

For calendar year 1994 or other tax year beginning 1994, and ending, 19

1994

Department of the Treasury
Internal Revenue Service

▶ Instructions are separate. Please type or print.

A Country or U.S. possession of incorporation (See page 6 of the instructions.)	Name	C Employer identification number
B Check type of election made: <input type="checkbox"/> FSC <input type="checkbox"/> Small FSC Enter the effective date of the election:	Number, street, and room or suite no. (See page 6 of the instructions.)	D Date incorporated
	City or town, state, ZIP code, or country	E Total assets (see instructions) \$

F Check applicable boxes: (1) Initial return (2) Final return (3) Change of address (4) Amended return

1 Principal shareholder. Complete for the shareholder that at the beginning of the FSC tax year was the principal shareholder. If two or more shareholders own equal amounts of stock, complete for the shareholder that has the same tax year as the FSC (see instructions).

a Name	b Identifying number
c Address (number, street, and room or suite no., city or town, state, ZIP code, or country)	d Total assets (corporations only) \$
e Percentage of voting stock of the principal shareholder	f Tax year ends (month and year)
g Service Center where return is filed	h Foreign owner (check one) <input type="checkbox"/> Yes <input type="checkbox"/> No

2 Parent-subsidiary controlled group. Is the FSC a subsidiary in a parent-subsidiary controlled group? ▶ Yes No
If "Yes," and the principal shareholder (described in 1 above) is not the common parent of the group, complete lines 2a through 2g below for the common parent (see instructions).

a Name of common parent	b Identifying number
c Address (number, street, and room or suite no., city or town, state, ZIP code, or country)	d Total assets (consolidated, if applicable) \$
e Percentage of voting stock of the common parent	f Tax year ends (month and year)
g Service Center where return is filed	

3 Administrative pricing rules

a Check the appropriate box(es) to indicate the pricing rule(s) used in determining the taxable income on transactions resulting in foreign trading gross receipts.
 (1) 1.83% of foreign trading gross receipts (2) 23% of combined taxable income (3) Marginal costing
 (4) Section 482 method (5) Transactions at arm's length with unrelated supplier(s)

b Check the box if the FSC and the related supplier(s) have met the payment requirements of Temporary Regulations section 1.925(a)-1T(b)(2)(ii) and they elect to use the administrative pricing rules ▶

Tax and Payments

1 Total tax (Schedule J, line 8)		1	
2 Payments:			
a 1993 overpayment credited to 1994	2a		
b 1994 estimated tax payments	2b		
c Less 1994 refund applied for on Form 4466	2c ()	d Bal ▶	2d
e Tax deposited with Form 7004			2e
f Credit for Federal tax paid on fuels (attach Form 4136).			2f
g U.S. income tax paid or withheld at source (attach Form 1042-S)			2g
h Add lines 2d through 2g			2h
3 Estimated tax penalty (see instructions). Check if Form 2220 is attached. ▶ <input type="checkbox"/>			3
4 Tax due. If line 2h is smaller than the total of lines 1 and 3, enter amount owed			4
5 Overpayment. If line 2h is larger than the total of lines 1 and 3, enter amount overpaid			5
6 Enter amount of line 5 you want: Credited to 1995 estimated tax ▶		Refunded ▶	6

Please Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____ Title _____

Paid Preparer's Use Only

Preparer's signature _____ Date _____ Check if self-employed Preparer's social security no. _____

Firm's name (or yours if self-employed) and address _____ E.I. No. _____

ZIP code _____

Schedule A Cost of Goods Sold Related to Foreign Trading Gross Receipts (See instructions.)

	(a) Using administrative pricing rules	(b) Not using administrative pricing rules
1 Inventory at beginning of year	1	
2 Purchases	2	
3 Cost of labor	3	
4 Additional section 263A costs (attach schedule)	4	
5 Other costs (attach schedule)	5	
6 Total. Add lines 1 through 5	6	
7 Inventory at end of year	7	
8 Cost of goods sold. Subtract line 7 from line 6. Enter here and on line 7 of Schedule B. Small FSCs, see instructions for Schedule A	8	

- 9a** Check all methods used for valuing closing inventory: Cost Lower of cost or market
 Writedown of subnormal goods Other (Specify and attach explanation.) ▶
- b** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) . . . ▶
- c** If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9c** | |
- d** Do the rules of section 263A (for property produced or acquired for resale) apply to the FSC? Yes No
- e** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

Additional Information (See instructions.) **Note:** *Small FSCs, skip questions 7g, 8, and 9.*

	Yes	No
1 Refer to page 12 of the instructions and enter the principal: a Business activity code no. ▶		
b Business activity ▶ c Product or service ▶		
2 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$		
3 Was the FSC at any time during the tax year engaged in a trade or business in the U.S.?		
4 Is the FSC a foreign personal holding company or a personal holding company? (See instructions.)		
5 Check if the FSC has an NOL for the tax year and is electing under sec. 172(b)(3) to forego the carryback period ▶ <input type="checkbox"/>		
6 Enter the available NOL carryover from prior tax years. (Do not reduce it by any deduction in Schedule B, Part II, line 19a.) ▶ \$		
7 FSC qualification requirements (See pages 1 and 2 of the instructions.):		
a Enter the largest number of shareholders the FSC had at any time during the tax year ▶		
b Did the FSC have any preferred stock outstanding at any time during the tax year?		
c During the tax year, did the FSC maintain an office in a qualifying foreign country or U.S. possession (see instructions), in which a complete set of books and records was maintained?		
d During the tax year, did the FSC maintain the records required under section 6001 at a location within the U.S.?		
e At all times during the tax year, did the FSC have at least one non-U.S. resident on its board of directors? . . .		
f Small FSCs: Check the applicable box if during the tax year the small FSC was a member of a controlled group of corporations that included a <input type="checkbox"/> DISC or a <input type="checkbox"/> FSC.		
g Check the applicable box if during the tax year the FSC was a member of a controlled group of corporations that included a <input type="checkbox"/> DISC or a <input type="checkbox"/> small FSC.		
8 Foreign management requirements (not for small FSCs):		
a Did all formally convened meetings of the board of directors and of the shareholders occur outside the U.S.?		
b Principal bank accounts:		
(1) Were all cash dividends, legal and accounting fees, salaries of officers, and salaries or fees of members of the board of directors disbursed from bank accounts maintained outside the U.S.? (If "Yes," these accounts are considered to be the FSC's principal bank accounts.)		
(2) At all times during the tax year, did the FSC maintain its principal bank accounts in a qualifying foreign country or U.S. possession? (See instructions.)		
Name of bank(s) ▶ Account number(s) ▶		
9 Foreign economic process requirements (not for small FSCs):		
a Check the applicable box to make the annual election to group sales activities (Regulations section 1.924(d)-1(c)(5)): <input type="checkbox"/> Customer grouping <input type="checkbox"/> Contract grouping <input type="checkbox"/> Product or product line grouping <input type="checkbox"/> Product or product line subgroupings		
b Check the applicable box(es) to indicate how the FSC met the foreign direct costs requirement (see instructions): <input type="checkbox"/> The FSC (or any person under contract with the FSC) met the 50% test of section 924(d)(1). <input type="checkbox"/> The FSC (or any person under contract with the FSC) met the alternative 85% test of section 924(d)(2). Check to indicate the activity number listed in section 924(e) for which this alternative test was met: (1) <input type="checkbox"/> (2) <input type="checkbox"/> (3) <input type="checkbox"/> (4) <input type="checkbox"/> (5) <input type="checkbox"/>		
c If box (5) in Item 9b is checked, enter which of the five methods listed in Regulations section 1.924(e)-1(e)(1) (i) through (v) describes how the risk is to be borne by the FSC ▶		
d Check the applicable box to elect under Regulations section 1.924(d)-1(e) to group foreign direct costs on one of the following bases: <input type="checkbox"/> Customer grouping <input type="checkbox"/> Contract grouping <input type="checkbox"/> Product or product line grouping		

Schedule B Taxable Income or (Loss) (See instructions.)

Part I—Net Income Attributable to Nonexempt Foreign Trade Income

		(a) Using administrative pricing rules		(b) Not using administrative pricing rules	
1	Sale, exchange, or other disposition of export property. (Enter only 50% of military property sales. Enter the other 50% on Schedule F, line 1.)				
2	Lease or rental of export property for use outside the U.S.				
3	Services related and subsidiary to:				
a	Sale, exchange, or other disposition of export property. (Enter only 50% of services related to the sale or other disposition of military property. Enter the other 50% on Schedule F, line 1.)				
b	Lease or rental of export property				
4	Engineering or architectural services for construction projects outside the U.S.				
5	Managerial services for an unrelated FSC or DISC				
6	Total foreign trading gross receipts:				
a	Add lines 1 through 5. (Small FSCs, complete lines 6b through 6h.)	6a			
b	Small FSC limitation (section 924(b)(2)(B))	6b	\$5,000,000	00	
c	Controlled group member's share of line 6b	6c			
d	Enter 1. (For a short tax year: Divide the number of days in the short tax year by the number of days in the full tax year, and enter as a decimal less than 1.00000.)	6d			
e	Multiply line 6b or line 6c (whichever applies) by line 6d	6e			
f	Enter the total of line 6a, columns (a) and (b). (If commission income is included on line 6a, see special computation rule in the instructions for line 6f.)	6f			
g	Enter the smaller of line 6e or line 6f	6g			
	Note: If line 6f exceeds line 6e, enter the excess on line 7 of Schedule F. See the instructions for line 6h if commission income is involved.				
h	Allocate the amount from line 6g to columns (a) and (b).	6h			
7	Cost of goods sold (Schedule A, line 8). (Small FSCs, enter only the part of cost of goods sold from the receipts on line 6h above. See instructions for Schedule A.)	7			
8	Foreign trade income. Subtract line 7 from line 6a or line 6h (whichever applies)	8			
9a	Exemption percentage from Schedule E, line 3d	9a		%	
b	Exemption percentage from Schedule E, line 2d	9b			%
10	Exempt foreign trade income. Multiply line 8 (column (a)) by line 9a and line 8 (column (b)) by line 9b	10			
11	Nonexempt foreign trade income. Subtract line 10 from line 8	11			
12	Deductions attributable to nonexempt foreign trade income. Enter amount from Schedule G, line 18	12			
13	Net income attributable to nonexempt foreign trade income. Subtract line 12 from line 11	13			
14	Net income attributable to nonexempt foreign trade income from Schedule F, line 6	14			
15	Total net income attributable to nonexempt foreign trade income. Add lines 13 and 14	15			

Part II—Taxable Income or (Loss)

16	Taxable income from foreign trade income. Enter total of line 15, columns (a) and (b), minus any nontaxable income included in line 15, column (b). Attach a schedule that shows the computation of the taxable part of line 15, column (b).	16			
17	Taxable nonforeign trade income from Schedule F, line 19	17			
18	Taxable income or (loss) before net operating loss deduction and dividends-received deduction. Add lines 16 and 17.	18			
19a	Net operating loss deduction (attach schedule)	19a			
b	Dividends-received deduction (attach schedule)	19b			
c	Add lines 19a and 19b.	19c			
20	Taxable income or (loss). Subtract line 19c from line 18. (See instructions for Schedule J to figure the tax on this income.)	20			

Schedule E Percentages Used in Figuring Exempt Foreign Trade Income—Sections 923(a)(2) and (3), and 291(a)(4)

Note: *If all shareholders of the FSC are C corporations, enter .30000 on line 2d and .65217 on line 3d and skip all other lines. If all shareholders are other than C corporations, enter .32000 on line 2d and .69565 on line 3d and skip all other lines.*

1	Percentage (round to five decimal places) of voting stock owned by shareholders that are C corporations	1	
2	Exemption percentage for foreign trade income determined without regard to administrative pricing rules:		
a	Difference between section 923(a)(2) and section 291(a)(4)(A) percentage	2a	.02000
b	Section 923(a)(2) percentage	2b	.32000
c	Multiply line 1 by line 2a	2c	
d	Exemption percentage. Subtract line 2c from line 2b. Enter here and on Schedule B, line 9b, and on Schedule G, line 16b	2d	
3	Exemption percentage for foreign trade income determined under administrative pricing rules:		
a	Difference between section 923(a)(3) fraction and section 291(a)(4)(B) fraction (16/23 – 15/23 = 1/23) shown as a decimal	3a	.04348
b	Section 923(a)(3) fraction (16/23) shown as a decimal	3b	.69565
c	Multiply line 1 by line 3a	3c	
d	Exemption percentage. Subtract line 3c from line 3b. Enter here and on Schedule B, line 9a, and on Schedule G, line 16a	3d	

Schedule F Net Income from Nonexempt Foreign Trade Income and Taxable Nonforeign Trade Income
(See instructions.)

Part I—Net Income from Nonexempt Foreign Trade Income

	(a) Using administrative pricing rules		(b) Not using administrative pricing rules	
	1	2	3	4
1	Enter 50% of total receipts from the sale, exchange, or other disposition of military property and related services. Note: <i>Enter the other 50% on lines 1 and 3a of Schedule B</i>			
2	International boycott income			
3	Illegal bribes and other payments			
4	Total. Add lines 1, 2, and 3			
5	Enter cost of goods sold and other costs related to above income (attach schedule)			
6	Net income from nonexempt foreign trade income. Subtract line 5 from line 4. Enter here and on Schedule B, line 14, columns (a) and (b)			

Part II—Taxable Nonforeign Trade Income

7	Small FSCs: If line 6f of Schedule B exceeds line 6e of Schedule B, enter the excess. (Include the deduction for cost of goods sold attributable to the excess on line 18 below.)	7	
8	Interest income	8	
9	Dividend income (attach schedule—see page 8 of the instructions)	9	
10	Carrying charges	10	
11	Royalties	11	
12	Other investment income	12	
13	Receipts excluded under section 924(f) on basis of use, subsidized receipts, and receipts from related parties.	13	
14	Income from excluded property under sections 927(a)(2) and (3)	14	
15	Income from transactions that did not meet the Foreign economic process requirements (page 2, item 9 of Additional Information). (See Foreign Trading Gross Receipts on page 1 of the instructions.)	15	
16	Other income	16	
17	Total. Add lines 7 through 16	17	
18	Enter deductions allocated or apportioned to line 17 income (attach schedule)	18	
19	Taxable nonforeign trade income. Subtract line 18 from line 17. Enter here and on Schedule B, line 17	19	

Schedule G Deductions Allocated or Apportioned to Foreign Trade Income Other than Foreign Trade Income Reported on Schedule F (See instructions for limitations before completing lines 1 through 14.)

	(a) Using administrative pricing rules		(b) Not using administrative pricing rules	
1 Foreign direct costs:				
a Advertising and sales promotion (section 924(e)(1))	1a			
b Certain processing and arranging costs (section 924(e)(2))	1b			
c Certain transportation costs (section 924(e)(3))	1c			
d Certain determination and transmittal costs (section 924(e)(4))	1d			
e Assumption of credit risk (section 924(e)(5))	1e			
f Add lines 1a through 1e	1f			
2 Advertising	2			
3 Interest	3			
4 Depreciation from Form 4562 (less any depreciation claimed elsewhere on this return) (attach Form 4562)	4			
5 Salaries and wages	5			
6 Rents	6			
7 Sales commissions	7			
8 Warehousing	8			
9 Freight	9			
10 Compensation of officers	10			
11 Bad debts (see instructions)	11			
12 Pension, profit-sharing, etc., plans	12			
13 Employee benefit programs	13			
14 Other deductions (attach list)	14			
15 Total. Add lines 1f through 14	15			
16a Exemption percentage from Schedule E, line 3d	16a		%	
b Exemption percentage from Schedule E, line 2d	16b			%
17 Deductions attributable to exempt foreign trade income. Multiply line 15, column (a) by line 16a and line 15, column (b) by line 16b	17			
18 Deductions attributable to nonexempt foreign trade income other than foreign trade income reported on Schedule F. Subtract line 17 from line 15. Enter here and on Schedule B, line 12, columns (a) and (b)	18			

Schedule J Tax Computation (See instructions.)

1 Check if the FSC is a member of a controlled group (see section 927(d)(4)) <input type="checkbox"/>				
2a If the box on line 1 is checked, enter the FSC's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):				
(1) \$ _____ (2) \$ _____ (3) \$ _____				
b Enter the FSC's share of:				
(1) Additional 5% tax (not more than \$11,750) \$ _____				
(2) Additional 3% tax (not more than \$100,000) \$ _____				
3 Income tax. Check this box if the FSC is a qualified personal service corporation as defined in section 448(d)(2). (See instructions on page 11.) <input type="checkbox"/>	3			
4 Foreign tax credit (attach Form 1118)	4			
5 Subtract line 4 from line 3	5			
6 Personal holding company tax (attach Schedule PH (Form 1120))	6			
7a Alternative minimum tax (attach Form 4626)	7a			
b Environmental tax (attach Form 4626)	7b			
8 Total tax. Add lines 5 through 7b. Enter here and on line 1, page 1	8			

Schedule L Balance Sheets	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash				
2a Trade notes and accounts receivable				
b Commissions receivable				
c Less allowance for bad debts	()		()	
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities (see instructions)				
6 Other current assets (attach schedule)				
7 Loans to stockholders				
8 Mortgage and real estate loans				
9 Other investments (attach schedule)				
10a Buildings and other depreciable assets				
b Less accumulated depreciation	()		()	
11a Depletable assets				
b Less accumulated depletion	()		()	
12 Land (net of any amortization)				
13a Intangible assets (amortizable only)				
b Less accumulated amortization	()		()	
14 Other assets (attach schedule)				
15 Total assets				
Liabilities and Stockholders' Equity				
16 Accounts payable				
17 Mtges., notes, bonds payable in less than 1 year				
18 Transfer prices payable				
19 Other current liabilities (attach schedule)				
20 Loans from stockholders				
21 Mtges., notes, bonds payable in 1 year or more				
22 Other liabilities (attach schedule)				
23 Capital stock				
24 Paid-in or capital surplus				
25 Retained earnings—Appropriated (attach schedule)				
26 Retained earnings—Unappropriated				
27 Less cost of treasury stock		()		()
28 Total liabilities and stockholders' equity				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return			
1 Net income (loss) per books		7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax		a Tax-exempt interest \$	
3 Excess of capital losses over capital gains		b Exempt foreign trade income \$	
4 Income subject to tax not recorded on books this year (itemize):			
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
a Depreciation \$		Depreciation \$	
b Deductions attributable to exempt foreign trade income \$			
c Travel and entertainment \$		9 Add lines 7 and 8	
6 Add lines 1 through 5		10 Taxable income (line 18, Schedule B)—line 6 less line 9	

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 26, Schedule L)			
1 Balance at beginning of year		5 Distributions:	
2 Net income (loss) per books		a Cash	
3 Other increases (itemize):		b Stock	
		c Property	
		6 Other decreases (itemize):	
4 Add lines 1, 2, and 3		7 Add lines 5 and 6	
		8 Balance at end of year (line 4 less line 7)	