Managerial decisions related to transfer

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Inside decentralized organizations, the managerial control system belonging to different under units often uses transfer prices in order to coordinate the under units actions and for evaluation of their performance. The transfer prices are the prices cashed by a unit for the products sold to another unit. The criteria used in price evaluation are: congruency of targets, managerial effort, under unit performance evaluation and under department autonomy As concerns the transfer prices, the superior managers must evaluate the following aspects: the unit can be supplied from exterior sources so long as the same goods are available inside the unit, and also the price is the same as for the transfer achievement. The decisions the managers must take concern the calculation methods of transfer prices and also concerning the litigation solving modalities. The transfer prices can be based either on the market or on the costs, or they can be negotiated.