
JUNE 2022

Governmental Accounting Standards Series

Statement No. 100 of the
Governmental Accounting
Standards Board

Accounting Changes and Error Corrections

an amendment of GASB Statement No. 62



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

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Summary

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

Effective Date and Transition

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

How the Board Considered Costs and Benefits in the Development of This Statement

One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. The Board believes that the expected benefits of this Statement—more understandable, reliable, relevant, consistent, and comparable information about accounting changes and error corrections—are significant and justify the perceived costs.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 2 discusses the applicability of this Statement.

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Standards Board

Accounting Changes and Error Corrections

an amendment of GASB Statement No. 62

June 2022



GOVERNMENTAL ACCOUNTING STANDARDS BOARD

of the Financial Accounting Foundation

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CONTENTS

	Paragraph Numbers
Introduction	1
Standards of Governmental Accounting and Financial Reporting	2–39
Scope and Applicability of This Statement	2–3
Classification	4–13
Accounting Changes	4–11
Change in Accounting Principle	5–6
Change in Accounting Estimate	7–8
Change to or within the Financial Reporting Entity	9–11
Error Correction	12–13
Accounting and Financial Reporting for Accounting Changes and Error Corrections	14–39
Change in Accounting Principle	14–18
Notes to Financial Statements.....	17–18
Change in Accounting Estimate	19–21
Notes to Financial Statements.....	21
Change to or within the Financial Reporting Entity	22–24
Notes to Financial Statements.....	23–24
Error Correction	25–28
Notes to Financial Statements.....	27–28
Reclassification in the Financial Statements Resulting from a Change in Accounting Principle or an Error Correction.....	29–30
Other Financial Reporting Requirements	31–39
Display in the Financial Statements	31

	Paragraph Numbers
Notes to Financial Statements.....	32–34
Required Supplementary Information and Supplementary Information	35–39
Change in Accounting Principle and Change to or within the Financial Reporting Entity.....	35–37
Error Correction	38–39
Effective Date and Transition	40–41
Appendix A: Background	A1–A4
Appendix B: Basis for Conclusions.....	B1–B62
Appendix C: Illustrations.....	C1
Appendix D: Codification Instructions	D1–D2

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INTRODUCTION

1. The primary objective of this Statement is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

2. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The requirements of this Statement do not apply to the initial application of U.S. generally accepted accounting principles (GAAP) established by the GASB as a financial reporting framework in circumstances in which a government is asserting for the first time that its financial statements are prepared in accordance with U.S. GAAP established by the GASB. The requirements of this Statement apply to the financial statements of all state and local governments.

3. This Statement supersedes Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 58–89 and footnotes 29–36, and *Implementation Guide No. 2015-1*, Questions 1.57.2, 4.38.3, 4.38.4, 7.22.16,

7.22.17, 7.104.17, and 10.20.5. This Statement amends Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, paragraph 11; Statement No. 14, *The Financial Reporting Entity*, paragraph 63; Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, paragraph 14; Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, paragraph 112 and footnote 21; Statement No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus*, paragraph 8; Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, paragraph 14; Statement 62, paragraphs 50, 53, 94, 209, 329, and 361; Statement No. 69, *Government Combinations and Disposals of Government Operations*, paragraph 43 and footnote 5; Statement No. 72, *Fair Value Measurement and Application*, paragraph 22; Statement No. 79, *Certain External Investment Pools and Pool Participants*, paragraph 7; and Implementation Guide 2015-1, Questions 3.28.1, 7.14.4, 7.18.2, 7.55.7, and Z.51.26.

Classification

Accounting Changes

4. Accounting changes are (a) changes in accounting principles, (b) changes in accounting estimates, and (c) changes to or within the financial reporting entity.

Change in Accounting Principle

5. Once adopted, an accounting principle should be applied consistently to account for and report transactions and other events of a similar type, except as described in this paragraph. A change in accounting principle results from either:

- a. A change from one generally accepted accounting principle to another generally accepted accounting principle that is justified on the basis that the newly adopted accounting principle is preferable to the accounting principle applied before the change. The qualitative characteristics of financial

reporting—understandability, reliability, relevance, timeliness, consistency, and comparability—should be the basis for determining whether a new accounting principle would be preferable.

- b. The implementation of new authoritative accounting or financial reporting pronouncements (hereafter referred to as new pronouncements).

6. A change in accounting principle is the application of an accounting principle to transactions or other events of a similar type that is different from the accounting principle previously applied to those transactions or other events. Therefore, the initial adoption and application of an accounting principle to transactions or other events that (a) are clearly different in substance from those previously occurring, (b) are occurring for the first time, or (c) were previously insignificant in their effect is not a change in accounting principle. A change from (1) applying an accounting principle that is *not* generally accepted to transactions or other events that previously were significant to (2) applying a generally accepted accounting principle to those transactions or other events is an error correction. (See paragraphs 12 and 13.)

Change in Accounting Estimate

7. Accounting estimates are amounts subject to measurement uncertainty that are recognized or disclosed in the basic financial statements. Accounting estimates are outputs determined based on inputs such as data, assumptions, and measurement methodologies. A *change* in accounting estimate occurs when inputs change. Changes to inputs result from a change in circumstance, new information, or more experience.

8. A change in accounting estimate that results from a change in the measurement methodology that is used to determine that estimate should be justified on the basis that the newly adopted measurement methodology is preferable to the measurement methodology used before the change, except in circumstances in which the change in measurement methodology is *required* by a GASB pronouncement. The qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability—should be the basis for determining whether a new measurement methodology would be preferable. A change in the method used to depreciate capital assets and a change in valuation technique used to measure fair value are examples of changes in accounting estimates resulting from changes in measurement methodologies, provided that the new method or technique is preferable.

Change to or within the Financial Reporting Entity

9. Changes to or within the financial reporting entity result from:

- a. The addition or removal of a fund that results from the movement of continuing operations¹ within the primary government, including its blended component units
- b. A change in a fund's presentation as major or nonmajor
- c. Except as described in paragraph 10, the addition of a component unit to the financial reporting entity or removal of a component unit from the financial reporting entity
- d. A change in a component unit's presentation as blended or discretely presented.

10. The following should not be considered a change to or within the financial reporting entity as described by paragraph 9:

- 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*.

11. Transactions or other events that could be classified as either a change in accounting principle in accordance with paragraph 5a or a change to or within the financial reporting entity should be considered a change to or within the financial reporting entity.

Error Correction

12. An error results from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the finan-

¹For purposes of this Statement, an *operation* is an integrated set of activities conducted and managed for the purpose of providing identifiable services with associated assets and liabilities. For example, an operation may include the assets and liabilities specifically associated with the activities conducted and managed by the fire department in a general purpose government.

cial statement date. Facts that existed at the time the financial statements were issued are those facts that could reasonably be expected to have been obtained and taken into account at that time about conditions that existed as of the financial statement date.

13. A change from (a) applying an accounting principle that is *not* generally accepted to transactions or other events that previously were significant to (b) applying a generally accepted accounting principle to those transactions or other events is an error correction.

Accounting and Financial Reporting for Accounting Changes and Error Corrections

Change in Accounting Principle

14. The requirements in paragraphs 15–18 apply in the absence of other specific requirements that address how a change in accounting principle should be reported.

15. For financial statements that present a single period, a change in accounting principle should be reported retroactively by restating beginning net position, fund balance, or fund net position, as applicable, for the cumulative effect, if any, of the change to the newly adopted accounting principle on prior periods.

16. For comparative financial statements, a change in accounting principle should be reported retroactively by restating financial statements for all prior periods presented, if practicable. The cumulative effect, if any, of the change to the newly adopted accounting principle on periods prior to those presented should be reported as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest period presented. Each individual prior period presented should be restated to reflect the period-specific effects of applying the newly adopted accounting principle. If restatement of all prior periods presented is not practicable, the cumulative effect, if any, of applying the newly adopted accounting principle should be reported as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest period for which it is practicable to apply the newly adopted accounting principle.

Notes to Financial Statements

17. A government should disclose the following in notes to financial statements for each change in accounting principle:

- a. The nature of the change in accounting principle, including (1) identification of the financial statement line items (excluding totals and subtotals) affected by the application of the new accounting principle and (2) for the implementation of a new pronouncement, identification of the pronouncement that was implemented
- b. Except for the implementation of a new pronouncement, the reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable
- c. For comparative financial statements, if prior periods presented are not restated because it is not practicable to do so, the reason why the restatement is not practicable.

18. In addition, the effects on beginning net position, fund balance, or fund net position, as applicable, should be disclosed as required by paragraph 32.

Change in Accounting Estimate

19. The requirements in paragraphs 20 and 21 apply in the absence of other specific requirements that address how a change in accounting estimate should be reported.

20. A change in accounting estimate, as described in paragraph 7, should be reported prospectively by recognizing the change in accounting estimate in the reporting period in which the change occurs.

Notes to Financial Statements

21. A government should disclose the following in notes to financial statements in each circumstance in which a change *to* an input (that is, a change *to* the data, assumptions, or measurement methodologies) has a significant effect on the accounting estimate:

- a. The nature of the change in accounting estimate, including identification of the financial statement line items (excluding totals and subtotals) affected

- b. If the change in accounting estimate results from a change in measurement methodology, (1) the reason for the change in measurement methodology and (2) except in circumstances in which the change in measurement methodology is *required* by a GASB pronouncement, an explanation of why the new measurement methodology is preferable.

Change to or within the Financial Reporting Entity

22. A change to or within the financial reporting entity should be reported by adjusting the current reporting period's beginning net position, fund balance, or fund net position, as applicable, for the effect of the change as if the change occurred as of the beginning of the reporting period.

Notes to Financial Statements

23. A government should disclose the following in notes to financial statements for each change to or within the financial reporting entity:

- a. The nature of the change to or within the financial reporting entity
- b. The reason for the change to or within the financial reporting entity, except in circumstances in which a change in a fund's presentation results only from meeting or not meeting the quantitative threshold for major funds in paragraph 76 of Statement 34, as amended.

24. In addition, the effects on beginning net position, fund balance, or fund net position, as applicable, should be disclosed as required by paragraph 32.

Error Correction

25. For financial statements that present a single period, an error correction should be reported retroactively by restating beginning net position, fund balance, and fund net position, as applicable, for the cumulative effect of the error correction on prior periods.

26. For comparative financial statements, an error correction should be reported retroactively by restating financial statements for all prior periods presented. The cumulative effect of the error correction on periods prior to those

presented should be reported as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest period presented. Each individual prior period presented should be restated to reflect the period-specific effects of correcting the error.

Notes to Financial Statements

27. A government should disclose the following in notes to financial statements for each error correction:

- a. The nature of the error and its correction, including the periods affected by the error and identification of the financial statement line items (excluding totals and subtotals) affected by the error in prior periods
- b. For financial statements that present a single period, the effect on the prior period's change in net position, fund balance, or fund net position, as applicable, had the error not occurred
- c. For comparative financial statements, the effect of the error correction on the change in net position, fund balance, or fund net position, as applicable, of the prior period.

28. In addition, the effects on beginning net position, fund balance, or fund net position, as applicable, should be disclosed as required by paragraph 32.

Reclassification in the Financial Statements Resulting from a Change in Accounting Principle or an Error Correction

29. For a change in accounting principle that does not have an effect on beginning net position, fund balance, or fund net position but that results in a reclassification in the financial statements, the disclosures required by paragraphs 17a and 17b should be included in notes to financial statements. For comparative financial statements, amounts should be reclassified in all prior periods presented, if practicable. If amounts are not reclassified in prior periods presented because it is not practicable to do so, the reason why it is not practicable also should be disclosed.

30. For an error correction that does not have an effect on beginning net position, fund balance, or fund net position but that results in a reclassification in the financial statements, the disclosures required by paragraph 27a should be included in notes to financial statements. For comparative financial statements, amounts should be reclassified in all prior periods presented.

Other Financial Reporting Requirements

Display in the Financial Statements

31. The aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, should be displayed for each reporting unit.²

Notes to Financial Statements

32. A government should disclose in notes to financial statements the effects on beginning net position, fund balance, or fund net position, as applicable, of the earliest period adjusted or restated for the following that occurred during the period: (a) each change in accounting principle (including the implementation of new pronouncements that result in restatement), (b) each change to or within the financial reporting entity, and (c) each error correction. Those effects should be disclosed in a tabular format that reconciles beginning balances as previously reported to beginning balances as adjusted or restated for each reporting unit. If the government has separately displayed in the financial statements the effects of *each* accounting change or error correction by reporting unit, those effects need not be repeated in notes to financial statements.

33. The note disclosures required by this Statement should correspond to the reporting units. Except for the note disclosure required by paragraph 32, disclosure by reporting unit is subject to the requirements in paragraph 63 of Statement 14, as amended. Information that is the same for more than one reporting unit should be combined in a manner that avoids unnecessary duplication.

34. The note disclosures required by this Statement should be made in the reporting period in which the accounting change occurs or in the reporting period in which the error is discovered and corrected. If a note disclosure is included in interim financial statements, that disclosure also should be included in the related annual financial statements. For comparative financial statements, if the prior periods presented were restated in the period in which the accounting change occurred or the error was discovered and corrected, subsequent annual financial statements need not repeat the disclosures.

²For purposes of the requirements in paragraphs 31–33, each separate column in the basic financial statements, except for the total columns, is a reporting unit.

Required Supplementary Information and Supplementary Information

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

35. 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.)

36. 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.

37. 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

38. 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.

39. 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.

EFFECTIVE DATE AND TRANSITION

40. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

41. This Statement does not change the transition provisions of any GASB pronouncements that were issued prior to the issuance of this Statement.

**The provisions of this Statement need
not be applied to immaterial items.**

This Statement was issued by unanimous vote of the seven members of the Governmental Accounting Standards Board.

Joel Black, *Chair*
Jeffrey J. Previdi, *Vice Chair*
James E. Brown
Brian W. Caputo
Kristopher E. Knight
Dianne E. Ray
Carolyn Smith

Appendix A

BACKGROUND

A1. Prior to the issuance of this Statement, the requirements of GASB Statement 62, as amended, addressed the accounting and financial reporting for prior-period adjustments, accounting changes, and error corrections. Those requirements primarily were based on Accounting Principles Board Opinion No. 20, *Accounting Changes*, and FASB Statement No. 16, *Prior Period Adjustments*, issued in 1971 and 1977, respectively. Some minor modifications were made to those requirements when they were incorporated into Statement 62 to adjust for inconsistencies with other GASB literature in place at that time; however, the requirements remained largely unchanged since their initial issuance.

A2. In August 2018, the Board added a pre-agenda research activity to its technical plan to reexamine the effectiveness of the requirements of Statement 62, as amended, related to prior-period adjustments, accounting changes, and error corrections. The pre-agenda research consisted of a literature review, separate surveys of preparers and auditors, and interviews with users. In addition, previous pre-agenda research reexamining existing note disclosure requirements included disclosures about prior-period adjustments, accounting changes, and error corrections.

A3. Those pre-agenda research activities identified certain issues regarding the understanding and application of the requirements of Statement 62, as amended. Specifically, the pre-agenda research identified (a) issues related to the classification of transactions or other events among the categories of accounting changes and error corrections and (b) diversity in practice regarding the disclosures in notes to financial statements. The pre-agenda research also identified information that users find valuable about accounting changes and error corrections. Members of the Governmental Accounting Standards Advisory Council (GASAC) provided feedback on preliminary results of the pre-agenda research at their October 2019 meeting.

A4. In December 2019, the Board added a project to the practice-issue portion of its current technical agenda. Board deliberations began in February 2020. In May 2021, the Board approved for issuance an Exposure Draft, *Accounting Changes and Error Corrections*, and 37 comment letters were received in

response from organizations and individuals. As discussed in Appendix B, comments and suggestions from stakeholders contributed to the Board's deliberations in developing the requirements of this Statement. In addition, members of the GASAC provided feedback on the project at several of their meetings throughout the Board's deliberations. The Board's consideration of the individual feedback from GASAC members is incorporated throughout Appendix B. When project issues are discussed with GASAC members, the GASAC does not take formal positions either in support of or in opposition to those issues.

Appendix B

BASIS FOR CONCLUSIONS

Introduction

B1. This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

Scope and Applicability of This Statement

B2. This Statement addresses accounting and financial reporting for accounting changes and error corrections. As part of its deliberations, the Board considered the categories that Statement 62 addressed: prior-period adjustments, change in accounting principle, change in accounting estimate, change in the reporting entity, and correction of an error in previously issued financial statements. The Board decided to retain categories for changes in accounting principles, changes in accounting estimates, and error corrections, with further clarification about the transactions and other events that compose those categories and the distinctions between the categories, as discussed in paragraphs B6–B19.

B3. The Board concluded that the change in the reporting entity category that previously was included in Statement 62 should be expanded to address not only changes in the legally separate entities that compose the financial reporting entity but also (a) additions or removals of funds resulting from the movement of continuing operations of the primary government (including its blended component units) and (b) changes in fund and component unit presentations. The Board believes that expansion more fully considers the governmental financial reporting model. To signal a change in the scope of the category that previously was included in Statement 62, the Board concluded that the name of the category should be modified to *changes to or within the financial reporting entity*. Paragraphs B12–B18 more fully discuss the Board's conclusions related to the transactions or other events that compose that category.

B4. Regarding a separate category for prior-period adjustments, the Board concluded that such a category would be duplicative of other categories. The prior-period adjustments category in GASB Statement 62 originated from FASB Statement 16. However, no formal criteria for the transactions or events that make up the category of prior-period adjustments were brought forward to GASB literature; Statement 62 only explicitly provided that error corrections should be reported as prior-period adjustments. In addition, the pre-agenda research indicated that the term *prior-period adjustment* generally is used broadly to refer to any transaction or other event that results in an adjustment to or restatement of prior periods. That is, the term often is used to describe a method of recognition rather than a type of transaction or other event; thus, when used in that manner, the term is applicable to any transaction or other event that is reported retroactively (including changes in accounting principles). The Board believes that the categories in this Statement appropriately address the transactions or other events that should result in an adjustment to or restatement of prior periods. Therefore, the Board concluded that the separate category for prior-period adjustments in Statement 62 should be eliminated in order to remove redundancy and alleviate confusion in practice.

B5. The Board also considered whether this Statement should address the first-time adoption of U.S. GAAP established by the GASB as a financial reporting framework. The Exposure Draft included a description of that circumstance within the proposed classification requirements. However, because the Board decided that establishing accounting and financial reporting requirements for the first-time adoption of that framework would go beyond the objectives of this project, the Board concluded that it was more appropriate that the scope and applicability provisions of this Statement address the exclusion of that circumstance rather than the classification requirements. The Board reiterated that the scope limitation applies only to circumstances involving the first-time adoption of the financial reporting framework *as a whole*. That is, in its consideration of the circumstances that constitute a first-time adoption of U.S. GAAP established by the GASB as a financial reporting framework, the Board continues to believe that a change from one generally accepted accounting principle to another within the financial reporting framework or the misapplication of (including not applying) an individual accounting principle constitutes a change in accounting principle and error correction, respectively.

Classification

Accounting Changes

B6. The Board considered the types of transactions or other events that constitute each type of accounting change to assist in the development of their descriptions. Those considerations are described in paragraphs B7–B18.

Change in Accounting Principle

B7. The Board determined that a change in accounting principle results from circumstances in which (a) a government chooses to apply a different accounting principle than that previously used or (b) a government implements a new pronouncement. Regarding (a), the Board considered the circumstances in which it would be appropriate for a government to apply a different accounting principle. The Board affirmed the conclusion in Statement 62 that a government should change its accounting principle only on the basis that the new generally accepted accounting principle is preferable. The Board concluded that preferability should be based on the qualitative characteristics of information in financial reporting. Use of the same accounting principles over multiple reporting periods supports the qualitative characteristic of consistency; consequently, reduced consistency is inherent in changing accounting principles. Therefore, the Board believes that to conclude that a new accounting principle would be preferable, that accounting principle should result in information that better satisfies other qualitative characteristics (understandability, reliability, relevance, timeliness, or comparability), such that collectively, the qualitative characteristics are enhanced. Regarding (b), the Board does not believe further justification is necessary because the issuance of those pronouncements implies that the new accounting principles are preferable and constitutes sufficient rationale for making the change.

Change in Accounting Estimate

B8. For purposes of this Statement, the Board concluded that an accounting estimate is an amount subject to measurement uncertainty that is recognized or disclosed in the basic financial statements. In addition, this Statement clarifies that accounting estimates are *outputs*, which are determined based on inputs such as data, assumptions, or measurement methodologies. The Board acknowledges that the term *accounting estimate* was used more broadly in

Statement 62 to refer to both outputs and inputs. The Board believes that the delineation between outputs and inputs helps to clarify the accounting and financial reporting for changes in accounting estimates, which is discussed further in paragraphs B27–B30.

B9. The Board believes it is important that there be clear distinctions between the types of accounting changes. In addition to the foundational notion that an accounting estimate is subject to measurement uncertainty, the Board believes that a defining characteristic of a change in accounting estimate is that changes to the inputs of that estimate result from a change in circumstance, new information, or more experience. The Board also determined that a change in accounting estimate that results from a change in measurement methodology is similar in some respects to a change in accounting principle and noted that Statement 62 considered a change in accounting estimate that is effected by a change in accounting principle to be a change in accounting estimate for purposes of accounting and financial reporting. Because of the similarities, the Board determined that a change in accounting estimate that results from a change in measurement methodology should be justified on the basis that the new measurement methodology is preferable, unless the change is required by a GASB pronouncement (for example, criteria established by a GASB pronouncement to apply a certain measurement methodology are no longer met, and, therefore, a change to a different methodology is required). Consistent with its decisions regarding changes in accounting principles, the Board believes that preferability should be based on whether the new measurement methodology better satisfies the qualitative characteristics of financial reporting.

B10. Some respondents to the Exposure Draft raised concerns about differentiating between a change in accounting estimate that results from a change in measurement methodology and other changes in accounting estimates. In response to that feedback, this Statement includes examples to provide context for understanding the Board's intent regarding circumstances that constitute a change in measurement methodology. Other respondents questioned whether the benefits of the preferability justification outweighed the costs. The Board acknowledges that requiring such a justification is a change from Statement 62, as amended, but believes that it will enhance consistency by limiting the frequency of changes. Still other respondents questioned the supersession of the requirements in Statement 62, as amended, regarding accounting estimates effected by changes in accounting principle. The Board believes that category in Statement 62 lacked clarity, and, therefore, instead of carrying forward that category, the Board decided to focus on the types of changes that typically cause the most confusion regarding their classification. The Board

concluded that those changes typically were related to changes in measurement methodologies. The Board believes that the clarity provided by the revised definition of an accounting estimate (an output determined by inputs), along with the clarification that measurement methodologies are inputs to accounting estimates, is an improvement to the requirements of Statement 62, as amended.

B11. The Board also considered how to differentiate between a change in accounting estimate and an error correction. The Board determined that the distinction is that for an error correction, the government *should have known* facts at the time the financial statements were issued about conditions that existed as of the financial statement date; that is, those facts could reasonably be expected to have been obtained and taken into account (as discussed in paragraph B19). Some respondents questioned whether asserting that a new measurement methodology is preferable may inherently indicate that methodology should have been used in a prior period, thus constituting an error. The Board noted that is not the intent of the preferability requirement. As discussed previously, a key aspect of changes to inputs is that those changes arise from changes in circumstances, new information, or more experience. Accordingly, the Board recognizes that the objective of a change to the inputs, including a measurement methodology, would be a better estimate (output). Therefore, if the initial input was appropriate and did not ignore or misuse facts available at the time the financial statements were issued, the Board believes that reporting the effects of a change to an input, including a change to a new measurement methodology that is preferable, as a change in accounting estimate is appropriate. Moreover, the Board acknowledges that professional judgment may need to be applied to determine whether certain facts should have been known.

Change to or within the Financial Reporting Entity

B12. As previously discussed, the Board determined that the transactions or other events that compose this type of accounting change should be expanded from those that previously were included in Statement 62. Accordingly, this Statement defines changes to or within the financial reporting entity as (a) changes in the legally separate entities that compose the financial reporting entity, (b) certain changes in the funds that compose the fund structure of the primary government (including its blended component units), and (c) changes in the presentation of funds (as major or nonmajor) and component units (as blended or discretely presented).

B13. Regarding the changes in funds that compose the fund structure of the primary government, the Exposure Draft proposed that an addition or removal of a fund resulting from movement of resources within the primary government (including its blended component units) be considered a change to or within the financial reporting entity that would be reported by an adjustment to beginning balances as if the change had occurred as of the beginning of the reporting period. Some respondents to the Exposure Draft believe that such an accounting treatment would not reflect, in all cases, the nature of the transaction or other event that occurred, and, therefore, those respondents disagreed with the classification of those transactions or other events as changes to or within the financial reporting entity.

B14. The Board acknowledges that an objective of the proposals in the Exposure Draft was to report the addition or removal of funds consistently, regardless of the cause for that addition or removal. Although the Board believes the Exposure Draft proposals would have achieved that consistency, the respondent feedback led the Board to reconsider whether the cause for the addition or removal is relevant to the classification of the transaction or other event (that is, whether all transactions or other events that result in the addition or removal of a fund should be considered a change to or within the financial reporting entity). The Board concluded that the nature of the transactions or other events that lead to the addition or removal of a fund could be different enough that some that result in an addition or removal of a fund appropriately are reported as changes to or within the financial reporting entity and others are not. The Board believes that an approach that distinguishes the classification of the transaction or other event (and resulting accounting and financial reporting) based on the cause of the addition or removal of the fund provides better information to users about the nature of the transaction or other event that occurred.

B15. Accordingly, the Board determined that the transactions or other events that should be classified as changes to or within the financial reporting entity are those for which the addition or removal of a fund results from the movement of a continuing operation within the primary government (including its blended component units), for example, a change from reporting the sanitation operation as part of the general fund to reporting it as a separate enterprise fund. In contrast, the Board acknowledges that Statement 34, as amended, provides guidance for interfund activity, which continues to be applicable to a movement of resources (of less than an operation) that results in the addition or removal of a fund. The Board noted that interfund transfers are subject to the disclosure requirements of Statement No. 38, *Certain Financial Statement Note Disclosures*, as amended.

B16. Regarding changes in fund presentation, some respondents disagreed with the accounting and financial reporting that results from classifying a change in fund presentation (that is, from major to nonmajor or vice versa) as a change to or within the financial reporting entity. The Board's considerations regarding the resulting accounting and financial reporting as it relates to a change in fund presentation are discussed further in paragraphs B31–B36.

B17. The Board did not broadly reconsider the requirements of other Statements (primarily Statements 69 and 90) that address transactions or other events that might result in a change to (a) the legally separate entities that compose the financial reporting entity or (b) the funds that compose the fund structure of the primary government. However, the Board specifically considered the relationship between the requirements of this Statement and those Statements and concluded that because of the expanded scope of the category, amendments were necessary to Statement 69. Specifically, the Board believes that because blended component units are so intertwined with the primary government, and are reported as funds of the primary government, transactions or other events with a blended component unit in which the movement of continuing operations results in the addition or removal of a fund or blended component unit (including a transfer of operations from the primary government that results in a new blended component unit) should be reported in the same manner as other movements of continuing operations that occur within the primary government that result in the addition or removal of a fund. In contrast, the Board believes that discretely presented component units maintain a greater degree of separation from the primary government, and, therefore, this Statement does not consider transactions or other events with discretely presented component units (including a transfer of operations from the primary government that results in a new discretely presented component unit) to be changes to or within the financial reporting entity for purposes of applying this Statement. The Board believes that conclusion is consistent with the general concepts related to the relationship of the primary government to its blended and discretely presented component units established in Statement 14, as amended. As a result, although Statement 69 continues to apply to the separately issued financial statements of a blended component unit, the Board concluded that this Statement should address how transactions or other events with blended component units should be reported in the reporting entity's financial statements.

B18. In considering the differences between types of accounting changes, the Board believes that a change to or within the financial reporting entity generally reflects a change in circumstance, whereas a change in accounting principle

generally reflects the application of different accounting or financial reporting to the same circumstance. However, the Board acknowledges the potential for an overlap between those two categories. For example, in most cases, a government reports funds as major or nonmajor based on the quantitative analysis that determines the major funds, as required by Statement 34, as amended. If a major fund becomes a nonmajor fund because it no longer meets the quantitative threshold, the Board views that change as a change in circumstance. However, in other cases, a government may voluntarily choose to report a fund as major even though it does not meet the quantitative threshold. In that case, if the government subsequently chooses to report that fund as nonmajor, the circumstance has not changed; rather, the government's policy regarding which funds it voluntarily chooses to report as major has changed. To alleviate confusion and reduce inconsistency in practice, the Board decided that this Statement should specify that except for changes resulting from the implementation of a new pronouncement, a change that could meet the description of both categories should be reported as a change to or within the financial reporting entity, regardless of whether the change was due to a change in the government's policies or a change in circumstance.

Error Correction

B19. The Board generally carried forward the description of an error from Statement 62. As discussed in paragraph B11, some respondents raised concerns about distinguishing between changes in accounting estimates and error corrections; the Board acknowledges the need to differentiate between them. The Board believes that an error occurs when a government *should have known* facts at the time the financial statements were issued about conditions that existed as of the financial statement date, whereas a change in accounting estimate results from *new* developments (a change in circumstance, new information, or more experience). This Statement emphasizes that point, which the Board believes will assist preparers and auditors in making determinations regarding the appropriate classification of a transaction or other event.

Accounting and Financial Reporting for Accounting Changes and Error Corrections

B20. The requirements of Statement 62, as amended, related to accounting changes and error corrections applied only to governmental activities, business-type activities, and proprietary funds. The Board is not aware of any

conceptual or practical reasons that the requirements for accounting changes and error corrections should not be applicable to governmental funds (to the extent that the change or error affects amounts reported in accordance with the measurement focus and basis of accounting for governmental funds) or fiduciary funds and believes that such accounting and financial reporting provides better information for a user of those fund financial statements. By requiring that the standards for accounting changes and error corrections also be applied to governmental and fiduciary funds, the Board believes that this Statement resolves a significant shortcoming of Statement 62.

Change in Accounting Principle

B21. The Board concluded that a change in accounting principle should be reported retroactively by restating all prior periods presented, if practicable, primarily because the effect of a change in accounting principle is not attributable to the current period and, therefore, should not be reported in current-period flows. In addition, the Board believes that retroactive application enhances consistency because the financial statements are presented as if the newly adopted principle had been applied in prior periods. Some respondents to the Exposure Draft questioned whether the benefits of retroactive application to all prior periods presented were justified by the costs, and other respondents recommended permitting prospective application to avoid disincentivizing governments from making changes that would otherwise be preferable. Although potentially less costly, the Board noted that either (a) allowing or requiring prospective application or (b) retaining the requirements of Statement 62, as amended, would decrease consistency in financial statements. The Board acknowledges that Statement 62, as amended, previously required that only the beginning balances of the current period be restated with certain disclosures to show pro forma amounts of what prior periods would have been if the newly adopted accounting principle had been applied. The Board believes that restating prior periods presented, if practicable, better supports consistency than pro forma disclosures. The Board also believes that the requirements of this Statement will be better understood by stakeholders.

B22. In addition, some respondents to the Exposure Draft questioned the need for the practicability exception because they believe that provision may reduce comparability. However, the Board recognizes that for governments that present financial statements for more than a single period, there may be circumstances in which the information necessary to restate all prior periods presented would not be obtainable. Therefore, the Board concluded that if prior periods are

presented, those periods should be restated, if practicable. Some respondents to the Exposure Draft requested clarification regarding the meaning of the phrase *if practicable*. The phrase *if practicable* has been used in GASB standards with respect to transition provisions in a similar context as used in this Statement. The Board believes that reasonable efforts should be employed before a government determines that restatement of all prior periods presented is not practicable. In other words, *inconvenient* should not be considered equivalent to *not practicable*. Consistent with that decision, the Board also concluded that if it is not practicable to restate all prior periods presented, the reason why it is not practicable should be disclosed.

B23. This Statement generally carries forward from Statement 62 the requirement to disclose in notes to financial statements the nature of and justification for a change in accounting principle and clarifies what those disclosures should include. The Board decided that the disclosure about the nature of the change in accounting principle should identify the financial statement line items affected to provide users with more relevant and understandable information, particularly in cases in which the effects of the change in accounting principle are not readily apparent. In addition, this Statement carries forward the requirement to disclose the effect of a change in accounting principle on beginning balances; however, as discussed in paragraphs B43–B46, the Board concluded that information should be disclosed as part of a comprehensive note that provides information about the effects of all adjustments and restatements to beginning balances.

B24. The Board also considered whether other quantitative information about the effects of a change in accounting principle should be disclosed in notes to financial statements, including certain note disclosures that were required by Statement 62, as amended, regarding (a) the effects on prior-period flows statements as if the newly adopted accounting principle had been applied during those prior periods and (b) the effects on current-period flows statements as if the newly adopted accounting principle had not been adopted. The Board was not convinced that such information is essential and, consequently, generally believes the expected benefits of that information do not justify the perceived costs of providing it. Therefore, the Board determined that those disclosure requirements should not be carried forward to this Statement.

Implementation of a New Pronouncement

B25. The Board concluded that because the implementation of a new pronouncement is a change in accounting principle, the accounting and financial reporting requirements of this Statement for a change in accounting principle should apply to the implementation of a new pronouncement in the absence of specific transition provisions. The Board acknowledges that such an approach establishes retroactive application as the default transition method for new pronouncements. However, the Board noted that establishing transition provisions in future pronouncements that differ from the default requirements for a change in accounting principle is not precluded, and the Board generally expects that transition provisions will continue to be considered separately for each new pronouncement to develop the most appropriate requirements for those specific circumstances.

B26. The Board also considered whether information about newly issued GASB pronouncements that are not yet effective should be disclosed. The Board generally believes that broad information about the pronouncements issued by the GASB is not especially useful and noted that, in some cases, that information may be considered general or educational information that is not specific to the government. Consequently, the Board considered whether to require disclosure of information about a new pronouncement that is specific to the government—for example, the expected effects, if known and reasonably estimable, of a new pronouncement. The Board was concerned that such a requirement would result in either (a) the incurrence of significant additional costs to obtain the information necessary to make such a disclosure or (b) a boilerplate disclosure that the effects were not known or reasonably estimable. As such, the Board was not convinced that the information is essential or that its expected benefits justify the perceived costs.

Change in Accounting Estimate

B27. The Board carried forward the requirement in Statement 62 that a change in accounting estimate be reported prospectively. The Board continues to believe that prospective accounting treatment is appropriate because a change in accounting estimate is the result of a change in circumstance, new information, or more experience. As previously discussed, the Board believes that differentiating accounting estimates as outputs from the inputs that result in a change in accounting estimate clarifies the resultant accounting and financial reporting. In addition, the Board recognizes that other authoritative literature

may specify how a change in accounting estimate should be reported, for example, reporting a change in the pension liability in accordance with Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended. Accordingly, paragraph 19 of this Statement clarifies that the requirements of this Statement for a change in accounting estimate apply only in the absence of other specific requirements regarding how to account for and report the change.

B28. The Board determined that information about the nature of the change in accounting estimate, including identification of the financial statement line items affected, is essential based on feedback from users who participated in the pre-agenda research and, therefore, should be disclosed in notes to financial statements. In addition, as discussed in paragraph B9, the Board determined that a change in accounting estimate that results from a change in measurement methodology should be justified on the basis that the new measurement methodology is preferable, except in circumstances in which the change in measurement methodology is required by a GASB pronouncement. Accordingly, the Board decided that a government should disclose the reason for the change in measurement methodology, including an explanation of why the new measurement methodology is preferable (unless that change is required by a GASB pronouncement), to provide users with information about why the change was made so that they are able to appropriately incorporate the estimates into their analyses.

B29. Some respondents to the Exposure Draft do not believe that information about the reason for a change in measurement methodology, including an explanation of why a new measurement methodology is preferable, is essential. During the pre-agenda research, users focused specifically on the ability to understand the underlying reasons for changes, and, therefore, the Board continues to believe that the disclosures required by this Statement address that user need. Other respondents raised concerns that such a disclosure would be “boilerplate.” The Board noted that the disclosure is intended to be specific to the individual circumstance. The Board believes that, in combination with the nature of the change, which would indicate the former and new methodologies, the disclosures related to changes in accounting estimates resulting from changes in measurement methodologies cannot be accomplished with boilerplate language.

B30. Furthermore, the Exposure Draft proposed that the note disclosures for a change in accounting estimate be made only in circumstances in which the change is significant. Some respondents to the Exposure Draft requested clarification regarding *significant*. In response to that feedback, the Board

considered the circumstances for which disclosures related to changes in accounting estimates are essential. As part of its consideration, the Board acknowledged that some accounting estimates may change when the values of the inputs change (that is, a change *in* the input), even though the input itself has not changed (that is, there is no change *to* the input). For example, if the input to an accounting estimate is inflation, changes in inflation may result in a change in the related accounting estimate, even though the input itself (that is, an input of inflation) remains the same. The Board believes the disclosures are essential in circumstances in which the input itself has changed, and, therefore, this Statement clarifies that the disclosures should be made in circumstances in which a change has been made *to* an input that then results in a significant effect on the accounting estimate (as an output) rather than in circumstances in which there are changes *in* an input.

Change to or within the Financial Reporting Entity

B31. The Board concluded that a change to or within the financial reporting entity should be reported by adjusting beginning balances of the current period as if the change occurred as of the beginning of the period. In contrast to a change in accounting principle, the Board believes that prior periods should not be restated for a change to or within the financial reporting entity because, as previously discussed, the Board believes that a change to or within the financial reporting entity generally reflects a change in circumstance, whereas a change in accounting principle generally reflects the application of different accounting and financial reporting to the same circumstance.

B32. The Board determined that information about the nature of and reason for the change to or within the financial reporting entity is essential to users for (a) understanding the transaction or other event that occurred and (b) utilizing the information disclosed about the quantitative effect of the change on beginning balances. Some respondents to the Exposure Draft requested clarification regarding the applicability of the disclosure requirements in circumstances in which a change to or within the financial reporting entity is within the nonmajor fund column. The Board noted that paragraph 33 of this Statement specifically requires that the note disclosures correspond to reporting units and emphasized that an individual nonmajor fund is not a reporting unit (unless there is only one nonmajor fund).

B33. Other respondents, although not disagreeing broadly with the accounting and financial reporting requirements for a change to or within the financial reporting entity, do not believe that a change in fund presentation from major to nonmajor or vice versa should be reported by an adjustment to beginning balances; they also do not believe the related note disclosures should be required for that circumstance. Still other respondents agreed that beginning balances should be adjusted for a change in fund presentation but disagreed that the change should be displayed in the financial statements.

B34. Regarding the accounting for a change in fund presentation, the Board noted that because the prior reporting period's ending balances remain unadjusted, thereby reflecting the major or nonmajor determination for that year, an adjustment is necessary to the current reporting period's beginning balance. Regarding display, because the Board determined that the aggregate amount should be displayed by reporting unit in the financial statements (as discussed in paragraph B42), the Board concluded that display should include *all* transactions or other events that result in an adjustment or restatement. The Board believes that excluding certain transactions or other events could limit the benefits that the separate display is intended to achieve.

B35. Regarding note disclosures, some respondents disagreed that information should be disclosed for a change in fund presentation for the following reasons: (a) the changes occur frequently and, therefore, some respondents believe users already should understand the criteria used to determine major funds (without additional disclosure); (b) overall net position has not changed as a result of a change in fund presentation; (c) existing disclosure requirements identifying major funds are sufficient; and (d) the volume of note disclosures will increase without an equivalent increase in the value of information provided. The Board continues to believe that in most cases, the note disclosures required for a change in fund presentation are essential to users and generally does not believe that the frequency of the change is a relevant factor in determining the disclosures' essentiality in this case, particularly because even if the changes in presentation are routine, they would not be the same each period.

B36. Moreover, although the Board acknowledges that Statement 38, as amended, requires disclosure of a description of the activities accounted for in major funds, internal service funds, and each type of fiduciary fund presented in the basic financial statements, that disclosure does not identify when or how those funds have changed from the prior year. There are various circumstances in which a major fund may be added or removed, including a change in fund

presentation, and, therefore, the Board continues to believe that the nature of the change (that is, disclosure that a change in fund presentation has occurred) is essential. However, the Board concluded that if the change in fund presentation is *solely* a result of the application of the quantitative criteria in Statement 34, as amended, information about the reason for the change is not essential and, therefore, should not be required to be disclosed.

Error Correction

B37. The Board carried forward the requirement in Statement 62 that an error correction be accounted for retroactively by restating all prior periods presented (to the extent affected by the error). Some respondents to the Exposure Draft questioned whether the benefits of retroactively reporting the error correction by restating all prior periods presented would justify the costs of doing so, and other respondents raised concerns about the practicability of restating all prior periods presented. The Board believes that the effects of the error and its correction are not attributable to the current period and, therefore, should not be reported in current-period flows. The Board also considered whether a practicability exception to restating prior periods presented should be permitted; however, it determined that it would be misleading to present prior periods in the basic financial statements that include known errors that have not been corrected.

B38. This Statement generally carries forward the note disclosure requirements in Statement 62 related to descriptive information (the nature of the error and its correction) and added that the disclosure should include identification of the financial statement line items affected and the periods affected by the error. Similar to its decisions regarding a change in accounting principle and a change in accounting estimate, the Board believes that including identification of the line items affected will provide users with essential information for making decisions or assessing accountability. Regarding the periods affected by the error, based on feedback provided by users in the pre-agenda research, the Board believes that disclosure will provide valuable information related to the nature of the error, which may affect how a user views the error for purposes of making decisions or assessing accountability.

B39. The Board also decided to carry forward from Statement 62, as amended, the quantitative note disclosures about the effects of the error and its correction on (a) beginning net position, fund balance, or fund net position, as applicable (as discussed further in paragraph B43) and (b) the prior period's change in net

position, fund balance, or fund net position, as applicable. Regarding (b), some respondents believe that disclosure is useful only if comparative financial statements are presented and suggested limiting that disclosure to that circumstance. The Board believes that in cases in which only a single period is presented, the note disclosure would provide essential information that is not otherwise provided. The Board continues to believe that, regardless of whether comparative financial statements are presented, information about the quantitative effects of the error correction is essential because it informs users about the magnitude of the error, which may affect users' analyses for making decisions or assessing accountability.

Reclassification in the Financial Statements Resulting from a Change in Accounting Principle or an Error Correction

B40. This Statement specifically addresses reclassifications that result from a change in accounting principle or an error correction. The Board's intent in addressing those circumstances is to reduce diversity in practice by clarifying that even if a change in accounting principle or an error correction does not result in a restatement of beginning balances (for example, an error in classification in the statement of cash flows), prior periods presented should reflect the reclassified amounts and governments should include the applicable note disclosures. The Board believes that including a practicability exception for reclassifications resulting from a change in accounting principle but not for an error correction is consistent with its decisions related to each of those categories.

B41. Some respondents to the Exposure Draft believe that disclosure should not be required in circumstances in which there is no effect on net position, fund balance, or fund net position. The Board believes that, even in circumstances in which there is no effect on beginning balances, the information regarding the nature of the change or error, line items affected, and—for errors—the periods affected, is essential for the same reasons that information about changes in accounting principles or error corrections that do affect beginning balances is essential. Other respondents to the Exposure Draft requested that the applicability of the requirements be expanded to encompass changes in the level of detail that is displayed in the financial statements (that is, the extent to which accounts are aggregated or disaggregated). The Board believes that addressing those changes, which are of a different nature than changes in accounting

principles or error corrections, is outside the scope of the reclassifications addressed by this Statement, even if the outcome of such a change (that is, no effect on beginning balances) is similar.

Other Financial Reporting Requirements

Display in the Financial Statements

B42. This Statement establishes display requirements related to accounting changes and error corrections that have an effect on beginning net position, fund balance, or fund net position. Some respondents to the Exposure Draft disagreed with displaying in the financial statements the aggregate amount of adjustments to or restatements of beginning balances. Those respondents generally believe that (a) display should be a matter of a government's professional judgment or (b) the note disclosures required by this Statement are sufficient. The pre-agenda research indicated diversity in practice regarding display in the financial statements of accounting changes and error corrections, and, therefore, the Board believes that establishing display requirements will enhance comparability across governments. In addition, the Board believes that, in many cases, presenting the aggregate amount of the adjustments and restatements by reporting unit in the financial statements will facilitate users' understanding of the magnitude of the effects of accounting changes and error corrections and allow them to more easily determine whether they need to obtain additional information.

Notes to Financial Statements

B43. This Statement requires the effects on beginning balances for each accounting change or error correction to be disclosed by reporting unit in a tabular format that reconciles beginning balances as previously reported to beginning balances as adjusted or restated. The Board noted that the effects on beginning net position generally were required to be disclosed by Statement 62, as amended; however, it believes that the note disclosure required by paragraph 32 of this Statement will provide users with a comprehensive explanation of the aggregate amount of adjustments and restatements that is displayed in the financial statements in a more understandable and useful format.

B44. Some respondents to the Exposure Draft believe that the tabular format results in the duplication of information in notes to financial statements, and other respondents questioned the benefits of such a format. Still other respon-

dents disagreed with requiring a specific format. The Board noted that the quantitative effects on beginning balances of each accounting change or error correction are not required to be disclosed or presented in another manner, and, therefore, the Board does not believe that the format results in duplicative information. The Board recognizes that in many cases, professional judgment regarding the format of note disclosures enables a government to tailor the information to best reflect its circumstances. However, in this instance, the Board believes that, given the nature of the information, prescribing a specific format significantly enhances the comparability, consistency, and understandability of the information related to accounting changes and error corrections.

B45. Some respondents to the Exposure Draft suggested that an exception be made to presenting the disclosure in a tabular format in circumstances in which there is only one accounting change or error correction. The Board noted that the combination of the display requirements and the provision that permits separate display in the financial statements of each accounting change or error correction in place of disclosure in notes to financial statements alleviates the need for a specific exception. The Board believes that a provision that permits display in the financial statements in place of the note disclosure (as long as each change or error correction is separately identified) eliminates the potential for duplicative information in the basic financial statements.

B46. The Board continues to believe that the tabular format is the most effective way to disclose the quantitative effects on beginning balances by reporting unit. The Board also believes that this requirement provides a significant improvement for users as compared to the requirements of Statement 62, as amended, because the tabular format compiles the information (including that which conveys magnitude) in a single location. The Board also generally does not believe that the incremental costs of disclosing the quantitative effects in a tabular format will be significant. Although it will be a new requirement at implementation, the Board continues to believe that additional costs associated with a specified format relate to compiling the information rather than obtaining it, as discussed in paragraph B60.

B47. In addition, the Board considered the periods in which the note disclosures required by this Statement should be made. The Board determined that the disclosures should be made in the period of the accounting change or error correction and need not be repeated in subsequent periods. The Board considered whether this Statement should prohibit disclosure in subsequent periods about accounting changes and error corrections that occurred in prior periods but decided that because the financial statements are the govern-

ment's responsibility, it would be inappropriate to prohibit a note disclosure, unless that information is inappropriate for notes to financial statements as described in the Concepts Statements. The Board also concluded that, for understandability, consistency, and comparability, if a note disclosure is first made in interim financial statements, the note disclosure also should be made in the related annual financial statements.

B48. This Statement also requires that information be disclosed by reporting unit in notes to financial statements. To mitigate costs associated with this requirement and enhance understandability, the Board concluded that in circumstances in which the information to be disclosed is the same for more than one reporting unit, that information should be combined to avoid unnecessary duplication.

RSI and SI

B49. This Statement establishes guidance on how information affected by certain accounting changes or error corrections should be reported in RSI and SI, which generally present information for more prior periods than the basic financial statements. Based on stakeholder feedback, this Statement emphasizes that RSI includes MD&A.

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

B50. For reporting periods that are presented in the basic financial statements, the Board believes that the presentations in RSI and SI for those periods should be the same as the amounts recognized in the financial statements for consistency throughout the report. For reporting periods that are *earlier* than those presented in the basic financial statements, the Board acknowledges that presenting restated information for a change in accounting principle would enhance consistency of the reported information across periods. However, for purposes of RSI and SI, the Board does not believe that the expected benefits of restating information for a change in accounting principle, including the implementation of a new pronouncement, would justify the perceived costs of doing so. Therefore, the Board concluded that information for periods earlier than those presented in the basic financial statements that is affected by a change in accounting principle should not be restated in RSI or SI. For a change

to or within the financial reporting entity, the Board noted that because the beginning balances of only the current period are adjusted in the basic financial statements, no prior periods should be adjusted in RSI or SI.

B51. Some respondents to the Exposure Draft requested that this Statement permit, but not require, restatement of prior periods in RSI or SI for a change in accounting principle. However, the Board believes that an *option* to restate information in RSI would be inconsistent with the nature of the RSI communication method. The Board recognizes that the nature of the RSI and SI communication methods are different, and, therefore, restatement could be permitted in SI. However, the Board determined that such a distinction might result in unnecessary complexity and confusion in applying the requirements of this Statement.

B52. This Statement also requires that an explanation be provided in circumstances in which information presented in RSI or SI for prior periods is not consistent with information for the current period. The Board believes that such an explanation should be detailed enough to inform users about the nature of the inconsistency and their ability to make comparisons to prior periods. In addition, some respondents to the Exposure Draft requested clarification regarding where such explanations should be included. Therefore, this Statement clarifies that the explanations should accompany the RSI or SI to which it relates.

Error correction

B53. Regarding an error correction, the Exposure Draft proposed that all reporting periods affected by an error that are presented in RSI or SI be restated. Some respondents to the Exposure Draft expressed concerns about the practicability of restating all prior periods, particularly in the 10-year RSI schedules related to postemployment benefits. Other respondents questioned the benefits of restating all prior periods presented in RSI or SI.

B54. Although the Board continues to believe that it generally is inappropriate to knowingly include misstated information that has not been corrected, the Board, based on respondent feedback, determined that there may be circumstances in which it is not practicable to restate some earlier periods. In light of those potential challenges, the Board believes that for periods earlier than

those presented in the basic financial statements, restatement in RSI or SI should be required, if practicable. The phrase *if practicable* in this context has the same meaning as used in other contexts, as described in paragraph B22.

B55. Based on the decision described in paragraph B54 regarding the practicability exception for restating periods earlier than those included in the basic financial statements, the Board noted that RSI or SI could include (a) information that is restated for an error correction, (b) information that is affected by an error but not restated because it is not practicable to do so, or (c) information that is not affected by an error (for which restatement is not relevant). Accordingly, the Board believes that it is important for information presented in RSI or SI that is affected by an error to be identified as either (1) restated or (2) if it is not practicable to restate the information affected by an error, not restated. Furthermore, the Board believes that, if earlier periods are not restated because it is not practicable to do so, an explanation of *why* it is not practicable to restate should be provided. The Board noted that explanation is consistent with explanations provided in other instances in which there is a practicability exception.

Considerations Related to Benefits and Costs

B56. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for financial reporting is the assessment of the expected benefits and perceived costs. The Board strives to determine that its standards (including disclosure requirements) address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B57. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in accordance with GASB standards. The costs to implement the

standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze new information to meaningfully inform their assessments and decisions.

B58. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has taken place. Nonetheless, the Board undertakes the assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between maximizing benefits and minimizing costs.

B59. The Board believes that the requirements of this Statement that clarify the transactions or other events that constitute (a) the different types of accounting changes and (b) error corrections will produce significant benefits by reducing confusion and diversity in practice among preparers and auditors, thereby increasing the understandability, reliability, relevance, consistency, and comparability of the information provided to users for making decisions or assessing accountability. Furthermore, the requirements of this Statement will provide more useful and understandable information through clearer display in the financial statements and enhanced note disclosure requirements.

B60. Regarding the perceived costs, some respondents to the Exposure Draft raised concerns about costs associated with specific requirements, which are discussed throughout this appendix as part of the Board's conclusions related to those requirements. Broadly, the Board believes that to a certain extent, the requirements of this Statement may mitigate costs through enhanced clarity of the requirements themselves—that is, the Board believes that in many cases, the requirements of this Statement may be less challenging to apply than the requirements of Statement 62, as amended. In addition, as discussed in paragraph B24, the Board concluded that certain note disclosure requirements in Statement 62, as amended, should not be carried forward to this Statement because it was not convinced that the expected benefits justify the perceived costs. The Board acknowledges that this Statement includes certain new note disclosures (such as the reconciliation table and other descriptive information about accounting changes and error corrections) and requires that the note disclosures generally should be presented by reporting unit. As a result, the Board believes that there may be some costs associated with disclosing that

new information or presenting information by reporting unit, particularly in reporting periods in which more than one accounting change or error correction has occurred. However, the Board generally believes that the costs associated with those disclosures are related more to compiling and presenting the information. The Board generally believes that the information should be obtainable. Furthermore, the Board noted that this Statement indicates that information should be combined in certain circumstances to avoid unnecessary duplication. Therefore, the Board believes that those costs may decrease over time as governments gain more experience with the requirements. Lastly, the Board believes that the prospective transition provisions of this Statement will alleviate costs associated with implementation of the requirements.

Effective Date and Transition

B61. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Board believes that the effective date provides sufficient time for education about the new requirements. The Board also noted that some governments may wish to implement the guidance earlier than the effective date, which this Statement encourages. The Exposure Draft proposed that those provisions be effective for *reporting periods*. During redeliberations, the Board broadly reconsidered whether GASB pronouncements generally should be *first* effective for reporting periods or fiscal years. The Board concluded that the effective dates of new pronouncements generally should be stated in terms of *fiscal years and all reporting periods thereafter*, unless circumstances related to the specific requirements of a pronouncement warrant otherwise. Such an approach allows more time for a government to apply new pronouncements to interim financial statements.

B62. Regarding the transition provisions of this Statement, the Board concluded that the expected benefits of retroactive application do not justify the perceived costs. Specifically, the Board acknowledges that accounting changes and error corrections generally are not recurring, and, therefore, the primary benefit typically provided by a retroactive transition approach—consistency—is not as significant, whereas the costs of a retroactive approach may be significant. Accordingly, the Board decided that prospective application of the requirements is appropriate.

Appendix C

ILLUSTRATIONS

C1. This appendix illustrates certain disclosure requirements of this Statement. The facts assumed are illustrative only and are not intended to modify or limit the requirements of this Statement or to indicate the Board's endorsement of the policies or practices shown. Application of the provisions of this Statement may require assessment of facts and circumstances other than those illustrated here. No inferences about determining materiality should be drawn from these illustrations.

Facts and Assumptions for Illustrations 1 and 2

Illustrations 1 and 2 reflect the application of certain requirements of this Statement to the following circumstances:

- A change in the presentation of one of the government's component units from blended to discrete
- An addition of a component unit to the financial reporting entity
- A correction of an error in previously issued financial statements affecting only governmental activities.

Illustration 1—Note Disclosures

Sample City
Notes to the Financial Statements
For the Year Ended December 31, 20X2

Note X

Changes to or within the Financial Reporting Entity

Change in Component Unit Presentation (Column A)

QRS Foundation was previously reported as a blended component unit (in Enterprise Fund D) because its board was substantively the same as the Sample City Council. However, new legislation was passed during the year that

prevents members of the Sample City Council from serving on the board. Therefore, because the board no longer is substantively the same as the Sample City Council, QRS Foundation no longer meets the requirements for presentation as a blended component unit and is discretely presented for the fiscal year ended December 31, 20X2. The effects of that change to or within the financial reporting entity are shown in column A of the table below.

Addition of Discretely Presented Component Unit (Column B)

In 20X2, new legislation was passed that gives the Sample City Council the authority to approve and modify the budget of XYZ Foundation. Due to that change, XYZ Foundation now meets the requirements for inclusion as a discretely presented component unit for fiscal year ended December 31, 20X2. The effect of that change to or within the financial reporting entity is shown in column B of the table below.

Correction of an Error in Previously Issued Financial Statements (Column C)

During fiscal year 20X2, Sample City determined that infrastructure assets related to a new development that were contributed by a private developer in the prior year were not reported. Therefore, capital assets, net of depreciation, were understated by \$71.312 million for the fiscal year ended December 31, 20X1. In addition, public works revenue from capital grants and contributions was understated by \$72.610 million and public works expense for related depreciation was understated by \$1.298 million for the fiscal year ended December 31, 20X1. The effect of correcting that error is shown in column C of the table below.

Adjustments to and Restatements of Beginning Balances

During fiscal year 20X2, changes to or within the financial reporting entity and an error correction resulted in adjustments to and restatements of beginning net position and fund net position, as follows (amounts in thousands):

	12/31/20X1 As Previously Reported	Change to or within the Financial Reporting Entity (A)	Change to or within the Financial Reporting Entity (B)	Error Correction (C)	12/31/20X1 As Restated
Government-Wide					
Governmental Activities	\$ 768,033	\$ -	\$ -	\$ 71,312	\$ 839,345
Business-Type Activities	543,163	(2,184)	-	-	540,979
Total Primary Government	\$ 1,311,196	\$ (2,184)	\$ -	\$ 71,312	\$ 1,380,324
Governmental Funds					
Major Funds:					
General Fund	\$ 631,607	\$ -	\$ -	\$ -	\$ 631,607
Fund A	100,922	-	-	-	100,922
Nonmajor Funds	40,486	-	-	-	40,486
Total Governmental Funds	\$ 773,015	\$ -	\$ -	\$ -	\$ 773,015
Proprietary Funds					
Major Funds:					
Enterprise Fund C	\$ 418,910	\$ -	\$ -	\$ -	\$ 418,910
Enterprise Fund D	74,831	(2,184)	-	-	72,647
Nonmajor Funds	49,422	-	-	-	49,422
Total Proprietary Funds	\$ 543,163	\$ (2,184)	\$ -	\$ -	\$ 540,979
Fiduciary Funds					
Pension and Other Employee Benefit Trust Funds	\$ 3,071,227	\$ -	\$ -	\$ -	\$ 3,071,227
Discretely Presented Component Units					
ABC Authority	\$ 1,696	\$ -	\$ -	\$ -	\$ 1,696
QRS Foundation	-	2,184	-	-	2,184
XYZ Foundation	-	-	1,500	-	1,500
Nonmajor Component Units	2,730	-	-	-	2,730
Total Discretely Presented Component Units	\$ 4,426	\$ 2,184	\$ 1,500	\$ -	\$ 8,110

Illustration 2—Alternative Tabular Format

Illustration 2 presents an alternative tabular format in accordance with the requirements in paragraph 32, using the facts and assumptions described above. Illustration 1 presents all reporting units, whereas Illustration 2 presents only those for which beginning balances are adjusted or restated. In addition, Illustration 1 presents the reporting units as rows, whereas Illustration 2 presents the reporting units as columns.

Other presentations also may satisfy the requirements in paragraph 32.

Adjustments to and Restatements of Beginning Balances

During fiscal year 20X2, changes to or within the financial reporting entity and an error correction resulted in adjustments to and restatements of beginning net position and fund net position, as follows (amounts in thousands):

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances						
Funds		Government-Wide			Component Units	
Enterprise Fund D	Governmental Activities	Business-Type Activities	QRS Foundation	XYZ Foundation		
\$ 74,831	\$ 768,033	\$ 543,163	\$ -	\$ -		
(2,184)	-	(2,184)	2,184	-		
-	-	-	-	1,500		
-	71,312	-	-	-		
\$ 72,647	\$ 839,345	\$ 540,979	\$ 2,184	\$ 1,500		

12/31/X1, as previously reported

Change from blended to discrete presentation

Addition of discretely presented component unit

Error correction

12/31/X1, as restated

Appendix D

CODIFICATION INSTRUCTIONS

Codification of Governmental Accounting and Financial Reporting Standards—June 2023 Update

D1. The instructions that follow update the December 31, 2021 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), as amended by Statements No. 96, *Subscription-Based Information Technology Arrangements*, and No. 99, *Omnibus 2022*, for the provisions of this Statement. Only the paragraph number of the Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[Update cross-references throughout.]

* * *

REPORTING CAPITAL ASSETS

SECTION 1400

[Revise footnote 10 as follows:] Provided that the change is preferable, a change from depreciation to the modified approach should be reported as a change in accounting estimate resulting from a change in measurement methodology. [GASBS 37, ¶8, as amended by GASBS 100, ¶7, ¶8, ¶20, and ¶21]

[Revise footnote 11 as follows:] This change should be reported as a change in accounting estimate resulting from a change in measurement methodology. [GASBS 34, fn21, as amended by GASBS 100, ¶7, ¶8, ¶20, and ¶21]

.703-16 [Revise second sentence of the answer as follows; delete the third and fourth sentences of the answer:] This change would be reported as a change in accounting estimate resulting from a change in measurement methodology, as provided for in footnote 11 of this section. [GASBIG 2015-1, 7.18.2, as amended by GASBS 100, ¶7, ¶8, ¶20, and ¶21]

.705-13 [Revise the third sentence of the answer as follows:] The effects of a change in useful life should be reported as a change in estimate in accordance with paragraphs .137 and .138 of Section 2250, “Additional Financial Reporting Considerations.” [GASBIG 2015-1, Q7.14.4, as amended by GASBS 100, ¶7, ¶20, and ¶21]

.720-2 [Revise the last sentence of the answer as follows:] The effects of a change in the useful life to no longer be indefinite should be reported as a change in accounting estimate similar to the effects of a change in the useful life of any type of capital asset. [GASBIG 2015-1, QZ.51.26, as amended by GASBS 100, ¶7, ¶20, and ¶21]

.729-7 [Delete paragraph; renumber subsequent paragraphs.] [GASBIG 2015-1, Q7.104.17, superseded by GASBS 100, ¶4–¶13]

* * *

CLASSIFICATION AND TERMINOLOGY

SECTION 1800

Sources: [Add GASBS 100.]

.102 [Insert the following after the second sentence in subparagraph b(1):] This category does not include the addition or removal of a fund that results from the movement of continuing operations within the primary government, which should be reported as a change to or within the financial reporting entity. (See Section 2250, “Additional Financial Reporting Considerations.”) [GASBS 34, ¶112, as amended by GASBS 63, ¶8 and GASBS 100, ¶9; GASBS 100, ¶9]

.106 [Revise the sources as follows:] GASBS 34, ¶61, as amended by GASBS 63, ¶8 and GASBS 65, ¶13; GASBS 100, ¶9

* * *

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SECTION 2200

Sources: [Add GASBS 100.]

.150 [Replace *paragraphs .151 and .152* with *paragraphs .143–.146.*] [GASBS 62, ¶150, as amended by GASBS 100, ¶125–¶128; GASBS 100, ¶125–¶128]

.155 [Revise the sources as follows:] GASBS 34, ¶61, as amended by GASBS 63, ¶8 and GASBS 65, ¶13; GASBS 100, ¶9

.206 [Replace *paragraphs .125–.152* with *paragraphs .121–.157.*] [GASBS 62, ¶153, as amended by GASBS 100, ¶2 and ¶4–¶39; GASBS 100, ¶2 and ¶4–¶39]

[Replace the text under heading .728 with the following:] No questions assigned.

.729-10 [Delete the last sentence of the answer.] [GASBIG 2015-1, Q7.55.7, as amended by GASBS 100, ¶23 and ¶24]

* * *

ADDITIONAL FINANCIAL REPORTING CONSIDERATIONS

SECTION 2250

Sources: [Add GASBS 100.]

.101 [In the first sentence, delete *prior-period adjustments*,; in the third sentence, add paragraphs .121–.157 to the list.] [GASBS 56, ¶2; GASBS 62, ¶3 and ¶54–¶57; GASBS 100, ¶2 and ¶4–¶39]

.115 [Delete *or the criteria for prior-period adjustments.*] [GASBS 56, ¶14, as amended by GASBS 100, ¶4–¶13]

[Replace paragraphs .121–.152, including headings and footnotes, with the following; renumber subsequent footnotes.] [GASBS 62, ¶158–¶189, as amended, and fn29–fn36, as amended, superseded by GASBS 100, ¶2]

Accounting Changes and Error Corrections

.121 The requirements in paragraphs .122–.157 do not apply to the initial application of U.S. generally accepted accounting principles (GAAP) established by the GASB as a financial reporting framework in circumstances in which a government is asserting for the first time that its financial statements are prepared in accordance with U.S. GAAP established by the GASB. [GASBS 100, ¶2]

.122–.157 [GASBS 100, ¶4–¶39, including headings and footnotes]

[Replace headings .705–.727 and associated text with the following; renumber subsequent heading and associated paragraphs.] [GASBIG 2015-1, Q4.38.3 and Q4.38.4, superseded by GASBS 100, ¶9 and ¶10; GASBIG 2015-1, Q7.22.16, superseded by GASBS 100, ¶25–¶28; GASBIG 2015-1, Q7.22.7, superseded by GASBS 100, ¶4–¶13]

.705 Accounting Changes and Error Corrections

No questions assigned.

.706 Classification

No questions assigned.

.707 Accounting Changes

No questions assigned.

.708 Change in accounting principle

No questions assigned.

.709 Change in accounting estimate

No questions assigned.

.710 Change to or within the financial reporting entity

No questions assigned.

.711 Error Correction

No questions assigned.

.712 Accounting and Financial Reporting for Accounting Changes and Error Corrections

No questions assigned.

.713 Change in Accounting Principle

No questions assigned.

.714 Notes to financial statements

No questions assigned.

.715 Change in Accounting Estimate

No questions assigned.

.716 Notes to financial statements

No questions assigned.

.717 Change to or within the Financial Reporting Entity

No questions assigned.

.718 Notes to financial statements

No questions assigned.

.719 Error Correction

No questions assigned.

.720 Notes to financial statements

No questions assigned.

.721 Reclassification in the Financial Statements Resulting from a Change in Accounting Principle or an Error Correction

No questions assigned.

.722 Other Financial Reporting Requirements

No questions assigned.

.723 Display in the Financial Statements

No questions assigned.

.724 Notes to Financial Statements

No questions assigned.

.725 Required Supplementary Information and Supplementary Information

No questions assigned.

.726 Changes in accounting principles and changes to or within the financial reporting entity

No questions assigned.

.727 Error corrections

No questions assigned.

* * *

NOTES TO FINANCIAL STATEMENTS

SECTION 2300

Sources: [Add GASBS 100.]

.105 [At the end of the “Except for” clause in the first sentence, insert *and disclosure of the quantitative effects of accounting changes and error corrections (see paragraph .151 of Section 2250)*,; add GASBS 100, ¶33 to the amending sources of GASBS 14, ¶63.]

.107 [Revise subparagraphs uu and vv as follows:]

- uu. Current-period adjustments to an extraordinary or special item that was reported in a prior period. (See Section 2200, paragraph .150.)
- vv. Accounting changes and error corrections. (See Section 2250, paragraphs .135, .136, .139, .141, .142, .145–.148, and .150–.152.)

[In the sources, remove GASBS 62, ¶62, ¶75, ¶85, ¶87, and ¶89; add GASBS 100, ¶17, ¶18, ¶21, ¶23, ¶24, ¶27–¶30, and ¶32–¶34.]

.114 [Replace the second sentence with the following:] In some cases, the disclosure of accounting policies should refer to related details presented elsewhere in the notes to financial statements. For example, a change in accounting policy that meets the definition of a change in accounting principle should be described with cross-reference to the note disclosures required by Section 2250 for a change in accounting principle. [GASBS 62, ¶94, as amended by GASBS 100, ¶5, ¶17, and ¶18]

* * *

CASH FLOWS STATEMENTS

SECTION 2450

.108 [Replace the last sentence with the following:] Any change in that policy is a change in accounting principle if the change is justified on the basis that the new principle is preferable. See Section 2250 regarding how to report a change in accounting principle, including a change in accounting principle that results in a reclassification in the financial statements. [GASBS 9, ¶11, as amended by GASBS 100, ¶5, ¶14–¶18, and ¶29]

* * *

REPORTING ENTITY AND COMPONENT UNIT PRESENTATION AND DISCLOSURE

SECTION 2600

Sources: [Add GASBS 100.]

.117 [Revise the sources as follows:] GASBS 34, ¶61, as amended by GASBS 63, ¶8 and GASBS 65, ¶13; GASBS 100, ¶9

.124 [In the “Except for” clause in the first sentence, insert *and disclosure of the quantitative effects of accounting changes and error corrections (see paragraph .151 of Section 2250)*, as a third item in the list; add GASBS 100, ¶33 to the amending sources of GASBS 14, ¶63.]

* * *

FAIR VALUE MEASUREMENT

SECTION 3100

.119 [Revise the paragraph as follows:] A revision resulting from a change in the valuation technique or its application should be reported as a change in accounting estimate resulting from a change in measurement methodology. [GASBS 72, ¶22, as amended by GASBS 100, ¶7, ¶8, ¶20, and ¶21]

* * *

DERIVATIVE INSTRUMENTS

SECTION D40

[Delete paragraph .711-4; renumber subsequent paragraphs.] [GASBIG 2015-1, Q10.20.5, superseded by GASBS 100, ¶5]

* * *

INVESTMENTS

SECTION I50

.116 [Revise subparagraph d as follows:] The government’s share of special and extraordinary items reported in the financial statements of the investee should be classified in accordance with paragraphs .143 and .145–.150 of Section 2200, “Annual Comprehensive Financial Report,” and its share of accounting changes and error corrections reported in the financial statements of the investee should be classified in accordance with paragraphs .122–.157 of Section 2250, “Additional Financial Reporting Considerations.” [GASBS 62, ¶209, as amended by GASBS 63, ¶8, GASBS 69, ¶39, and GASBS 100, ¶4–¶39]

[Delete paragraph .741-2; renumber subsequent paragraphs.] [GASBIG 2015-1, Q1.57.2, superseded by GASBS 100, ¶5]

* * *

LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS SECTION L10

.112 [In the second sentence, delete *corrections of errors in estimation*.]
[GASBS 18, ¶14, as amended by GASBS 100, ¶12]

* * *

REAL ESTATE

SECTION R30

Sources: [Add GASBS 100.]

.150 [Revise the paragraph as follows:] When all of the conditions in paragraph .147 are satisfied on a retail land sales project originally reported by the installment method, the percentage-of-completion method of accounting may be adopted for the entire project (current and prior sales) and the effect reported as a change in accounting estimate resulting from a change in measurement methodology.¹⁸ [GASBS 62, ¶329, as amended by GASBS 100, ¶7, ¶8, ¶20, and ¶21]

¹⁸[Insert current footnote 18.]

.181 [Replace *paragraph .146* with *paragraphs .137–.139*.] [GASBS 62, ¶361, as amended by GASBS 100, ¶20 and ¶21; GASBS 100, ¶20 and ¶21]

* * *

PROPRIETARY FUND ACCOUNTING AND FINANCIAL REPORTING

SECTION P80

.704-5 [Delete the last sentence of the answer.] [GASBIG 2015-1, Q7.55.7, as amended by GASBS 100, ¶23 and ¶24]

* * *

COMBINATIONS AND DISPOSALS OF OPERATIONS SECTION Co10

.140 [Replace the last sentence and footnote 5 with the following:] The difference between the acquisition price and the carrying value of the net position acquired should be reported as a special item by the acquiring government in its separately issued statements. For acquisitions with discretely presented component units, that difference should be reclassified as transfers or subsidies, as appropriate, in the financial statements of the reporting entity. For acquisitions with blended component units, the transaction should be treated as a change to or within the financial reporting entity.⁵ (See Section 2250.) [GASBS 69, ¶43, as amended by GASBS 100, ¶9; GASBS 100, ¶9 and ¶10]

⁵For both discretely presented and blended component units, the provisions of this section should first be applied in the separate financial statements of the component unit. [GASBS 69, fn5, as amended by GASBS 100, ¶9 and ¶10]

[Insert new paragraph .147, including heading, as follows; renumber subsequent paragraphs.]

Intra-Entity Government Transfers of Operations

.147 In financial statements of the reporting entity, a transfer of operations that occurs between a primary government and its discretely presented component units that results in the addition or removal of a fund or discretely presented component unit (including the establishment of a new discretely presented component unit) should be accounted for in accordance with paragraphs .143–.146 of this section. In the financial statements of the reporting entity, a transfer of operations that occurs between a primary government and its blended component units that results in the addition or removal of a fund or blended component unit (including the establishment of a new blended component unit) should be accounted for as a change to or within the financial reporting entity. [GASBS 69, ¶46–¶49; GASBS 100, ¶9 and ¶10]

[Insert new heading .724 and associated text as follows; renumber subsequent headings:]

.724 Intra-Entity Government Transfers of Operations

No questions assigned.

* * *

INVESTMENT POOLS (EXTERNAL)

SECTION In5

.107 [Revise the paragraph as follows:] When an external investment pool did not measure all of its investments at amortized cost for financial reporting purposes in the previous reporting period, the pool may make an election to change from fair value measurement to amortized cost-based measurement in the subsequent reporting period, only if the pool meets all the criteria in paragraph .104 and justifies the change as preferable. [GASBS 79, ¶7, as amended by GASBS 100, ¶4–¶13]

* * *

PUBLIC ENTITY RISK POOLS

SECTION Po20

.720-7 [Revise the answer as follows:] A—Although there is no specific requirement in paragraph .146b of this section, the disclosures for changes in accounting estimates, including those resulting from changes in measurement methodologies, as described in Section 2250, “Additional Financial Reporting Considerations,” should be made, as applicable. As part of the required information about the nature of the change, the disclosure should include a description of the basis used for estimating liabilities before and after the change. [GASBIG 2015-1, Q3.28.1, as amended by GASBS 100, ¶21]

* * *

Comprehensive Implementation Guide—June 2023 **Update**

D2. The instructions that follow update the December 31, 2021 *Comprehensive Implementation Guide* for the provisions of this Statement.

* * *

[Replace the text of Question 1.57.2 with *[Question number not used]*.]
[GASBIG 2015-1, Q1.57.2, superseded by GASBS 100, ¶4–¶13]

3.28.1. [Revise the answer as follows:] A—Although there is no specific requirement in paragraph .146b of this section, the disclosures for changes in accounting estimates, including those resulting from changes in measurement

methodologies, as described in GASB Statement No. 100, *Accounting Changes and Error Corrections*, should be made, as applicable. As part of the required information about the nature of the change, the disclosure should include a description of the basis used for estimating liabilities before and after the change. [GASBIG 2015-1, Q3.28.1, as amended by GASBS 100, ¶21]

[Replace the text of Question 4.38.3 with *[Question number not used]*.]
[GASBIG 2015-1, Q4.38.3, superseded by GASBS 100, ¶9 and ¶10]

[Replace the text of Question 4.38.4 with *[Question number not used]*.]
[GASBIG 2015-1, Q4.38.4, superseded by GASBS 100, ¶9 and ¶10]

7.14.4. [Revise the third sentence of the answer as follows:] The effects of a change in useful life should be reported as a change in estimate in accordance with paragraphs 20 and 21 of Statement No. 100, *Accounting Changes and Error Corrections*. [GASBIG 2015-1, Q7.14.4, as amended by GASBS 100, ¶7, ¶20, and ¶21]

7.18.2. [Revise the second sentence of the answer as follows; delete the third and fourth sentences of the answer:] This change would be reported as a change in accounting estimate resulting from a change in measurement methodology, as provided for in footnote 21 to paragraph 26 of Statement 34. [GASBIG 2015-1, 7.18.2, as amended by GASBS 100, ¶7, ¶8, ¶20, and ¶21]

[Replace the text of Question 7.22.16 with *[Question number not used]*.]
[GASBIG 2015-1, Q7.22.16, superseded by GASBS 100, ¶25–¶28]

[Replace the text of Question 7.22.17 with *[Question number not used]*.]
[GASBIG 2015-1, Q7.22.17, superseded by GASBS 100, ¶4–¶13]

[Under heading 7.53, delete the cross-reference text.]

7.55.7. [Delete the last sentence of the answer.] [GASBIG 2015-1, Q7.55.7, as amended by GASBS 100, ¶23 and ¶24]

[Replace the text of Question 7.104.17 with *[Question number not used]*.]
[GASBIG 2015-1, Q7.104.17, superseded by GASBS 100, ¶4–¶13]

[Replace the text of Question 10.20.5 with *[Question number not used]*.]
[GASBIG 2015-1, Q10.20.5, superseded by GASBS 100, ¶5]

Z.51.26. [Revise the last sentence of the answer as follows:] The effects of a change in the useful life to no longer be indefinite should be reported as a change in accounting estimate similar to the effects of a change in the useful life of any type of capital asset. [GASBIG 2015-1, QZ.51.26, as amended by GASBS 100, ¶7, ¶20, and ¶21]

