|  |  |
| --- | --- |
| Title of course | **M3.A Management Control Systems** |
| Responsible instructor | Prof Dr Peter Schuster |
| Learning Objectives | * 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: | **Course outline:**  **1. Transfer Prices and Decentralised Decision-Making**  **2. Types of Transfer Prices**  2.1. Market-based Transfer Prices and Modified Market-based Transfer Prices  2.2. Cost-based Transfer Prices  2.2.1. Actual Versus Budgeted Cost-based Transfer Prices  2.2.2. Marginal Cost-based Transfer Prices  2.2.3. Full Cost-based Transfer Prices  2.2.4. Cost-Plus Transfer Prices  2.2.5. Multi-tier Transfer Prices  2.2.6. Dual Transfer Prices  2.3. Negotiated Transfer Prices  **3. Selected Further Aspects of Transfer Pricing**  3.1. Risk-Sharing  3.2. Capacity Adjustment  3.3. Strategic Transfer Prices  **4. Summary: Case Study *Coordination of Pricing Decisions*** |
| Teaching methods: | - lectures  - exercises  - hermeneutic discourses  - maieutic discourses  - discussion  - self-study |
| Prerequisites | There are no formal requirements. |
| Suggested reading | **Literature**   * 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 | This course is in particular applicable to the following courses of this Master programme: International Business and Economics (M.A.; “IBE”), Finance (M.Sc.)  This course is also applicable to other business-oriented Master programmes offered by Schmalkalden University of Applied Sciences. |
| Workload | Total workload: 150 hours, of them:  1) lecture: 45  2) self-study: 105, of them:  - 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. |