



**TheCaseSolutions.com**

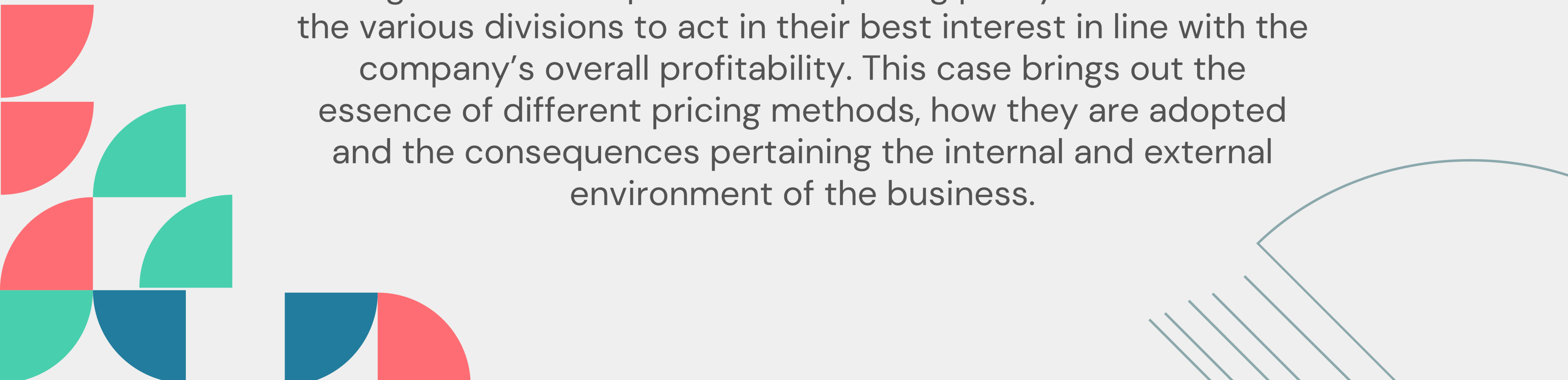
Number 1 in case studies solutions

# SIEMENS ELECTRIC MOTOR WORKS (B): PRICING INTERDIVISIONAL SALES



# INTRODUCTION

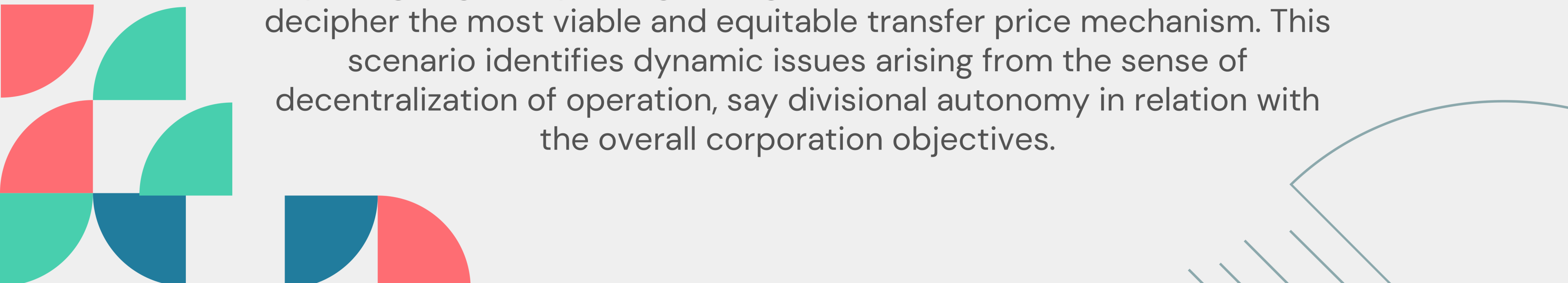
Siemens Electric Motor Works (B) is a case that portrays pricing interdivisional sales within a huge organization based internationally. The main issue here is to ensure that division management develops a transfer pricing policy that will enable the various divisions to act in their best interest in line with the company's overall profitability. This case brings out the essence of different pricing methods, how they are adopted and the consequences pertaining the internal and external environment of the business.





# BACKGROUND

The exact pricing of interdivisional sales became a major problem for Siemens Electric Motor Works, which is a part of Siemens AG. Due to the adaptable nature of the business and its loosely-tightened centralized management style, every division was expected to be a profit center. The best way to establish the right processes in the pricing of goods passing through these divisions was therefore to decipher the most viable and equitable transfer price mechanism. This scenario identifies dynamic issues arising from the sense of decentralization of operation, say divisional autonomy in relation with the overall corporation objectives.



# Key Issues

Transfer Pricing Methods: The case reviews cost-based approach, market approach, and the administration's method of transfer pricing. Every approach has its strength and weakness; it impacts the action of divisional managers and determines the financial result of the organization.



# CONCLUSION

The details of the case known as the Siemens Electric Motor Works (B) confirm that the identification of correct pricing of interdivisional sales is one of the most daunting tasks, especially when it comes to large corporations. By using both the fixed and market-based transfer pricing methods, setting up clear rules and regulations, and improving the flow of information, the company,

# RESOURCE

- This is just a sample partial case solution. Please place the order on the website to order your own originally done case solution.
- Resource: Visit [thecasesolutions.com](https://thecasesolutions.com) for detailed analysis and more case studies

