



## Case Prospectus

# RHAR

<http://www.rieter.com/>

### Rieter Automotive North America, Inc.

**Background:** Rieter Automotive North America, Inc. (Rieter), a subsidiary of Rieter Holding Ltd., is a specialized acoustics integrator, designing and supplying acoustic, thermal and trim systems to manage, control, and prevent unwanted noise and heat in automobiles for automobile manufacturers in North America. Rieter's primary customers are original equipment manufacturers (OEMs) such as Ford, Daimler Chrysler, and General Motors. Until the mid-1990s, OEMs were responsible for systems design and provided the plans to suppliers, which then were used as a basis for developing bids for contracts. Now suppliers are expected to design systems and the quality of the design has become a significant criteria for awarding contracts in conjunction with cost. The bid process is crucial to Rieter's profitability because costing errors are borne by the company and last for the life of the product, which is about three years. The case covers the product life cycle and its impact to financial statements.

The biggest strength of the Rieter case lies in its ability to illustrate the links between a client's business and strategy, business processes, and expectations about what its financial statements will report. The Rieter case is intended to enrich students' understanding of the linkages between a client's strategic business risks, business process risks, business measurement, and audit risks. This understanding is developed through a series of student discussion questions that focus on the knowledge acquisition activities of a strategic-systems audit (SSA) and the application of that knowledge to the audit.

#### Case learning objectives:

- Identify and analyze organizational and external features relevant to obtaining an understanding of the client, as documented in entity-level business model (ELBM) and business process analysis (BPA) templates.
- Identify critical business risks using the understanding and evidence presented in the ELBM and BPA templates.
- Model changes in financial statement expectations associated with critical business risks by developing expectations based on alternative scenarios of business activities.
- Identify audit risks conditional on alternative scenarios of business activities.
- Identify additional information needed to complete the SSA audit.

**Level of use:** This case is suitable for undergraduate and graduate auditing courses. The case also may be used in undergraduate or graduate (MBA) strategy courses to highlight the role of strategic alliances in management practices as well as in undergraduate or MBA courses that focus on business valuation or financial-statement analysis.

**Time to complete:** The case materials and teaching note are designed to provide flexibility to instructors by allowing them to be used in one or two 75-minute class sessions. If instructors focus on developing the strategic and business process analyses (and the linkages therein) or the effects of identified business risks on audit risk, the case can be analyzed within one 75-minute class period. More comprehensive uses likely will require two 75-minute class periods.

Note: As background, students should be encouraged (required) to read, *Auditing Organizations Through a Strategic-Systems Lens* by Bell, et. al.