

SUBJECTIVITY AND FAIRNESS IN BONUS PLANS - A TRANSFER PRICING APPROACH - study case -

Rainer Lueg, Leuphana University, Germany and University of Southern Denmark, Denmark

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ABSTRACT

This case deals with a company in the recycling industry that faces the challenge of rapid organic growth in its customer base, as well as large capital investments. The company struggles with updating its transfer pricing system. The case illustrates how this leads to conflicts about bonus plans among division heads. The discussion of the case is open-ended. It specifically fosters understanding the role of operating leverage for profitability, as well as distributive fairness in bonus plans.

Keywords: *Time-driven Activity-based Costing; teaching notes; transfer pricing; bonus plan; fairness.*