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GASB Improves and Clarifies Standards for Accounting Changes and Error Corrections.

Norwalk, CT, June 13, 2022 — The Governmental Accounting Standards Board (GASB) today issued guidance designed to improve the accounting and financial reporting requirements for accounting changes and error corrections.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, provides more straightforward guidance designed to lead to information that is easier to understand and more reliable, relevant, consistent, and comparable across governments for making decisions and assessing accountability.

The Board's previous standards on accounting changes and error corrections—in GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – were based on guidance established in the 1970s. The GASB's pre-agenda research identified diversity in applying the existing standards in practice, including issues with selecting the appropriate category of accounting change or error correction.

Statement 100 defines the following categories:

- Changes in accounting principles
- Changes in accounting estimates
- Changes to or within the financial reporting entity
- Corrections of errors in previously issued financial statements.

Statement 100 prescribes accounting and financial reporting for (1) each category of accounting change and (2) error corrections. It requires that:

- Changes in accounting principle and error corrections be reported retroactively by restating prior periods.
- Changes in accounting estimate be reported prospectively by recognizing the change in the current period.
- Changes to and within the financial reporting entity be reported by adjusting beginning balances of the current period.

The Statement also addresses how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information and supplementary information.

Statement 100 carries forward some of the requirements of Statement 62 but with clearer explanations. Regarding classification, a notable change relates to changes to or within the financial reporting entity, which previously did not encompass changes within the reporting entity, such as a change from discrete presentation of a component unit to blended presentation or vice versa. Regarding note disclosures, Statement 100 requires that governments disclose the effects of each accounting change and error correction on beginning balances in a tabular format.

“Governments and other stakeholders should find many of the requirements of Statement 100 familiar,” said GASB Chair Joel Black. “But they should find the understandability of the guidance greatly improved, and financial statement users should benefit from the new tabular disclosure.”

The requirements of Statement 100 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.

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