

From Respondent Debriefings to Pilot Test and Beyond: A Comprehensive Redesign of a Questionnaire Measuring Foreign Direct Investment

Alfred D. Tuttle and Rebecca L. Morrison, U.S. Census Bureau
David H. Galler, U.S. Bureau of Economic Analysis

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Abstract

In 2004, survey methodologists at the U.S. Census Bureau began a project with the U.S. Bureau of Economic Analysis (BEA) to aid in the evaluation and redesign of two of their self-administered survey questionnaires. These surveys, one annual and the other quarterly, collect foreign direct investment (FDI) data from U.S. companies that are foreign-owned. Although BEA goes to great lengths to assure that its surveys are not unduly burdensome, the forms may impose significant burden for some respondents, and data verification may be labor-intensive for BEA analysts. Some respondents expressed difficulties with comprehending the FDI concept and other particulars of the surveys, which may differ subtly but significantly from the ways they think about their companies. Our redesign strategies were aimed at facilitating respondents' comprehension of the FDI reporting requirements, as well as reducing the overall burden of completing the forms.

To maximize the effectiveness of our redesign, we undertook a comprehensive process using multiple research methods to gain a thorough understanding of the conceptual underpinnings of the surveys and the problems respondents encountered when completing them. The project was concluded when the redesigned questionnaire for the quarterly BE-605 was fielded in March 2007. This paper summarizes the various methods used throughout the project, and presents key findings from various qualitative and quantitative analyses. The focus will be on the BE-605 but will include relevant findings from the annual form (BE-15), because the two forms share the same conceptual bases and because the redesign strategies were developed to address similar reporting issues for each.

Keywords: questionnaire development, pre-testing, qualitative methodology

1. Background – Form BE-605

The BE-605 survey (full survey name: “Transactions of a U.S. Affiliate, Except a U.S. Banking Affiliate, with Foreign Parent”) collects quarterly data covering cross-border transactions and positions between U.S. affiliates of foreign companies and their foreign parent companies and certain other affiliated foreign entities. The data collected are used in compiling the U.S. international transactions accounts, national income and product accounts, and the international investment position of the United States. The collection instrument is a self-administered form that can be mailed back to BEA or completed using BEA’s automated filing system. The data items collected on the questionnaire include such items as the foreign parent’s share of net income (loss), dividends, inter-company receivables and payables, and flows of equity capital.

The target population consists of all U.S. business enterprises in which a foreign person (in the broad legal sense, including a business entity) owns or controls, either directly or indirectly through another business entity, 10 percent or more of the voting securities of an incorporated U.S. business enterprise, or an equivalent interest in an unincorporated U.S. business enterprise. At present, the BE-605 universe is comprised of about 14,500 companies and other business entities. BEA mails the BE-605 survey questionnaire to approximately 4,000 respondents each quarter. Most respondents—about 75 percent—return the completed report via mail. The remaining 25 percent use BEA’s electronic filing option, the Automated Survey Transmission and Retrieval (ASTAR) system.

Aside from the basic ownership requirement (ownership of 10 percent or more of the voting securities), data collection on the BE-605 survey is based on a mixture of U.S. generally accepted accounting principles (U.S. GAAP) and economic accounting concepts. While BEA has been careful to define how the data are to be reported, respondents can often become confused. One often-encountered point of confusion is the rules for consolidating entities on a single BE-605 report. U.S. GAAP normally requires a world-wide consolidation, which, from the standpoint of the U.S. entity, would include all of its majority-owned domestic and foreign operations. However, to measure cross-border flows of income and capital, the foreign parts of the company must be excluded. Thus, consolidation of the U.S. respondent company on the BE-605 must exclude any majority-owned foreign affiliates that it may have. Other exceptions to U.S. GAAP are also made for specific ownership arrangements, such as when ownership in a U.S. entity is held by foreign parent companies in different countries. Another point of confusion is the classification of certain types of income and expense items, such as a loss due to the impairment of intangible assets (e.g., goodwill). Economic accounting concepts requires that such transactions be excluded from operating income, while U.S. GAAP requires their inclusion in operating income.

These kinds of exceptions may lead to confusion and inaccurate reporting for some respondents, and the difficulty in conveying these particular FDI rules to respondents in clear yet accurate terms was one of the main reasons why BEA decided to engage survey methodologists at the Census Bureau to undertake this research. Also, the Census Bureau conducts numerous business surveys which require a domestic consolidation, and so the census Bureau has hands on practical experience with exactly the same issues being faced by BEA. It was hoped that by developing a more “user-friendly” questionnaire, with critical instructions presented more clearly to respondents, it could reduce the burden associated with completing the form and at the same time collect more accurate and consistent data.

2. Methodology – stages of research, and findings from each stage

Our research took place in three major phases, each with its own specific goals. In each phase

we employed the cognitive interview technique that is typical of questionnaire evaluation. We also used other techniques in order to “triangulate” on reporting issues and to obtain a broader perspective. As the project progressed, the methods employed in each phase provided complementary findings that informed decisions and applications for succeeding phases, and the methods used in the later stages allowed us to evaluate and modify our design decisions. In this section we describe the methods employed at each stage of research along with the findings from each.

2.1 Phase 1 – Background investigations

Our goals for the first phase of the project were to achieve a thorough understanding of the survey forms both in terms of their content and the types of data they are intended to collect, as well as of the sources of error arising from the form and the response process. To these ends we employed three different techniques with three specific research targets, which provided a broad foundation from which to proceed with subsequent stages.

The first technique involved interviews with BEA survey analysts—the personnel who collect survey data and prepare it for publication. We conducted three focus group interviews and one individual interview with analysts, segregating them according to which of the two surveys they worked on and making sure no supervisors were present (one supervisor was interviewed separately). Our goals for these interviews were two-fold: First, we hoped to gain a deeper understanding of the kinds of information the surveys attempt to collect and the reasons for the collections. Second, we wanted to learn about the kinds of reporting errors respondents tended to make, which errors were most significant in terms of data quality and analysts’ workloads, and what the analysts thought were the reasons for errors.

The second technique was observation. We participated, with respondents’ permission, in conference calls placed by analysts to respondents to correct suspect or missing data. This approach allowed us to learn several things about the individual problems: First we heard each analyst’s explanation of the problems from her/his perspective (prior to the calls), and then we heard an explanation of each problem from the perspective of the respondents themselves.

Additionally, we listened to analysts' explanations of the problems to respondents and of ways to avoid them in future survey reports. We would later expand on these findings as we attempted to bridge the divide between FDI concepts and GAAP records structures to facilitate respondents' correct understanding of survey items.

Third, we went out into the field and debriefed respondents who had recently completed the survey. For this, we created an interview protocol based on the insights gained from our interviews with analysts and the analysts' calls to respondents, as well as our experience with questionnaire design and knowledge of best practices in visual formatting principles. We conducted interviews with respondents at 28 companies. In the debriefings we were able to obtain a deeper understanding of the response process, especially respondents' interpretations of survey items and the nature and availability of information in their records. We were also able to cover a broader range of items in the forms than had been possible in the earlier phases of research.

We found in this first stage of research that the questionnaires were problematic for two main reasons. First, the way the forms were formatted made them difficult to complete. Both forms were printed on legal-sized paper, which made them difficult for many respondents to manipulate, photocopy, fax, and store. Both the quarterly and annual survey forms used small fonts, dense blocks of text, and dark lines separating items and sections which gave them a very crowded look, rendering them difficult to read and making important instructions easy to miss (see Figure 1). The forms also used complicated matrices in some sections, which were formatted such that respondents tended to overlook some important instructions. Perhaps most importantly, both forms had separate instructions, one located in the back of the form booklet and the other accompanying the form as a separate booklet. Both sets of instructions were quite lengthy and used the same small font and dense blocks of text as in the forms themselves, and tended to be ignored by respondents. The dense formatting, complex matrices, and separate instruction sections effectively obscured the important concepts that needed to be understood by respondents in order to report correctly.

The second reason respondents historically have tended to find the forms difficult and to report incorrectly has to do with the consolidation rules used in reporting, which follow a combination of specific economic accounting and U.S. generally accepted accounting principles (U.S. GAAP). The most significant difference between reporting rules and U.S. GAAP we found has to do with the way corporations tend to consolidate their subsidiaries and other holdings for financial accounting purposes compared with the economic accounting rules for reporting to BEA. Whereas business entities tend to consolidate all of their majority-owned subsidiaries regardless of where they are located in the world, economic accounting concepts require that they consolidate only those majority-owned entities located in the US, and that foreign subsidiaries and those owned 50% or less be accounted for in different, specific ways. Also, FDI and economic accounting concepts require that relationships and transactions between the U.S. corporation and certain kinds of affiliated foreign companies be treated and reported in specific ways that can be, at times, confusing to some respondents. Following GAAP rather than FDI accounting rules has resulted in the misreporting of significant amounts of revenues, expenses, liabilities, and assets. We found that though the BEA consolidation requirements are somewhat unusual from the perspective of corporate accountants, they are similar to those used by the Census Bureau and other statistical agencies and are not incomprehensible or impossible to fulfill, once they are adequately communicated. Insofar as critical FDI reporting requirements were located in separate instructions that tended to be overlooked by respondents, they were not effective in helping respondents to report correctly.

Our findings from the initial stage of background investigations informed the development of several specific and general recommendations for the redesign of the two forms. Our major recommendations included guidelines for more "respondent-friendly" formatting. Fundamentally, this involved using larger fonts and reducing the number of items per page to alleviate the crowded look of the forms and increase their readability. It also meant changing the format from legal-sized to letter-sized pages. We also recommended incorporating the separate instructions adjacent to and within relevant questions for easy reference (see Figure 2). Although these recommendations meant that the

number of pages would increase, we thought this would be an acceptable trade-off for improving respondent understanding. Additionally, we recommended that the most critical instructions regarding FDI consolidation and foreign affiliated entities be converted into survey items requiring responses, which respondents are not likely to ignore. For example, from the consolidation instructions we isolated key criteria and made from them a series of yes/no questions, to create a step-by-step process by which respondents might arrive at the correct reporting unit for the form (see Figure 3). Our other major design innovation was the addition of small diagrams, based on the organizational charts to which respondents frequently referred during our debriefing interviews, to enhance the comprehensibility of questions about affiliated entities (see Figure 3).

2.2 Phase 2 – Redesign, Test, Revise, Test... Form Redesign and Cognitive Testing

Our next step was to create drafts of redesigned sections of each form (not entire redesigned forms) based on our recommendations, and to evaluate them. From our findings in the first stage, we selected the more problematic sections from each of the original forms and created redesigned mock-ups using a word-processing application. Then we tested the mock-ups in cognitive interviews with actual respondents from the two surveys. The testing stage was an iterative process in which we used the findings from one round to revise the test drafts, and then tested the modifications in the next round. We conducted a total of five rounds of cognitive interviews with respondents at approximately 60 companies nationwide.

Overall, we found that the redesigned sections worked well. In the new format, the original content of the two surveys was found to be generally clear to respondents. Virtually all the respondents we interviewed preferred the more open design, although a few said they preferred the more compact original form (respondent preferences were investigated further in the next stage of the project, and are described later in the paper). Most respondents also preferred having instructions adjacent to relevant items. Several observed that this particular design innovation would lead to the form being longer (the original BE-605 was four legal-sized pages long, not counting the separate instructions, and the redesigned form is sixteen letter-sized pages),

but most thought this would be an acceptable trade-off given the usefulness and convenience of not having to look elsewhere for more information on particular items.

Findings were mixed for another design innovation, the “organizational chart” diagrams used to modify instructions and questions (see Figure 3 for an example). Our intention was to use the diagrams to describe essential features of the various inter-company relationships. We initially hypothesized that respondents’ familiarity with such diagrams would make them useful in translating the specifics of the surveys into terms they would understand. However, even the simpler of the diagrams we created tended to be complex, from a cognitive perspective, and we revised them continuously across all testing iterations to compensate for unanticipated problems. For example, terminology found in diagram labels must match that found in a corresponding question exactly, or else respondents may be distracted or confused (e.g., “U.S. affiliate” in one and “this U.S. affiliate” in the other). Even when terminology was consistent, some respondents tended to generate novel (and unintended) interpretations based on their selective focus on details that seemed to fit their own corporate structure, which often resulted in incorrect responses. It should be noted, though, that the diagrams worked well for simpler questions describing less-complicated ownership structures. See Tuttle and Morrison (2006) for a detailed description of this portion of the project.

Certain items in the new sections created from key instructions proved difficult for respondents to comprehend – specifically, questions intended to convey FDI requirements for identifying and consolidating affiliated entities. Certain complicated and less common ownership conditions were difficult to reduce to key criteria, and became overly complicated when incorporated into questions. Although it was important to be able to clearly and simply describe these specific ownership conditions for the purposes of FDI reporting, in reality they apply only to a small minority of companies and were therefore confusing to most respondents. Also, while we found that most of the diagrams accompanying items in the new sections were fairly clear and were correctly interpreted by most respondents, the diagrams were unable to clarify the difficult questions, and only added to the confusion. These questions and their

accompanying diagrams were extensively revised and refined. They were ultimately retained in the redesigned quarterly BE-605 form, but in one section of the annual form test draft, the series of questions and diagrams was abandoned for an alternative strategy using a single question and more elaborate instructions.

Overall, the cognitive testing stage was considered a success. This stage informed the development of a complete, redesigned BE-605 form. The survey methodologists at the Census Bureau collaborated closely with BEA survey program personnel and with questionnaire design staff to resolve issues associated with untested portions of the form, and we proceeded to the next phase, evaluating a redesigned BE-605 form in a pilot test.

The redesigned BE-605 form that is now in production can be downloaded from BEA's website:

<http://bea.gov/surveys/pdf/be605web.pdf>. Note that on this version, background shading was removed in order to facilitate cleaner faxed copies, with the result that the white response fields do not stand out against the white page. With the exception of the removal of the background shading and some minor changes made following the pilot test, this is the version we evaluated in the final stage of the project.

2.3 Phase 3 – Pilot Test of BE-605

For the pilot test, BEA selected a sub-sample of companies to receive the redesigned BE-605 form as part of the regular data collection process, while the rest of the survey sample received the legacy form. Special processing procedures were put in place to facilitate comparison of returned pilot forms with the returned legacy forms, and we conducted several different qualitative and quantitative analyses of the pilot test.

The pilot form was mailed to a sub-sample of 657 current respondents to the legacy BE-605 survey, in June 2006. After eliminating ASTAR respondents, the pilot sample was selected using a random process featuring unequal probabilities of selection. This effectively created a moderate preference for selection of newer firms from large countries and industries of greater economic activity.

A letter included with the mail-out advised respondents that completing the pilot version of the form was voluntary, but if they decided not to do so they would still be required by law to respond to the survey using the old form, which they would have to request from BEA or download from BEA's website. Approximately 350 completed pilot forms were returned, a response rate of 53.8%.

We performed two types of evaluation of the pilot test. First, shortly after completed forms began returning to BEA, we conducted 23 respondent debriefing interviews (13 in person and 10 via telephone). The information from respondents at this stage largely echoed the findings from earlier testing. Most respondents had favorable impressions of the new form and the new design features. Most preferred the reformatted instructions, found the diagrams helpful, and thought the letter-sized pages were easier to handle. Some respondents cited drawbacks to the new form: Several noted that the redesigned form was longer, and a few said that the stapled booklet format made the new form harder to fax. While these qualitative evaluations are not statistically verifiable, they suggest that the redesign was favorably received and that it reduces the burden of completing the form.

Most respondents thought that the pilot form took longer to complete than the regular form, although this appears to be the result of their inexperience with the new format. Virtually all respondents reported that they completed the pilot form by looking at it side-by-side with their previous quarter BE-605 report and mapping the latter's items to the new locations and numbering on the redesigned form. Once they make this adjustment and completing the new form becomes routine then it should not take any longer to complete, since none of the substantive questions were changed and the new questions are few and relatively simple to answer.

Some of the perceived increase in time of completion may have reflected time spent reading the instructions, which now were placed beside and within questions rather than being grouped together in a more easily ignored booklet. Those who said they read the instructions tended to do so because they wanted to confirm either that the content of the form had not changed or that they remembered how to complete specific items correctly. In so doing, a

few respondents (even those with considerable prior experience in completing the BE-605) reported finding instructions that they had not seen before. Therefore, we tentatively conclude that the accessibility of instructions will make some respondents more likely to take the time to read them, and that data quality will improve as a result. It should be noted that the burden associated with reading instructions – at the interpretation stage of the response process – tends to occur when respondents receive the first form for a particular survey (economic surveys tend to be panel surveys). Once they comprehend the specific data requests of a new survey, they document and establish retrieval routines that reduce the necessity of remembering and/or interpreting the requests anew with each subsequent survey form they receive. Once this initial effort has been invested, retrieving data for later reports becomes routine and less burdensome. Insofar as some respondents read the pilot form's instructions and altered their reporting routines, they will not necessarily have to make a similar investment of time and effort in the future.

The next evaluation we performed involved the addition of four debriefing questions to the back of the questionnaire, which asked respondents for their opinions on the new look and formatting of the form, the insertion of instructions and diagrams into the form, and the ease or difficulty of completing the pilot form compared to the legacy form (see Table 1). The number of responses to these questions ranged from 279 to 290. Generally, the feedback received from the debriefing questions was positive. Unfortunately, we were not able to conduct statistical tests to assess the significance of the responses to the evaluation questions or to make inferences to the BE-605 sample at large, partly due to the complexity of the survey methodology.

The first question asked respondents which location they preferred for instructions: 79% of these respondents preferred to have the instructions near the questions, as they were presented in the pilot form, compared to 18% indicating they preferred a separate document, as in the original BE-605.

The next question asked respondents about their preferences when it came to the trade-off between the more spread-out arrangement of the new form and the correspondingly greater number of pages. 48.7% of respondents to this

question preferred more open space and more pages, while 47% preferred less open space and fewer pages. It would appear that the numbers of respondents to the question preferring the current form or the pilot form are about the same, although in the absence of a statistical test it is not possible to draw a definitive conclusion.

The third question asked respondents for feedback on the helpfulness of the "organization chart" diagrams added to certain items in the form. Nearly two-thirds of the respondents who answered this question, 65.4%, said the organizational charts were "very helpful" or "somewhat helpful," while only a small proportion, 3.9%, found the charts "confusing." The evidence supports retaining the organizational charts in future iterations of the questionnaire.

In the fourth question, respondents were asked about the ease or difficulty in completing the pilot questionnaire compared with the usual BE-605. Again, respondents were split. 50.5% of the respondents said the pilot form was "a little harder" or "much harder" than the usual questionnaire, while 42.5% said it was "a little easier" or "much easier." Although more respondents to this question reported that completing the pilot form was harder, in the absence of a statistical test it is not clear whether the difference in the numbers reporting one way or the other is significant. As noted above, many respondents said that this additional difficulty arose from the new format, which broke their usual reporting routine. Once they have adapted to the new form, the burden associated with the new form should be no greater than that of the original. Additionally, some respondents noted in an open-ended remarks section placed with the debriefing questions that this was the reason they said the pilot was "harder" than the usual form; they also said that as they become more familiar with the new form (and establish new reporting routines), it would become easier. Other comments from respondents to the open-ended remarks section indicated that the letter-sized paper was well received. From the debriefing questions, we tentatively conclude that self-reported perceptions concerning the pilot questionnaire were generally positive, or, at least, not necessarily different from the current BE-605.

3. Conclusions

Over the course of the nearly three years of this project we covered a wide range of survey questionnaire research topics, many particulars relevant to the BE-605 but informing and shaping our own knowledge and views of establishment surveys in general. In summarizing this paper, however, we will focus on only a few major findings and key conclusions.

Diagrams like the organizational charts we incorporated into the BE-605 may be useful in aiding the interpretation of questions, but they should be used with caution and extensively tested. Their intuitiveness can be as much a disadvantage as an asset, and respondents may find ambiguities and alternative interpretations even when details of labeling are consistent with the questions they accompany. In the end, we concluded that the diagrams may be a helpful supplement to a question but are no substitute for a complex or poorly worded one.

We draw a more favorable conclusion from our use of embedded instructions. Placing critical instructions, even detailed and lengthy ones, near questions rather than in a separate section or booklet increases the likelihood that respondents will read them and improves the quality of reported data. This appears to be true both for respondents who are new to the form as well as some who have established reporting routines. In the case of the latter the embedded instructions may lead to the correction of reporting errors perpetuated by reporting routines that are not otherwise evaluated and revised by respondents.

Although adopting a more open, easy-to-read format and embedding instructions within and adjacent to survey items will appreciably increase the size of a questionnaire in terms of the number of pages, it may not necessarily increase the perceived burden or affect the likelihood of completing the form. Evidence suggests that, while respondents may be as likely as not to prefer a shorter form over a longer one, the increased page length may be an acceptable trade-off for a more user-friendly form.

The field of establishment survey methodology poses particular challenges for its practitioners because of its position between two distinct and nearly unrelated areas: business financial accounting on one side, and economics on the

other. Our role as methodologists at this intersection is often to bridge the gap between the two, and the authors' involvement in this project was especially challenging because of the concepts underpinning the BE-605 survey. Recognizing this fact early on, the designers of the project went to great lengths to attempt to establish a thorough understanding of the intentions of the survey designers and the problems faced by the analysts in the course of data collection as they saw them. As we gained this knowledge from survey insiders (a process which never really ended), we then took up the task of understanding the perspectives of respondents to learn where were the disconnects between the two systems of knowledge, in order to address these gaps systematically in our redesign and attempt to bridge them. The strength of our redesign lies in the multiple, complementary, and to some degree redundant methods of learning about the problem and of devising, evaluating, and modifying solutions. We recommend the use of multiple methods when developing or revising establishment surveys to the extent that a survey program's budget and resources allow.

Part of the success of this project lies in the confidence with which the survey managers put the redesigned form into production. Our role as researchers was to use our experience and knowledge of survey methodology to tap into survey programmers' knowledge by asking questions and relying heavily on their knowledge in the redesign of the form. In the process, the survey managers and some analysts were able to participate in the investigative and testing process and see the survey from respondents' perspectives, and understand their difficulties. Their first-hand experience with both the problems inherent in the original questionnaire, seen in new light, and the opportunities offered by the redesign process, led to the survey staff's full engagement as collaborators in the process rather than mere clients awaiting delivery of the final product. They were indispensable partners in the process, and have begun data collection with the new instrument with full confidence in and in full ownership of the questionnaire.

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Figures and Tables

Figure 1. BE-605 legacy form, page 1. (not shown actual size, which is 8 1/2 X 14")

PART I		IDENTIFICATION				PART II											
FORM BE-605		REGISTRATION INFORMATION				REGISTRATION ONLY											
TRANSACTIONS OF U.S. AFFILIATE, EXCEPT A U.S. BANKING AFFILIATE, WITH FOREIGN PARENT		1. Reporting office address	2. Fiscal year	3. Type	4. Month (or quarter) ending	5. Office of origin			6. Office of destination			7. Office of collection			8. Office of processing		
<p>TRANSACTIONS OF U.S. AFFILIATE, EXCEPT A U.S. BANKING AFFILIATE, WITH FOREIGN PARENT</p> <p>MANDATORY CONFIDENTIAL QUARTERLY REPORT</p>		<p>1. Reporting office address</p> <p>2. Fiscal year</p> <p>3. Type</p> <p>4. Month (or quarter) ending</p>				<p>5. Office of origin</p> <p>6. Office of destination</p> <p>7. Office of collection</p> <p>8. Office of processing</p>											
<p>MACROBANK (Transmittal to include quarterly data)</p> <p>MACRO (U.S. Department of Commerce, Bureau of Economic Analysis, BE-605) Washington, DC 20540</p> <p>MACRO (U.S. Department of Commerce, Bureau of Economic Analysis, BE-605) Treasury and Economic Section, BE-605 Washington, DC 20505</p>		<p>9. U.S. affiliate identification (a) - Month (2) and (b) - U.S. affiliate identifying number (not to be used for U.S. affiliates)</p> <p>10. Is the affiliate a U.S. business operating only as a limited partnership, real estate, etc.</p> <p>11. Name of foreign parent of U.S. affiliate - The design portion in the first portion contains the CFI, which includes the filing (registration) number, commencing in the U.S. affiliate can be obtained from the U.S. affiliate.</p> <p>12. Country of foreign parent of U.S. affiliate</p>				<p>13. Foreign parent's direct equity in U.S. affiliates</p> <p>14. Total balance sheet items, U.S. affiliates and foreign parent</p> <p>15. Transactions between foreign parent and U.S. affiliates - See Special instructions.</p> <p>16. Transactions between foreign parent and persons other than U.S. affiliates - See Special instructions.</p> <p>17. U.S. parent other than the U.S. affiliate</p> <p>18. All foreign parents</p> <p>19. U.S. parent other than the U.S. affiliate</p> <p>20. All foreign parents</p> <p>21. Total change due to foreign parent's equity in U.S. affiliates</p> <p>22. Transactions between foreign parent and U.S. affiliates - See Special instructions.</p> <p>23. Transactions between foreign parent and persons other than U.S. affiliates - See Special instructions.</p> <p>24. Transactions between foreign parent and U.S. affiliates - See Special instructions.</p>											
<p>NOTE - Items 7 to 12 should, complete only Part II and III for report direct transactions of U.S. affiliate identified in item 1 with the foreign parent in Part II, as applicable. Do not duplicate entries as provided in the BE-605 report for the U.S. affiliate identified in item 1. If item 8 is checked, see paragraph 2 of the General Reporting by U.S. Affiliates.</p> <p>DEFINITIONS - Foreign parent according to U.S. generally accepted accounting principles for those of the U.S. affiliate, except in Part II, where items 20-21 are to be reported under conditions of the transaction. Based on information from the reporting office form. MACRO and MACRO are to be reported as "Other" if not available.</p>		<p>13. Foreign parent's direct equity in U.S. affiliates</p> <p>14. Total balance sheet items, U.S. affiliates and foreign parent</p> <p>15. Transactions between foreign parent and U.S. affiliates - See Special instructions.</p> <p>16. Transactions between foreign parent and persons other than U.S. affiliates - See Special instructions.</p> <p>17. U.S. parent other than the U.S. affiliate</p> <p>18. All foreign parents</p> <p>19. U.S. parent other than the U.S. affiliate</p> <p>20. All foreign parents</p> <p>21. Total change due to foreign parent's equity in U.S. affiliates</p> <p>22. Transactions between foreign parent and U.S. affiliates - See Special instructions.</p> <p>23. Transactions between foreign parent and persons other than U.S. affiliates - See Special instructions.</p> <p>24. Transactions between foreign parent and U.S. affiliates - See Special instructions.</p>				<p>13. Foreign parent's direct equity in U.S. affiliates</p> <p>14. Total balance sheet items, U.S. affiliates and foreign parent</p> <p>15. Transactions between foreign parent and U.S. affiliates - See Special instructions.</p> <p>16. Transactions between foreign parent and persons other than U.S. affiliates - See Special instructions.</p> <p>17. U.S. parent other than the U.S. affiliate</p> <p>18. All foreign parents</p> <p>19. U.S. parent other than the U.S. affiliate</p> <p>20. All foreign parents</p> <p>21. Total change due to foreign parent's equity in U.S. affiliates</p> <p>22. Transactions between foreign parent and U.S. affiliates - See Special instructions.</p> <p>23. Transactions between foreign parent and persons other than U.S. affiliates - See Special instructions.</p> <p>24. Transactions between foreign parent and U.S. affiliates - See Special instructions.</p>											

Figure 2. Formatting of redesigned BE-605. Embedded instructions (left page and top right) adjacent to item (lower right).

Instructions for Part III

Foreign Parent's Direct Equity Share in the U.S. Affiliate, as Consolidated

10 A. Report the amount that represents the foreign parent's share, based on its directly held equity interest, in the U.S. affiliate's net income (including the foreign parent's share of the U.S. affiliate's net income) for the quarter and for the year. Do not include any addition for U.S. withholding taxes on dividends, but after the provision for U.S. Federal, state, and local income taxes.

- U.S. withholding taxes on dividends should report net income, after U.S. withholding taxes, except changes representing the provisions of the actual cost of capital assets.

10 B. Please read the following instructions carefully as they also apply to accountants' reports and in some cases may deviate from what is normally required by U.S. Generally Accepted Accounting Principles.

10 C. Include gains (losses) resulting from:

- Sale or other disposition of financial assets, including investment securities, FAS 110 trading gains (losses) or securities classified as trading securities, and FAS 115 investment assets. (Include in this line interest income (including accrued interest, coupons, dividends, and other financial instruments) and finance and investment expenses, see special instructions below.)
- Sale or disposition of land, other property, plant and equipment, or other assets, and FAS 144 treatment losses. Do not include gains (losses) from the sale of minority assets in the ordinary course of business or business real estate companies, see special instructions below.
- Goodwill impairment as defined by FAS 142.
- Restructuring costs that affect with-cash or with-stocks or both. Do not include costs of payments, or charges to establish reserves for future small payments, such as for severance pay, and loss of accounts, patents, copyrights, or other intangibles.
- Deposits of discontinued operations. Do not include income from the operations of a discontinued segment. Report such income in Item A.
- Reversals of the U.S. affiliate's foreign currency-denominated assets and liabilities due to changes in foreign exchange rates during the reporting period.
- Extraordinary, unusual, or infrequently occurring items that are not included in the foreign parent's consolidated financial statements, but which are included in the U.S. affiliate's consolidated financial statements. Do not include foreign currency translation adjustments, import/export adjustments in Item C.

10 D. Include, per FAS 110, unrealized holding gains (losses) for available-for-sale securities (including those classified as current assets), held-for-trading securities, and financial liability adjustments, after provision for U.S. Federal, state, and local income taxes. Do not include foreign currency translation adjustments, import/export adjustments in Item C.

10 E. Special instructions for dealers in financial instruments (including securities, contracts, derivatives, and other financial instruments), finance companies, and insurance companies:

Include in Item 81:

- realized gains (losses) on trading or dealing income statement;
- unrealized gains (losses) due to changes in the valuation of financial instruments that flow through the income statement;
- realized gains (losses) due to changes in the valuation of financial instruments that are taken to other comprehensive income.

Do not include income from sales and commissions in Items 81 or 82, import/lease and commissions in Item A, Special instructions for real estate companies – Report gains (losses) from the sale, disposition, or redemption of land, other property plant and equipment, or other assets as follows:

- Include selling gains (losses) from the sale of real estate in the ordinary course of trade or business in Item A; do not include these gains (losses) in Item 81 or 82.
- Include impairment losses of long-term assets, as defined by FAS 121, and accretions during the period, in Item A and 81.

Instructions for Part III

Foreign Parent's Direct Equity Share in the U.S. Affiliate, as Consolidated – Continued

10 C. Report foreign parent's share of the foreign currency translation adjustment resulting from the revaluation of the foreign affiliate's financial statements from the affiliate's functional currency rate to U.S. dollars in accordance with FAS 52 or other current standards of the Financial Accounting Standards Board.

10 D. Report dividends as of the date they were declared or paid, or those of any U.S. tax withheld. Any subsequent sale or payment of dividends declared but not paid (P-D-I-D) NOT to be reported a second time, but should be reflected only as a restriction in **Item V** Item 81.

10 E. Exclude stock and liquidating dividends. Report liquidating dividends in **Section** Item 81. Report gross amounts of earnings distributed by unincorporated U.S. affiliates, whether out of current or past earnings.

Part III – Foreign Parent's Direct Equity Share in the U.S. Affiliate, as Consolidated

- Report Items 10 A-D on a quarterly basis, NOT on a cumulative or year-to-date basis.
- Use the column headed Preceding Quarter (if revised) to correct data that were incorrect or not given in the preceding quarter.
- Do not delay filing because current quarter data are not available. Estimates may be used where necessary to file this report.
- Do not complete this section if the foreign parent only holds an affiliate's equity interest in the U.S. affiliate, accounts in clearing the U.S. affiliate's equity accounts are part of another reporting U.S. affiliate's consolidated report.

10 What is the foreign parent's share of:

A. The U.S. affiliate's quarterly net income (less) after _____ at _____ per _____

B. Corporation and unincorporated gains (losses) after _____ at _____ per _____

C. The CHANGE in the translation adjustment account _____ at _____ per _____

D. Dividends on common and preferred stock _____ at _____ per _____

E. Exchange distributed by unincorporated U.S. affiliate? _____ at _____ per _____

F. U.S. tax withheld on dividends from _____ at _____ per _____

G. The net amount of (gross/estimated) dividends _____ at _____ per _____

	Current Quarter		Preceding Quarter	
	At	Per	At	Per
A.	000	000	000	000
B.	000	000	000	000
C.	000	000	000	000
D.	000	000	000	000
E.	000	000	000	000
F.	000	000	000	000
G.	000	000	000	000

Figure 3. Formatting of redesigned BE-605. Consolidation instructions presented as survey items, with embedded instructions and organizational chart diagrams.

Part I – Rules for Consolidating the U.S. Affiliate

5 Has the organizational structure of this U.S. affiliate changed since the previous quarter?

³⁰³ 1 Yes – Please provide a chart showing the new organizational structure if available.

2 No

6 Does this U.S. affiliate (as an individual entity) hold, either directly or indirectly, a MAJORITY voting interest (over 50 percent) in any non-banking U.S. business enterprises?

³⁰⁴ 1 Yes –

- **Consolidate** those enterprises in this report with the exception noted below.
- **DO NOT consolidate** any U.S. business enterprises in which a direct ownership interest and an indirect ownership interest are held by DIFFERENT foreign entities. **Report** this U.S. affiliate's interest in such enterprises on an equity basis, even if it is more than 50 percent. These enterprises must file their own Form BE-605 unless they qualify for exemption.

2 No

7 Does this U.S. affiliate hold, either directly or indirectly, a voting interest from 10 to 50 percent in any U.S. business enterprises?

³⁰⁵ 1 Yes – **Do not consolidate** such enterprises in this report. **Report** this U.S. affiliate's interest in such enterprises on an equity basis, **OR** in accordance with FAS 115 if owned less than 20 percent. These enterprises must file their own Form BE-605 unless they qualify for exemption.

2 No

8 Does this U.S. affiliate own, either directly or indirectly, any foreign business enterprises?

³⁰⁶ 1 Yes – **Do not consolidate** foreign business enterprises in this report. **Report** U.S. affiliate's interest in foreign operations on an equity basis, **OR** in accordance with FAS 115 if owned less than 20 percent.

2 No

```

graph TD
    A[This U.S. affiliate] -- ">50%" --> B[U.S. business - Consolidate in this report.]
    C[This U.S. affiliate] -- "10 to 50%" --> D[U.S. business - Do not consolidate in this report.]
    E[This U.S. affiliate] --> F[Foreign businesses - Do not consolidate in this report.]
    
```

Table 1. Responses to evaluation questions included in pilot test draft.

	Frequency	%
1. This form put instructions near the questions, while the usual BE-605 put them in a separate document. In which location do you prefer to find the instructions?		
Near the questions, like this form	230	79.3
In a separate document, like the usual BE-605	53	18.3
Not applicable — I haven't completed the usual BE-605	7	2.4
Total item responses	290	100.0
2. This form has more open space than the usual BE-605, and it requires more pages. The usual BE-605 has less open space and requires fewer pages. Which arrangement do you prefer?		
More open space and more pages, like this form	136	48.7
Less open space and fewer pages, like the usual BE-605	131	47.0
Not applicable — I haven't completed the usual BE-605	12	4.3
Total item responses	279	100.0
3. This form used small organizational charts in questions 6 through 14. Which of the following statements best reflects how well these charts aided your understanding of the corresponding questions?		
The charts were somewhat or very helpful.	185	65.4
The charts helped only a little.	33	11.7
The charts were confusing.	11	3.9
I did not need the charts to help me understand the question.	51	18.0
Total item responses	283	100.0
4. How much harder or easier was it to complete this form compared with the usual BE-605?		
A little or much harder	145	50.5
A little or much easier	122	42.5
Not applicable — I haven't completed the usual BE-605	20	7.0
Total item responses	287	100.0