

Review of: "Transfer Prices and Compensation: an Activity-Based Costing Approach in the Telecommunications Industry"

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- It is a classical ABC/M case with ABC/M used for transfer prices, and that is ok (probably inspired from, Atkinson, A. A., Kaplan, R. S., Matsumura, 2011).
- Kaplan et al., is very careful of not using the word "allocation" when they talk about ABC/M - instead they use the "assignment", to pinpoint an important assumption for ABC/M - that finding a cause-and effect relationship, based on for example a statistical test (e.g., correlation, even though correlation per se do not secure a cause-and-effect relationship).
- One important outcome from TD-ABC (mentioned by Kaplan and others) - is the idea of a "time- equation". Therefore, an idea could be to let the students formulate such an equation and maybe use it for two or three scenarios, by changing some of the input assumptions.
- Talking about "profitability" in the ABC/M model - an important question is also - what should the company/division do if it shows up that some of the products are "non-profitably" (on the short vs. long run)?