

Title of course	M3.A Management Control Systems
Responsible instructor	Prof Dr Peter Schuster
Learning Objectives	<ul style="list-style-type: none"> • Understand the functions of transfer prices and cost allocations and the underlying conflict between coordination and profit allocation • Analyse cost-based, market-based and negotiated transfer prices (in different forms) and their suitability (in general) • Discuss market-based transfer prices in perfect and imperfect markets and the influence of synergies • Understand marginal cost-based transfer prices for optimum coordination while being aware of the need to consider the problem of incentives and dysfunctional behaviour in the proposed solution • See the distortion of cost structures as a major argument against the use of full costs; apply an agency model based on full costs to show that the optimum transfer price is above marginal costs and that market prices would interfere with the solution • Understand the applicability of multi-tier transfer prices for solutions possibly leading to optimum coordination • See dual transfer prices as an optional choice for solutions possibly leading to optimum coordination and understand any difficulties and problems arising • Discuss negotiated transfer prices as one type of transfer price • Learn how to share risk under uncertainty and see the resulting behavioural effects • Compare the ex post and the ex ante views on transfer prices • Show how to solve the capacity adjustment problem by the use of transfer prices and how to correct (i.e. punish) untruthful reporting by a specific transfer pricing mechanism • Discuss (in general) incorrect decisions caused by transfer prices, incorporating behavioural effects into the analysis of the decision problems and understand the effects resulting from asymmetric information • Determine optimum transfer prices in a NASH equilibrium • (In general:) Understand the effects resulting from asymmetric information and show potential misjudgements and incorrect decisions are caused by transfer prices
Course contents:	<p>Course outline:</p> <p>1. Transfer Prices and Decentralised Decision-Making</p> <p>2. Types of Transfer Prices</p> <p>2.1. Market-based Transfer Prices and Modified Market-based Transfer Prices</p>

	<p>2.2. Cost-based Transfer Prices</p> <p>2.2.1. Actual Versus Budgeted Cost-based Transfer Prices</p> <p>2.2.2. Marginal Cost-based Transfer Prices</p> <p>2.2.3. Full Cost-based Transfer Prices</p> <p>2.2.4. Cost-Plus Transfer Prices</p> <p>2.2.5. Multi-tier Transfer Prices</p> <p>2.2.6. Dual Transfer Prices</p> <p>2.3. Negotiated Transfer Prices</p> <p>3. Selected Further Aspects of Transfer Pricing</p> <p>3.1. Risk-Sharing</p> <p>3.2. Capacity Adjustment</p> <p>3.3. Strategic Transfer Prices</p> <p>4. Summary: Case Study Coordination of Pricing Decisions</p>
Teaching methods:	<ul style="list-style-type: none"> - lectures - exercises - hermeneutic discourses - maieutic discourses - discussion - self-study
Prerequisites	There are no formal requirements.
Suggested reading	<p>Literature</p> <ul style="list-style-type: none"> • Schuster, P., Heinemann, M., Cleary, P.: Management Accounting, Springer 2021 • Schuster, P.: Management Accounting & Management Control, USB Stick (latest version) • Schuster, P.: Transfer Prices and Management Accounting, Springer, 2015 • Schuster, P., Clarke, P.: Transfer Prices: Functions, Types and Behavioral Implications, in: Management Accounting Quarterly, Vol. 11, No. 2, p. 22-32 (2010) • Further references will be given during the classes.
Applicability	<p>This course is in particular applicable to the following courses of this Master programme: International Business and Economics (M.A.; "IBE"), Finance (M.Sc.)</p> <p>This course is also applicable to other business-oriented Master programmes offered by Schmalkalden University of Applied Sciences.</p>
Workload	<p>Total workload: 150 hours, of them:</p> <p>1) lecture: 45</p> <p>2) self-study: 105, of them:</p> <ul style="list-style-type: none"> - course preparation (in particular reading): 25 - follow-up: 25 - readings and exam preparation (including mid-term): 55

ECTS credit points and weighting factor	5 ECTS credit points; weighting factor: 5/120 (IBE) or 5/90 (Finance), respectively
Basis of student evaluation	Comprehensive written examination, 90 minutes (100%)
Time	First academic year
Frequency	Each academic year
Duration	One semester
Course type	Elective course
Remarks	Teaching language is English.