

Elective course in the area **Accounting**

Management Control Systems

Teaching Load 2.5 hours per week

Kind of course Elective in Master Programme

ECTS Credit Points 5 = 150 hours

Lecture: • 38 hours

Self-study: • 112 hours

- 50 h: Preparation of exercises and case studies
- 62 h: Mandatory reading

Lecturer Prof. Dr. Peter Schuster

Course objective and Learning Outcomes

Learning Objectives:

- Understand the functions of transfer prices and the underlying conflict
- 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 the optimum coordination and the characteristics of the solution, in particular the problem of incentives and dysfunctional behavior
- 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 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 arising problems difficulties
- Discuss negotiated transfer prices as one type of transfer price

- Learn how to share risk under uncertainty and see the resulting behavioural effects
- Get an ex post and ex ante view on transfer prices
- Show how to solve the capacity adjustment problem by the use of transfer prices and how to punish untruthful reporting by specific transfer pricing mechanism
- Discuss (in general) wrong 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
- Understand the decision support and behaviour-guiding function of ratios
- Determine essential profitability and value-based ratios and critically analyse their management control effects
- Analyse the relation between company value and residual profit and cash value added
- Show the management control problems of long-term decisions with incentive systems based on short-term performance measures
- Present essential non-financial ratios and the Balanced Scorecard that integrates financial and non-financial ratios

Learning Outcomes:

Gaining an advanced understanding of international management accounting & management control systems, esp. of transfer pricing and performance measurement.

The course aims at providing a specific view on management control based on the behavioural guidance function of management accounting systems.

Topics	<p>I. Control Systems and Transfer Pricing</p> <ul style="list-style-type: none"> • Functions and of transfer prices • Market-based transfer prices • Cost-based transfer prices • Negotiated transfer prices • Risk sharing and behavioural effects • Control effects of transfer prices • Accounting Information and decision influencing in ex ante and ex post view • Capacity adjustment and ex ante control by transfer Prices • Case study: coordination of pricing decisions <p>II. Accounting Ratios and Performance Measurement</p> <ul style="list-style-type: none"> • Functions of ratios • Examples of profit and cash flow ratios
Literature	<ul style="list-style-type: none"> ➤ Ewert, R., Wagenhofer, A.; Schuster, P.: Management Accounting, Springer-Verlag, 2013 (forthcoming) ➤ Schuster, P.: Management Accounting & Management Control CD Rom (latest version) ➤ Schuster, P., Clarke, P.: Transfer Prices: Functions, Types and Behavioral Implications, in: Management Accounting Quarterly, Vol. 11, No. 2 (2010), p. 22-32
Teaching Methods	<ul style="list-style-type: none"> • Lectures • Discussions • Exercises and Case Studies
Grading	final exam (100%)
Language of Instruction	English