16, and net rent for operating leases, which would be shown in item 18.