

**BARS CASH – Draft BARS pages for Accounting Changes and Error Corrections,  
effective for 2024 reporting.**

**DRAFT PAGES FOR REVIEW – DO NOT USE AS IMPLEMENTATION GUIDANCE**

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**Cash Basis BARS Manual – pending December 2024 update**

**Accounting changes and error corrections**

**3.1.X.XX Definitions**

Accounting changes and error corrections occur in governments in three separate situations, as listed below.

Change in accounting principle:

This occurs when switching from one generally accepted accounting principle to another or adopting a new standard as required by the BARS Manual.

Change to or within the financial reporting entity:

- a. A government opens or closes a fund and needs to move all related financial activity
- b. A change in reporting fiduciary activities at the fund level. This means that if a government reports a 600 level fund and moves that activity to a 000-500 or 700 level fund, or vice versa.

Error correction:

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

- a. Mathematical mistake
- b. Mistake in the application of accounting principles
- c. Oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date is identified
- d. Amounts that are refunded to the government (or fund) that are material from prior year financial activity

**3.1.X.XX Accounting and reporting**

Accounting and reporting for each change and error correction category is discussed below. If an entity is required to submit notes, a **note disclosure** is required to be presented with each accounting change and/or error correction that occurs during the fiscal year.

Change in accounting principle:

Governments that implement or adopt a new accounting standard should record activity as if the accounting principle was in place as of the beginning of the fiscal year. BARS code 388.50.00 or 588.50.00 should be used to restate the beginning balance as of the beginning of the year.

Change to or within the financial reporting entity:

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Governments that undergo a change to or within the reporting entity should record the activity as if the change occurred as of the beginning of the fiscal year. BARS code 388.40.00 or 588.40.00 should be used to adjust the beginning balance as of the beginning of the year.

*For example, if a government has opened a new fund in the fiscal year, the change in the would reflect on the financial statement as if the fund had opened on first day of the fiscal year. All activity for the year would then be captured in the appropriate fund.*

**Error correction:**

Governments required to correct an error should record the cumulative effect of the error in the fiscal year that the error is identified. BARS code 388.30.00 or 588.30.00 should be used to restate the beginning balance as of the beginning of the fiscal year.

*For example, one fund incorrectly recognized an expenditure that should have been recognized by another fund which was identified in a subsequent fiscal year. As a result, the government is required to record an error correction to reflect the expenditure in the responsible fund in the fiscal year that the error was identified.*

*In the fund that originally recognized the expenditure, the government should record the amount of the expenditure to BARS code 388.30.00 and should record the same amount in the fund that should have recognized the expenditure to BARS code 588.30.00*