BARS GAAP – Draft BARS pages for Accounting Changes and Error Corrections, effective for 2024 reporting.
DRAFT PAGES FOR REVIEW – DO NOT USE AS IMPLEMENTATION GUIDANCE

GAAP Basis BARS Manual – pending December 2024 update

Accounting changes and error corrections:

X.X.X Introduction

The Government Accounting Standards Board (GASB) C*odification of Governmental Accounting and Financial Reporting Standards* (Cod.) Section (Sec.) 2250—Additional Financial Reporting Considerations establishes standards of accounting and reporting regarding accounting changes and error corrections.

X.X.X Definitions

There are four categories of accounting changes and error corrections defined as follows:

Change in accounting principle:

> A change in accounting principle is the application of an accounting principle to transactions, or events, of similar type that is different than the accounting principle previously applied.
>
> A change occurs when:
>
> a. A change in the application of one generally accepted accounting principle to another that is justified on the basis that the new one is preferable
> b. The implementation of new pronouncements

Change in accounting estimate:

> An accounting estimate is an amount subject to measurement uncertainty that is calculated based on inputs and disclosed in the basic financial statements. Inputs can be data, assumptions, or measurement methodologies.
>
> A change in accounting estimate occurs when the inputs (which could be a change to data, assumptions, or measurement methodologies) used to calculate the accounting estimate have changed. Changes may result from a change in circumstances, new information or more experience.

Change to or within the financial reporting entity:

> A change to or within the financial reporting entity occurs when the any of the following occur:
>
> a. The addition or removal of a fund that results from the movement of continuing operations within the primary government, including its blended component units
> b. A change in a fund's presentation from major or nonmajor
> c. The addition/removal of a component unit to the financial reporting entity[i]

d. There is a change in a component unit's presentation as blended or discretely presented

Error correction:

An error occurs when any of the following are identified as of the previous financial statement date:

a. Mathematical mistake
b. Mistake in the application of accounting principles
c. Oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date is identified.

X.X.X Accounting and reporting

Accounting and reporting for each accounting change and error correction category is discussed below. Note disclosure requirements for each accounting change and error correction can be found at: (insert link).

Change in accounting principle:

In the absence of other specific guidance, governments that experience a change in accounting principle should report the change retroactively by restating the beginning net position, fund balance, or fund net position by the cumulative effect of the change on prior periods.

Change in accounting estimate:

Governments that experience a change to an accounting estimate calculation should recognize the change prospectively in the reporting period that the change occurs, unless other specific requirements address how a change would be reported.

Change to or within the financial reporting entity:

Governments that experience a change to or within the financial reporting entity should recognize the change by adjusting the current period beginning net position, fund balance or fund net position. The recognition of this will appear as if the change occurred at the beginning of the reporting period.

Error correction:

In the case that a government is required to correct an error, the correction should be reported retroactively by restating the financial statements for all periods presented. The restatement amount should total the cumulative effect of the error on the net position, fund balance or fund net position impacted by the error.

For guidance on how to apply accounting changes and error corrections to comparative financial statements, see GASB Cod. Sec. 2250.

X.X.XX Required Supplementary Information (RSI) and Supplementary Information (SI)

Change in accounting principle and to or within the financial reporting entity

For reporting periods that are presented in the basic financial statements, information for those periods that is presented in required supplementary information (RSI) (including management's discussion and analysis [MD&A]) or supplementary information (SI) should be consistent with the manner in which the information for those periods is presented in the basic financial statements. (That is, the reporting periods should be adjusted or restated in the same manner as the basic financial statements.)

For prior reporting periods that are earlier than those presented in the basic financial statements, information for those prior periods that is presented in RSI (including MD&A) or SI should not be restated for a change in accounting principles or a change to or within the financial reporting entity.

If prior-period information presented in RSI (including MD&A) or SI is not consistent with current-period information as a result of a change in accounting principle or a change to or within the financial reporting entity, an explanation of why the information is not consistent should be provided in RSI (including MD&A) or SI, as applicable. In MD&A, that explanation should include a reference to the related note disclosure in the basic financial statements.

Error correction

For reporting periods that are presented in the basic financial statements, information for those periods that is presented in RSI (including MD&A) or SI should be restated. If the error affects periods earlier than those presented in the basic financial statements, all affected information should be corrected by restating the information for those prior periods in RSI (including MD&A) or SI, if practicable.

Information presented in RSI (including MD&A) or SI that is affected by an error should be identified as restated or not restated, as appropriate, and an explanation about the nature of the error should be provided in RSI (including MD&A) or SI, as applicable. In addition, if it is not practicable to restate information in RSI or SI, an explanation of why it is not practicable to restate should be provided in RSI (including MD&A) or SI, as applicable.

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[i] Exceptions to this are:

a. Acquisitions, mergers, or transfers of operations (as defined by Statement 69) that result in the addition or removal of a discretely presented component unit

b. A component unit reported pursuant to Statement No. 90, *Majority Equity Interests*.