

**31. Correct. The answer is false.** The transfer price paid for a product between divisions will have no impact on the profits of the entire firm, but it may have significant impact on the profits of each division, and establish competitive responses between divisions based upon management expectations of each division's profitability, or responses generated from territorial human behavior, that may have potentially damaging effects on the entire firm. In addition, there may be tax advantages associated with allocating profits between divisions, based upon variable tax implications related to each division's tax liabilities, deduction allowances, and other tax law.