



The Role of Risk to the International Controlled Transactions

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ABSTRACT

This paper is about the impact of risks on the controlled transactions procedures. The mainstream is that controlled transactions are made by international companies to avoid high tax rates, but at the same time, these companies have to face international commercial risks. Therefore, the avoidance of taxation is on the same line with the international risks. Videlicet, two different economic terms exist together in the same issue. In this thesis is analyzed extensively this theme and the method which used is a quantification approach, the Q.E. methodology.

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1. Introduction

This thesis scrutinizes the issues of the risks in combination with the opportunities which have the companies which participate in controlled transactions. The enterprises which engaged in these transactions aim to use methodologies which affiliated with controlled transactions practices and scope to the balance of risk with the tax avoidance. Then, the risk effect is analyzed in this paper through the view of the international commercial opportunities. In consequence, the risk, and the controlled transactions are strongly connected between them. The appropriate risk assessment is critical for the choices of the enterprises to proceed to these transactions, as an unsafe risk decision could be catastrophic for an enterprise of these merchant activities. The rational choice of a company to continue to commercial activities is subject of an appropriate risk assessment by the analysts of each company. The full list of risks is crucial for the right perception of the economic environment, where the companies decide to act economically. The identification of risk, the contractual, and the financial conditions have an important role to these rational choice decisions by the companies of controlled transactions. The application of transfer pricing methods by the enterprises should be in consideration with an appropriate risk assessment; otherwise, it is plausible to do not be able to administrate their profits and losses with an adequate way. The arm's length principle is used as a principle for the comparability analysis of profits and losses between companies of controlled transactions, with the companies of uncontrolled transactions to determine if their commercial activities comply with the tax rules of the authorities. The contractual and the financial terms define the wideness of the commercial activities between these companies, which make the allocation of profits and losses. The risk factor is also included in these terms which made between these enterprises, showing the level of their undertaken risk. In the next sections follows the behavior of companies under these economic conditions, the economic hazards of inappropriate risk assessments, and of the commercial activities which have lacked an appropriate information and data. Moreover, is introduced the relation of the full risk assessment, with the decision making procedure of the companies which participate in controlled transactions, of tangibles and intangibles, meaning the goods, the services and also the property rights, between these enterprises.

2. Methodology

The methodology which followed in this paper is the Q.E. method, a methodology which stands on quantification theoretical approaches, form the theory of multiple axiomatics, the binary logic, and the administration of quality data. This means that a quantification method is applied to this study. Hinge on that the scientist is able to convert quality data into quantity data, through a feedback process, making repetitions to the modification of the model, which is under examination. (Challoumis, 2018) Thereupon, it is plausible to map the equation which is under examination. In consequence, this method combines two basic things, the fuzzy logic approach and the logic which comes from the theory of axiomatics (Timothy, 2010). Thereupon,

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this work followed a mathematical modeling of economics using the Q.E. method. The sense of fuzzy logic is about the fuzziness and the not precise situation, showing that the results are in a sense of uncertainty, until to find the appropriate solution for the model. This fuzziness is the reason for the repetitions and the many remodifications of the model which used until to find its permanent form. In the theme of the repetitions is inserted the Q.E. method, as there rarely used the theory of axiomatics, as is very unusual to find the final form of the model without any repetition. Thereupon, these recurrences are the source of the reliability of the model. The fuzzy logic represents the relationship between the themes of the precision and of the uncertainty. As the uncertainty in an issue is high, then much less certain we can be in our conception. A binary appropriate judgment admits solely the opposites of true and false. Thence, we have only two choices and not middle levels of choice. Hence, there is a concept which does not admit digresses of fact and there are no variants in magnitudes, but solely two feasible results. As more complex a theme is, then more imprecise or not exact is the statistics that we have on the system. Aristotle noted that it is the range of a suggested thought to relaxation is with that level of precision which the nature of the concern admits, and are not searching for exactness to place only an approximation of the fact is possible. So, the Aristotelian good judgment does not take precision in truth. (Challoumis, 2018) The fuzzy concept and the relativism seem to be the prior stage of the resolution, according to that approach Forasmuch as we perceive that the application of a combination between the fuzzy logic and the binary fields permits the identification of further improvements to each model of study. Inasmuch as the fuzzy logic is used for the repetitions of the model, and the binary logic is used as a decisions criterion for these repeatings of the remodifications of the model. The computational analysis of the multiple axiomatics which used by the Q.E. methodology is crucial for the credibility of the model. Hence, the computational approaches of the Q.E. method define each model of study. Therefore, a conversion of quality analysis into a quantitative analysis allows the development of the examination model. The Q.E. methodology uses a combination of tools, coming from the axiomatics theory, the multiple axiomatics theory, the fuzzy logic, and the binary logical background. It is plausible through many modifications of a model to achieve a solution for the final model. Thereupon, according to that approach using a fuzzy approach is able to have though a mechanism a specific model, which would represent the theoretical background, and would comply with the initial assumptions which the scientist has made for the model of study.

Through this approach to determine the behavior of an equation using the appropriate quantity tools. One quantity tool is the behavior scrutiny and the other quantity tool is the frequency behavior analysis. Be in the power of that inquiry it is able to elucidate the aggregate behavior of the model. The root of that behavior of the model reveals if it is appropriate for the study. Inasmuch as the mainstream is that the Q.E. method uses the theory of axiomatics through the multiple procedures, which allows the clarification of the appropriate model.

The evaluation of the behavior of the model which stands on the scrutiny of the structural characteristics and the special attributes of it allows the extraction of conclusions about the interpretation of this model which is beneath examination. There is workable the evaluation of facts into a two-dimensional and to three-dimensional graph analysis pending on the case. The behavioral analysis reveals the unique attributes of the final model which come from the modifications and the adjustments of it by the application of Q.E. mechanism. The basic criterion for the ending of the process of the Q.E. method is the compliance of the assumption with the anticipated result, something which comes from the classic theory of economics, by the assumptions of the axiomatics method.

The frequency evaluation behavior scrutinizes the conduct of the structured variables, however from the view of the wide variety of appearances of a variable is complied with the estimation of the impact that one impartial variable has with one or extra others unbiased variables.

The key elements of this quantification method are four crucial factors, which used from the Q.E. method for the clarification of the model. Ergo the first factor is about the hypothesis, which is about the initial thoughts of the scientist about the aims and the scope of the examination of the model, and of its theory. The hypothesis consists of a series of assumptions that the scientist enters for the examination of the model. This factor defines the general track of the research, and the direction of the research, which the scientist has chosen. The second significant factor is about the generator, the main element of the mechanism of the Q.E. method. The generator is responsible for the behavior analysis, where the scientist is plausible to clarify the general behavior of the equation and consequently the behavior of the model. The two mainstream tools as mentioned before are the behavior and the frequency behavior analysis. The results stand on these two behavior analysis tools. The main idea of the generator uses attributes from the fuzzy logic, the multiple axiomatics theory, and the binary concept. The randomization of numbers to the mapping of the behavior of the model allows the clarification of the adequacy of the model. Consequently, the application of this quantification method permits the determination of the behavior of the companies in the case of risk analysis. Therefrom, the adequate form of the theory of risk of companies in controlled transactions through the Q.E. method is required for the needs of this analysis.

The established variables are these which are modified for the generator. Thereupon, the generator produces values for the structured variables. The extracted values of the generator allow the creation of

magnitudes, which are the base for comparisons, and for the evaluation of mathematical equations. With that way is conceivable to quantify data and theoretical terms. Thus, using the Quantification of Everything (Q.E.) methodology is potential to clarify the conduct of any mannequin and to determine its standalone behavior, or its comparative behavior, between exceptional models.

3. Principles of risks in controlled transactions

The risk is inherent for the companies which participate in controlled transactions, as the risk factor determines the economic hazard of a decision making of a commercial activity. The risk is the main problem for the companies which aim to undertake opportunities, as defines the potential profits and loses of the enterprises which participates on these transactions. Companies of controlled transactions undertake international transactions to earn profits. The controlled transactions with the profits carry and risks. The uncertainty is strongly connected with the risks. The main issue is that the risk is also affiliated with the opportunities, showing that the profits, simultaneously are connected with the problems which come up from the profits, as the loses plausibly could be higher. Risks are joined with the identification of the functions and of assets. The relation between the associated companies of controlled transactions is very important for the procedure of tax avoidance. (Timothy, 2010) The risks offer through the opportunities profits but at the same time cause and potential damage to the enterprises of controlled transaction. Therefore, through the methodology, that these companies follow they determine the allocation of their risks between them and their parties (Challoumis, 2018).

The enterprises of controlled transactions have their own tools to avoid high taxation and high risks. The key concept behind their functions is the allocation of their activities. The best method rule is followed by these companies for the applied tax method which will choose. (Challoumis, *Methods of Controlled Transactions and the Behavior of Companies According to the Public and Tax Policy*, 2018) For this reason, the enterprises which participate in the controlled transaction have the advantage for their allocation of their profits and of their risks. Then, the allocation of risks between the parties or subsidiaries of controlled transactions permits them to be fine with the arm's length principle.

The arm's length principle is about the variations which are decided between two enterprises in their economic and commercial relations in the case of global controlled transactions, with the case of global uncontrolled transactions. Should be noted that to reach the arm's length principle an enterprise which participates in controlled transactions have preliminary to comply with two conditions. Thereupon, an enterprise which is an examined party needs to attain the first-class approach, which is the best method rule. The best method rule is about the way which the enterprise chooses a method for its tax business sketch policy. The next preliminary duty is about the comparability analysis. There the business enterprise of controlled transactions ought to make a sequence of comparisons to set up that meets the goals of the arm's length principle. The risk tests that make the company determine if its' risk behavior is in the same line with the arms' length principle. and in general with the taxation policy of the authorities.

The risk is inherent in commercial enterprise activities. Enterprises undertake commercial activities due to the fact they are searching for opportunities to make profits, but those activities elevate uncertainty that the required assets to pursue the opportunities either will be higher than anticipated or will no longer generate the expected returns. Identifying risks goes hand in hand with identifying functions and assets which are crucial to the identification method of the commercial or economic members between the related companies. Therefore, in making comparisons between controlled and uncontrolled transactions and parties it is crucial to scrutinize what dangers have been hypothesized. One more thing is what functions are performed to have an effect on the risk hypothesis or to have an impact on these risks. Additionally, in comparability, these companies should undertake which party or parties to the transaction assume these risks (the rate of comparability factor is represented by the c , as showed below to the next equations).

The companies follow some guidelines which permit them to identify the significant risks of their tangible and intangible goods activities. This section presents instructions on the nature and sources of risk relevant to a pricing reasoning to help to identify risks with specificity. The relevance of functions, assets, and dangers in a unique transaction will need to be determined thru a particular practical analysis. The risk of dangers in a transaction can be more difficult to identify that functions or assets and to determine which associated organization assumes a specific risk in a transaction.

The steps in the process set out for analyzing a danger in a managed transaction, in order to precisely delineate the actual transaction in appreciate to that risk, can be summarized as follows (respectively on OECD guidelines) The risk defines if an opportunity would happen through the commercial activity of each company, which participate in controlled transactions. So, the risk is the balance factor for the rational decision making of an enterprise, without this consideration is not plausible to be done a plan for its commercial activities.

The first thing that companies of controlled transactions give attention is about the identification of the potential risks, as through this stage the companies proceed to their assessment to extract the appropriate conclusions about their economic activities. Then the first step is about the identification of economically widespread dangers with specificity.

Forasmuch as the perception of the real risks that companies of controlled transactions face is subject of factors that belong to internal factors between the enterprise's of the same interest, and outside them, like the international economic environment, and the special market risks of each country, where they make their commercial activities. All the risk impacts are included in the procedure of risk identification (this factor is represented by the i , as represented below to the next equations).

The second step shows the adequacy of controlled transactions' information. Then the companies of controlled transactions give that the level of accurate economically complete economic dangers is contractually hypothesized by using the associated corporations in line with the terms of the international controlled transactions. The information is about the data which collect the companies about the international economic environment, the local, and the international markets, the similar commercial activities of uncontrolled transactions, their agreements, their internal data from their controlled activities, and any information which is related with risk activities.

The next step is about the way that risks are portioned between the affiliated companies. Clarify thru a practical analysis how these companies are in relation to the assumptions and the management of the certain, economically crucial risks, and in general which enterprises perform to manipulate features and treat mitigation functions, which companies come upon upside consequences of risk-hazard outcomes, and which companies have the financial capability to anticipate the economic hazard. There are many factors which have an impact on the risk assessment of companies of controlled transactions.

The previous two points have recognized facts pertaining to the hypotheses and the management of risks of international controlled transactions. In addition, should be clarified whether the identification complies with the behavior of the associated enterprises and the subsidiaries. Thereupon, a variation of information between the parties of controlled transactions is analyzed independently if the related companies follow the contractual terms. The same happens whether or not hypothetical risks, workouts administrate over the economic danger and has the financial capability to anticipate the risk (OECD, 2017). Inasmuch as the risk is not only on the pure commercial part but also the contractual terms.

Thence, we perceive that the identification of risk by the companies which participate in controlled transactions follow a process that comes through multiple stages. (Boland, 1991) Ergo, we obtain that there are some crucial factors which connect the choices of enterprises to proceed to international transaction activities with the risk issues. The first thing is the identification of the risks, as previously stated. This means that many times the companies do not face the risks because they are not able to do that. The other crucial factor is the lack of appropriate information about the risks. The interpretation of this theme is that the enterprises wither if they identify the economic hazards of their choices it is plausible to have inadequate information. The other thing is the appropriate comparisons between the controlled and the uncontrolled transactions. If in this stage is not done the appropriate risk allocation between the affiliated companies then is possible for these companies to have losses. Then, the final step is about the financial risks and the contractual terms (this factor is represented by the f , as clarified below to the next equations).

The prior key points about the risk show that comes up the thing of risk administration by the companies which participate in controlled transactions. where the risk combines a series of issues, with the identification of risk, to comparability analysis, the contractual, and the financial terms to have a serious impact on the risk assessments. Thence, risk management is very important for these companies, as the way that they execute their tax and risk obligations defines their utility.

Control over risk entails those crucial economic factors. The first factor shows that risk management is the entrepreneur ability to make adequate decisions. Simultaneously, the thing is not only to undertake the appropriate entrepreneur decision but also to apply it. In addition should be able the company to lay off, from a decision. Finally, the company of controlled transactions should be able to decline a risky opportunity. The aggregate performance of a company in the decision-making process reveals its' dynamic to the international controlled transaction. The decision-making function many times should be made with full information or with constraint information. Thence the companies which participate in controlled transactions not have the burden to take daily decisions. But these enterprises are able to proceed to outsource practices to face the daily risk management problems. However, these companies and its' parties or subsidiaries must be always alert even through outsourcing procedures. These enterprises should be able to make decisions and checks about short-term and long-term economic issues (Zax, 1988). The risk procedure initiates with the identification of the risk. The capability of a company to understand the risks is crucial for the risk analysis, as without this stage the procedure would not follow the right way. The companies which participate in these would not be able to make any scrutiny and to take a decision about their activities. The complete analysis of the risks stands on the completeness of the information and of the data which the companies have, and the processing of them accordingly. The allocation of the risks allows the companies to do not overestimate the risk, because then it is plausible to stop their activities from a not adequate judgment. Moreover, the contractual and the financial terms clarify a risk between the companies which are engaged to these commercial transactions. Forasmuch as according to the prior analysis, we have that:

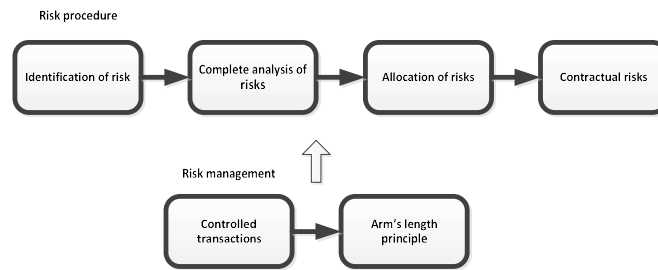


Figure 1: Risk management and risk procedure

Based on the previous scheme we perceive that the companies of controlled transactions should be compatible with the international tax principles and more precisely with the arm's length principle. The appropriate completeness of the four stages which described above is the guarantee of the compliance of these companies with the taxation principles. Thence, through a series of steps each company which participates to controlled transactions is able to administrate its profits and losses without having any catastrophic results. Moreover, it not only the identification of the risks and the contractual terms which commit these companies but also and the adequate allocation of risks. If a company makes an appropriate risk assessment, without an allocation of risks, it is plausible to have extensive responsibilities, which plausible could be avoided with an appropriate plan for the allocation of risks between the companies of controlled transactions. Then, we have two parallel procedures which make the companies understand their possible utility, which is the risk procedure, and the risk management. The risk procedure is more concentrated to risk factors than the risk management which is wider as seeks for solutions to other affiliated factors, as the comparability analysis, and the arm's length principle. Moreover, the risk management is connected with the choice of the transfer pricing method, which makes each company of the controlled transactions, for its compliance with the tax rules of the authorities. Inasmuch as fulfill scrutiny of the risks, containing and other factors is subject of the risk assessment. Using that reasoning it is plausible to proceed to the mathematical scrutiny of the MNEs (companies which participate in controlled transactions practices).

4. Mathematical analysis of risks in controlled transactions

To the prior section are analyzed the impact factors of the identification of risks, and the appropriate comparability scrutiny, for the extraction of an adequate risk assessment, for the companies of controlled transactions. The full information of risk is an economic variable that is affiliated with the identification of risk. Moreover, the adequate information of data and their credibility orientates the rational choices of the companies which participate in these commercial transactions, either for tangible and intangible goods. Moreover, the contractual and the financial terms are subject of the information and of the data, which these companies have received. Additionally, the information which the companies have must include issues like the economic conditions of companies of uncontrolled transactions about similar activities with them, allowing them to decide if their comparability analysis would comply with the arm's length principle. Moreover, the companies should have information about the local and the global economic conditions, to be able to ensure that their economic activities would not be affected by them. Thence, standing on these economic approaches these companies are able to identify the plausible risks and to decide which methodology best complies for the allocation of their profits and losses. According to this thesis, we are able to determine from a mathematical view the theme of the risk to the case of the companies which participate in commercial activities related to controlled transactions. Thereupon, the mathematical representation of this scrutiny is represented below:

$$r = s * i + c + f \quad (1)$$

$$\text{Where, } 0 \leq s \leq 1 \quad (2)$$

$$\text{And } i = 0 \text{ or } 1 \quad (3)$$

From the prior equations that the enterprises have that the s is about the rate of appropriate information which has the companies of controlled transactions. The symbol of i is about the identification of the risk, and therefore could take only two values, 0 or 1. The reason for the binary choice between these two variables comes from the idea of truth and false, which analyzed before using the sense that the risk exists or not to this approach. This procedure is done multiple times, by the feedback mechanism, which allows repetitions and readjustments of the model. Thence, many risks have identified, or not according to the mechanism which analyzed to the prior section. The symbol of c is about the appropriate rate in compatibility between controlled and uncontrolled transactions according to the MNEs. The factor of c is responsible for the comparisons between the controlled and the uncontrolled transactions, defining the level of the credibility of the risk with the arm's length principle. Finally, the symbol of f is about the risk rate which comes from the contractual and financial terms of the companies which undertake international opportunities to make profits. Hence, using the prior equation, and its conditions we are able to proceed to an

analysis of the model. Therefore, we are able using the generator to clarify the behavior of the model through behavioral analysis and the frequency behavioral analysis. Thence, we have the next table:

Factors	Values
s	0.7
i	1
c	0.6
f	0.5

Table 1. Compiling coefficients

Thence, the generator using these coefficients and the equations (1), (2) and (3) allow us to clarify the behavior of the model. This means that we are able to proceed to the behavior analysis. Using the prior table to the application of the Q.E. method we have that:

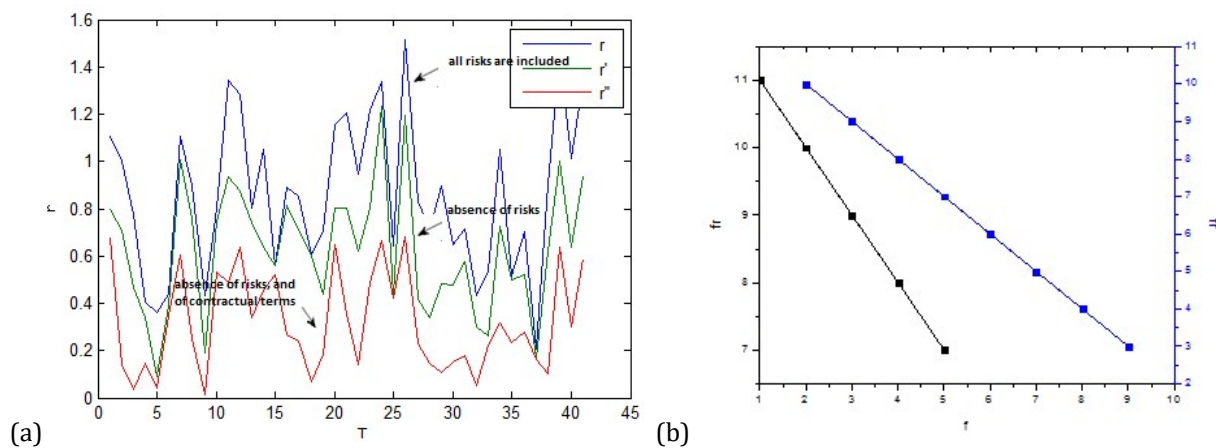


Figure 2: (a) Behavioural analysis (b) Frequency behavioral analysis

From this figure, we obtain the risk attitude of the model. To the one case are used all the risk factors. To the other one case the risk factors have omitted from the model, and finally, we have the case that also the financial and contractual terms between the companies have avoided. Thereupon, we have from figure 2 (a) that when there are included all the parameters of risk then the risk is higher, as we expected (blue line). The risk when contains all the parameters of the equation (1), increased. When there are not the risks of the comparability analysis we have declined risk (green line). Moreover, in the case that there is not and the parameter of the contractual terms, the risk is lower (red line). Thence, the companies of controlled transactions should undertake all the risks because, under the normal conditions, complete information should be available for the adequate consideration of the risk factors. Therefore the management risk analysis is very crucial for the MNEs. To the frequency analysis, we obtain as expected consequently, that the number of appearances of risk is lower to the case that we have all the risk factors (black line) and higher to the case that there we have omitted some factors of risk.

The interpretation for this results is that the companies of controlled transactions tend to increase their activities when the risk is lower, but the theme as we perceived from the figure 2 (a), is to include a full risk assessment to proceed to a rational choice, and not to a lack of data. It is obvious then that companies of controlled transactions should take as more as possible risk factors to their taxation methods. In that way, these companies would be able to have risk conclusions, which would be more reliable about their taxations. We obtain that the increased risk anticipation makes the risk assessment more credible, but this should be accompanied with the adequate allocation of risks, and the otherwise the consideration of the terms of the agreements between the companies of controlled transactions, wither their conclusions would not represent their real condition, leading them to minimization of their utility. Of course, as we obtained to the diagram 2 (b) these companies when they have low risk they increase their international economic activities, but this is a matter of a reliable risk assessment, otherwise, they would face the decline of their utility. The appropriate risk assessment should contain a series of full risk cases, and from them should the companies make the most rational decision for them to maximize their utility. To the choice of the best full risk assessment should be included and the allocation of risks and of profits, and the reason for this is to avoid any overestimation of risks. Because of the companies overestimate their risks, will plausibly not consider rational, as their analysis would not portion the risk between the companies of the same interest. In addition, the contractual terms plausibly could change the allocation of risk between the companies, as the burden would transfer from one company to the other. Also, the financial terms, as the financial terms allocate the risk between the companies.

5. Conclusions

Through this paper has determined the risk that companies of controlled transactions have to their activities. It is obvious that when these companies include extensive risk cases are able to apply their tax methods more safely. In this thesis, we obtain that if we consider all the factors of the risk, then plausibly the rate of risk would seem higher, but the most crucial thing is not to avoid any risk. This comes from the theoretical and mathematical reasoning which done to the prior sections. It is obvious that if a company which participates to controlled transactions doesn't include all the risk factors, would seem that has a safe risk commercial activity, but the economic hazard of this choice would be destructive, as the real condition of the risk activities have not revealed. Thence, an appropriate risk scrutiny should contain as more as plausible risk factors by the analysts of the companies of controlled transactions, and they should decide if the risk assessment is safe for the merchant activities of their enterprises. As shown before of course the companies when they assume that have not a high-risk economic hazard, proceed to their worldwide controlled transactions, but on the other hand, could have an illusion about their safety risk assessment as the full parameters of risk are not considered. Because under extended risk reasoning the increasing rate of activities of controlled transactions by these enterprises could be lower when the absence of full risks had perceived. The only case to have an increase in the activities under a low-risk assessment is to have a really low risk, but this is unreal when the list of potential risks is increased.

Then a safe risk analysis should contain a full consideration of all types of risks, and then the companies should decide if the total risk is low and proceed to their commercial activities. Otherwise, if there is a lack of risk impacts the comparability analysis at the stage of the arm's length principle would be with higher difficulty, as the companies should also adjust the economic disturbances which come from the risk factors. The identification of risks would be higher than in normal conditions if no allocation of risks has happened between the companies with the same scope and interest. Hence, the companies which participate in these transactions should consider the identification of risks, the complete information of risks, the credibility of this information, the contractual terms, the financial terms, and the allocation of risks, in combination with the arm's length principle of comparability analysis.

The risk illusion is mentioned in the cases where the companies have not obtained all the potential risks, showing that is not only the identification of all risks but the completeness and the credibility of the information which used for them. One more risk illusion could be caused when a not appropriate allocation of risk has happened between these enterprises. To that case, some companies would estimate higher risk than the real risk and plausibly could stop their commercial activities for no reason. Therefore, the reliability that offers the extensive risk scrutiny permits to the MNEs to clarify more precisely their profit and losses by the allocation of their profits and risks which come by their international controlled transactions. The risk assessment should be in combination with the comparability analysis, and the arm's length principle, otherwise the companies of controlled transactions would not be able to allocate their profits and losses, securing their maximum utility, from their economic activities.

The hinge on that analysis is that has clarified the importance of the risks for the merchant, and commercial activities of the companies which participate in worldwide controlled transactions. These transactions are plausible to include intangibles and not only tangibles. Therefore, in the concept of risks are considered and the obligations from the use of property rights, as the case of intangible goods aim at that. Of course, the services, as the products of the tangibles belong to the mainstream risk analysis by the companies of controlled transactions. Therefore the identification of risk contain risks from the products, the services, the commercial activities, property rights, and intellectual rights. This scrutiny reveals the importance of the completeness of the information which used by the companies of controlled transactions. The information should also contain data from the companies which participate in similar activities, but from the side of the uncontrolled transactions, as there this information would be used at the stage of the comparability analysis, for the study of satisfaction of arm's length principle. The risk assessments always must be examined in combination with the arm's length principle, otherwise, it is plausible the risk scrutiny to stand on other risky ground. These companies would use a methodology for their compliance with the arm's length principle, and if the effects of risk assessments would not be included, then plausibly no effective allocation of profits and losses could happen.

Finally, the risks and the economic activities of the enterprises of controlled transactions, have contradictions but belong to the same frame, showing that are the two sides of the same theme. The risks are crucial for the perception of the economic utility which comes from the controlled transactions, but without the consideration of the comparability analysis of arm's length principle, the companies would not be able to proceed to a risk assessment with credible and secure results, about their worldwide economic activities.

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