

# Transworld Auto Parts (A)

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**Background - Italian Subsidiary**  
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**Autoparts, Inc. Background**  
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**Presentation Overview**  
I. Autoparts, Inc. Background  
II. Case Study Question Analysis  
III. Audience Questions  
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**Question #1: Is Standard reporting on intelligent (no)?**  
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**Question #2: "No Exceptions, No Excuses" policy**  
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**Question #3: Should They Be Forced To Adopt?**  
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**Question #3: Solution**  
Three Step Process:  
1. Teach/learn English  
2. Teach/learn GAAP  
3. Integrate new system  
→ Take a step-by-step approach, don't change something that works

**Conclusion**  
Major Positive and Negative Implications  
• Negative: language barrier, audits from Italian authorities, could generate a costly work environment  
• Positive: comparable accounting information, maximizing efficiency  
"No Exceptions, No Excuses Policy"  
• Should NOT adhere to the policy  
Adaptation through the Step-by-Step Method  
• 3 Steps - English, GAAP then Integrating the New System  
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# Autoparts, Inc. Background

- Large US based multinational company (20 countries)
- Implemented a complex, **Standardized Accounting System** for its subsidiaries
  - allowed for comparable accounting information fostering better decision making and planning
  - Prepared internal financial statements in English using US dollars and GAAP guidelines
  - basic monthly reports, extensive quarterly reports, & completed yearly reports
  - strict deadlines

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- 6 years after the implementation they acquired an Italian firm

# Background - Italian Subsidiary

## Italian Subsidiary

- Former owner never required regular internal and external reports
- Produced financial reports irregularly and according to Italian government's requirements

## Italian Accounting Staff

- 8 people, 2 with formal accounting training
- none spoke English or had any understanding of GAAP
  - not capable of preparing the reports according to Autopart's requirements
- found new accounting system burdensome, became resistant

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# Question #1: Is Standardized reporting an intelligent idea?

## Positive Implications:

- Fosters transparency between parent company & subsidiaries
- Sharing information is easier & faster

## Negative Implications:

- GAAP only used in the US --> Italian government has different standards
- Creates more work, must prepare both sets of reports
- Discrepancies between two reports could cause the Italian government to become suspicious
- Fosters a hostile work relationship between subsidiary & Autoparts, Inc.

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# Question #2: "No Exceptions, No Excuses" Policy

## Arguments For:

1. Enforces & ensures consistency
2. Eliminates the practice & appearance of favoritism
3. Enforces & ensures clarity

## Arguments Against:

1. No recognition or respect for different cultures & work styles
2. Inflexibility & homogeneity >> detriment to profits
3. Fails to accurately capture & reflect financial data of organizations with different business natures, methods, regulations, structures >>
  - a) Portray Autoparts, Inc. as Unimaginative & Incompetent.
  - b) Raises Questions
4. Fosters conflict & stress
5. Prohibits teamwork

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## Question #3: Should They Be Forced To Adopt?

- International Accounting is hard to unify
- Not forced
- Determining Factors
  1. Language
  2. Accounting Knowledge

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# Question #3: Solution

## Three Step Process:

1. Teach/learn English
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\*\*Take a step-by-step approach, don't change something that works