

### **LEARNING OBJECTIVES:**

- Recognize the different types of accounting changes.
- Identify the accounting changes and disclosures necessary for changes in inventory method.
- Recognize a change in a reporting entity and the effect of a change in accounting estimate.
- Identify examples of a correction of an error in previous financial statements and analyze the effect of errors.

### **TOPICS COVERED**

- Change in Accounting Principle (Method)
  - Accounting for Changes in Accounting Principle
  - Examples - Retrospective Application of a Change in Accounting Principle
- Impracticability Provisions
- Direct and Indirect Effects of Retrospective Application
- Other Considerations
  - Accounting Changes in Interim Periods
  - Materiality Assessments
  - SEC Guidance on Voluntary Change in Accounting Principle
  - Implications to Internal Control
- Disclosures Required for Changes in Accounting Principle
  - Exhibit 1 - Disclosure of Changes to LIFO
- Change in Accounting Estimate
  - Accounting for Changes in Accounting Estimate
    - Examples - Change in Accounting Estimate
  - Disclosures Required for Changes in Accounting Estimate
    - Exhibit 2 - Disclosures Relating Estimates
  - Implications to Internal Control
- Change in Reporting Entity
  - Accounting for Changes in Reporting Entity
  - Disclosures Required for Changes in Reporting Entity
    - Exhibit 3 - Disclosure of Changes in Reporting Entity
- Error Corrections
  - General Rules
  - Step 1: Determining Whether an Error Exists
    - Error Correction vs. Changes in Accounting Estimate
    - Error Correction vs. Reclassification
    - Types of Accounting Errors
  - Step 2: Assessing Materiality of the Error
    - Qualitative Analysis
    - Quantitative Analysis
  - Step 3: Analyzing the Financial Impacts of the Error
  - Step 4: Correcting the Error
    - Key Concepts
    - Examples - Error Corrections
    - Illustrative Example - Error Correction
  - Step 5: Reporting the Error
  - Considerations for SEC Registrants
    - Exhibit 4 - Restatement: Disclosure of Error Corrections
- ASC, FASB, and Difference between GAAP and IFRS