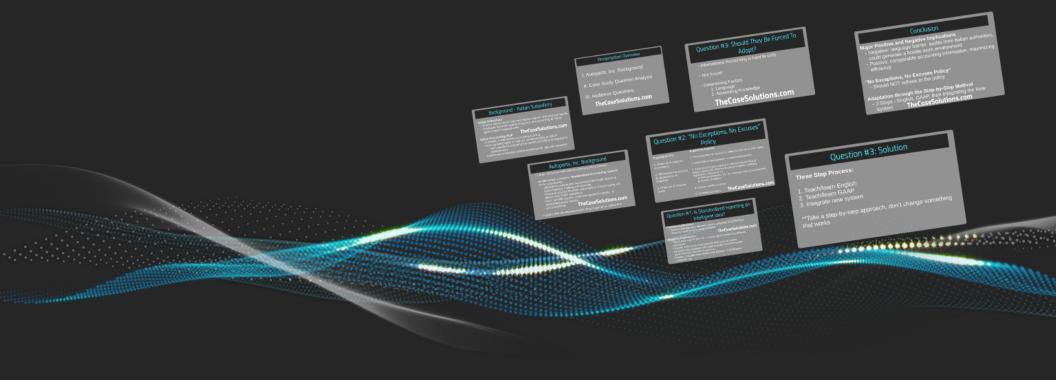
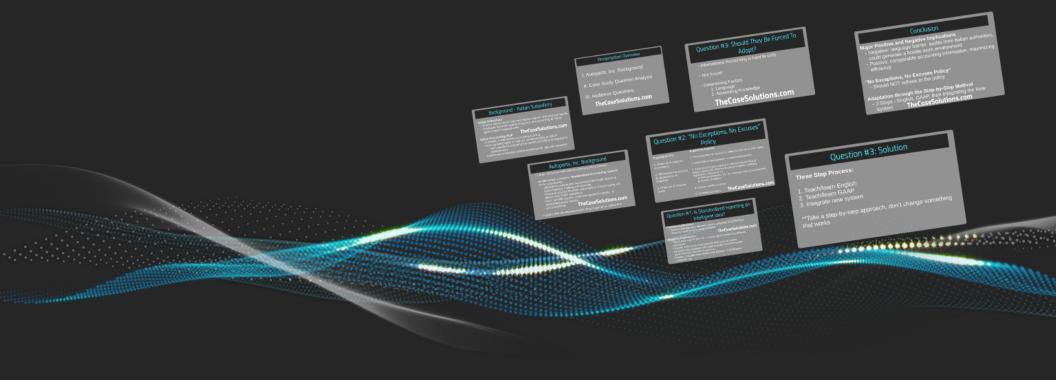
# Transworld Auto Parts (A)



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## **Presentation Overview**

I. Autoparts, Inc. Background

II. Case Study Question Analysis

III. Audience Questions

## 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

## TheCaseSolutions.com

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

# 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.

# 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

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

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

## 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