

FINANCIAL 1

Accounting Changes

- ◆ Classification and Approaches
- ◆ Changes in Accounting Estimate
- ◆ Changes in Accounting Principle
- ◆ Changes in Accounting Entity
- ◆ Error Corrections
- ◆ Summary of Accounting Changes and Necessary Treatments

NOTES

I. CLASSIFICATION AND APPROACHES (会計上の変更)

- ☐ Changes in an accounting estimate (会計上の見積りの変更)
- ☐ Changes in an accounting principle (会計処理方法の変更)
- ☐ Changes in the reporting entity (会計報告単位の変更)
- ☐ Error correction (誤謬の修正)

In accounting for accounting changes and error corrections, the objective is to maintain the validity of comparative information.

会計上の変更がおこなわれた場合は、見積りの変更は **Prospective application** (将来にわたって処理)、会計処理方法の変更は、比較情報の有効性を維持するために、**retrospective application** (過年度に遡って財務諸表を作成し直す) となる。**Error correction** (誤謬の修正) は **Restatement approach** (過年度に遡って作り直し)。

Accounting change approaches:

- ☐ Prospective application (将来にわたって処理)
- ☐ Retrospective application (**cumulative effect**) (過年度に遡って作り直し) 累積的影響額を **Statement of retained earnings** (利益剰余金計算書) に記載して修正する。
- ☐ Restatement approach (過年度に遡って作り直し)

II. CHANGES IN ACCOUNTING ESTIMATE (*prospective approach*)

Adjustments for changes in accounting estimate are made in the current and future accounting periods. They do not affect previous periods. Examples include:

- ☐ Change in useful life (耐用年数の変更)
- ☐ Change in salvage value (残存価額の変更)

When a change in accounting principle is **inseparable** from a change in accounting estimate, it should be reported as a change in accounting estimate.

減価償却方法の変更のように、change in accounting principle と changes in accounting estimate が一体となっており、区別することができないときは、changes in accounting estimate として、prospective に処理すればよい。

III. CHANGES IN ACCOUNTING PRINCIPLE – *Retrospective Application (cumulative effect)*

General rule: Any change from one generally accepted accounting principle to another generally accepted accounting principle is recognized by **adjusting beginning retained earnings** for the cumulative effect of the change, net of tax. Prior period financial statements are restated (IDEA).

The cumulative effect of a change in accounting principle is computed as of the **beginning of the earliest year presented**, regardless of the actual date of the change, by applying the new principle to the item to be changed since inception. The difference between the two principles is the catch-up amount for all prior affected periods. It includes direct effects and only those indirect effects that are entered into the accounting records.

Under IFRS, when an entity applies an accounting principle retroactively or makes a retrospective restatement of items in the financial statements, the entity must (at a minimum) present three balance sheets (end of current period, end of prior period, and beginning of prior period) and two of each of the other financial statements (current period and prior period). The cumulative effect adjustment would be shown as an adjustment of the beginning retained earnings on the balance sheet for the beginning of the prior period. U.S. GAAP does not have a three balance sheet requirement.

会計処理方法の変更が行われた場合、累積的影響額を **Statement of retained earnings**（利益剰余金計算書）に記載する。具体的には期首の **retained earnings** を修正するが、比較財務諸表の場合は、一番最初の期間の期首の **retained earnings** を修正する。I F R S では、最低 1 年の比較情報を開示することが要求されているので、企業が最低限の開示を行った場合は、前年度の期首の **retained earnings** が修正されることになる。

A. Exceptions to the General Rule (*prospective application*):

1. Impractical to Estimate

If it is considered impractical to accurately calculate this cumulative effect adjustment, then the change is handled **prospectively** (like a change in estimate). An example of a change handled in this manner is a change in inventory cost flow assumption to **LIFO** (U.S. GAAP only). Since a cumulative effect adjustment to LIFO would require the reestablishment and recalculation of old inventory layers, it is considered impractical to try and rebuild those old cost layers.

棚卸資産の評価方法を L I F O（後入先出法）に変更した場合は、例外的に **prospective** に処理すればよい。Retrospective application が、実務上困難であることを理由とする。

2. Change in Depreciation Method

A change in the method of depreciation, amortization, or depletion is considered to be both a change in method and a change in estimate. These changes should be accounted for as changes in estimate and are handled **prospectively**. The new depreciation method should be used as of the beginning of the year of change in estimate and should start with the current book value of the underlying asset.

No adjustment should be made to Retained Earnings.

減価償却方法の変更のように、change in accounting principle と changes in accounting estimate が一体となっており、区別することができないときは、changes in accounting estimate として、prospective に処理すればよい。

IV. CHANGES IN ACCOUNTING ENTITY (*retrospective application*)

Include changes in the companies that make up the consolidated or combined financial statements from year to year. Hence, if 5-year comparative statements are presented, all these statements would be restated as though all the companies were always combined. The concept of a change in accounting entity is not discussed in IFRS.

会計報告単位が変更された場合、以前からその会計報告単位で活動していたものとして、過年度の財務諸表をすべて作成し直さなければならない。

V. ERROR CORRECTIONS (*restatement approach*)

Error corrections require retroactive restatement by adjusting the beginning balance of retained earnings, net of tax, in the earliest year presented. If the error occurred in a year presented, the error is corrected in those prior financial statements.

Under IFRS, when it is impracticable to determine the cumulative effect of an error, the entity is required to restate information prospectively from the earliest date that is practicable. U.S. GAAP does not have an impracticability exemption for error corrections.

誤謬の修正は過去に遡って行う (**Restatement**)。Restatement という言葉を使っているが、行っていることは **Retrospective application** と同様である。I F R S では、過年度の累積的影響額を計算するのが困難な場合は、可能な範囲で最も古い日から **prospective** に処理をすればよいという例外規定がある。

Gracie Company
STATEMENT OF RETAINED EARNINGS (Partial)
For the Year Ended December 31, Year 1

Beginning balance (as previously reported)	\$28,000,000
Prior period adjustments:	
Correction of error (net of tax \$1,800,000)	(2,700,000)
Cumulative effect of accounting change (net of tax \$2,000,000)	3,000,000
Beginning balance (restated)	<u>\$28,300,000</u>

内 容	取り扱い
Changes in accounting principle	過年度に遡って作り直し (retrospective application)
Changes in accounting estimate	将来にわたって処理 (過年度に遡る必要なし)
Changes in reporting entity	過年度に遡って作り直し (retrospective application)
Error correction	過年度に遡って作り直し (restatement)

VI. SUMMARY OF ACCOUNTING CHANGES AND NECESSARY TREATMENTS

<i>Accounting Changes</i>	<i>Example(s)</i>	<i>Income Statement</i>	<i>Statement of Retained Earnings</i>
From one GAAP/IFRS principle to another GAAP/IFRS principle	☐ Adopt a new standard ☐ Change methods of inventory costing – FIFO to Average		Retrospective application , compute cumulative effect and report net of tax by adjusting beginning retained earnings of earliest year presented
Changes in principle – Exceptions (require prospective treatment)	☐ From any inventory valuation method to LIFO (U.S. GAAP only) ☐ Change depreciation methods – SL to SYD	☐ Prospective application , the beginning inventory of the year of change is the first LIFO layer ☐ Apply new depreciation method to remaining book value as of the beginning of the year	
Changes in entity	☐ Consolidation of a subsidiary not previously included in consolidated FS ☐ Report consolidated FS in place of individual statements		☐ Retrospective adjustments (plus or minus) net of tax , against the beginning balance of the retained earnings under the caption of "Prior Period Adjustments" ☐ Restate all financial statements presented
Neither a change in principle nor a change in estimate	☐ Change from cost method to equity method		☐ Retroactive adjustments (plus or minus) net of tax , against the beginning balance of the earliest retained earnings presented under the caption of "Prior Period Adjustments" ☐ Restate all financial statements presented
Correction of errors	☐ From cash to accrual ☐ Errors made in prior statements		☐ Retroactive adjustments (plus or minus) net of tax , against the beginning balance of the retained earnings under the caption of "Prior Period Adjustments" ☐ Restate all financial statements presented that are affected
Changes in estimate	☐ Depreciation method ☐ Useful life of depreciable asset ☐ Residual value ☐ Bad debt % ☐ Loss accruals	☐ Prospective application , account for in the current statement "above the line" ☐ No cumulative effect	

MULTIPLE-CHOICE QUESTIONS(1-8)

1.

On January 1, Year 1, Schreiber Company purchased a \$300,000 machine with a five-year useful life and no salvage value. The machine was depreciated by an accelerated method for book and tax purposes. The machine's carrying amount was \$120,000 on December 31, Year 2. On January 1, Year 3, Schreiber changed to the straight-line method for financial statement purposes. Schreiber's income tax rate is 40%. Assuming that Schreiber can justify the change, in its Year 3 statement of retained earnings, what amount should Schreiber report as the cumulative effect of this change?

1. \$60,000
2. \$36,000
3. \$0
4. \$24,000

2.

Gonzales Company purchased a machine on January 1, Year 1 for \$600,000. On the date of acquisition, the machine had an estimated useful life of six years with no salvage value. The machine was being depreciated on a straight-line basis. On January 1, Year 4, Gonzales determined that the machine had an estimated life of eight years from the date of acquisition. An accounting change was made in Year 4. What is the amount of the depreciation expense that should be recorded for the year ended Year 4?

1. \$75,000
2. \$100,000
3. \$60,000
4. \$0

3.

On December 31, Year 10, Brown Company changed its inventory valuation method from the weighted average method to FIFO for financial statement purposes. The change will result in an \$800,000 decrease in the beginning inventory at January 1, Year 10. The tax rate is 30%.

The cumulative effect of this accounting change for the year ended December 31, Year 10 in the statement of retained earnings is:

1. \$0
2. \$800,000
3. \$240,000
4. \$560,000

4.

The proper accounting treatment to account for a change in inventory valuation from FIFO to LIFO under U.S. GAAP is:

1. Prospective application.
2. Retrospective application.
3. Retroactive approach.
4. Ignored.

5.

Lore Co. changed from the cash basis of accounting to the accrual basis of accounting during the current year. The cumulative effect of this change should be reported in Lore's current year financial statements as a:

1. Prior period adjustment resulting from the correction of an error.
2. Prior period adjustment resulting from the change in accounting principle.
3. Component of income before extraordinary item.
4. Component of income after extraordinary item.

6.

How should the effect of a change in the accounting estimate be accounted for?

1. By restating amounts reported in financial statements of prior periods.
2. By reporting pro forma amounts for prior periods.
3. As a prior period adjustment to beginning retained earnings.
4. In the period of change and future periods if the change affects both.

7.

On August 31 of the current year, Harvey Co. decided to change from the FIFO periodic inventory system to the weighted average periodic inventory system. Harvey uses U.S. GAAP, is on a calendar year basis and does not present comparative financial statements. The cumulative effect of the change is determined:

1. As of January 1 of the current year.
2. As of August 31 of the current year.
3. During the eight months ending August 31, by a weighted average of the purchases.
4. During the current year by a weighted average of the purchases.

8.

On August 31 of the current year, Harvey Co. decided to change from the FIFO periodic inventory system to the weighted average periodic inventory system. Harvey uses IFRS and is on a calendar year basis. The cumulative effect of the change is shown as an adjustment to beginning retained earnings on the balance sheet for:

1. August 31 of the current year.
2. December 31 of the current year.
3. January 1 of the current year.
4. January 1 of the prior year.

NOTES

MULTIPLE-CHOICE QUESTIONS(1-8)

1.

Choice 3 is correct.

A change in accounting principle is normally recorded using retrospective adjustment where the cumulative effect of the adjustment on prior years is reported in beginning retained earnings of the earliest year presented, net of the related tax effect. There are exceptions, and this particular change in accounting principle is one of the exceptions. Therefore, there is no cumulative effort reporting because such a change in depreciation method is treated as a change in estimate and accounted for prospectively.

2.

Choice 3 is correct.

The accounting change is a change in accounting estimate, which is handled prospectively. Before the change, depreciation was calculated on the straight-line basis using a life of 6 years. The depreciable base was \$600,000, so the accumulated depreciation for the 3 years before the change was \$300,000 ($\$600,000/6 \times 3$). Thus, the carrying amount at the date of the change was also \$300,000. A change in accounting estimate is handled prospectively. In this case, the remaining carrying amount of \$300,000 is depreciated over the new remaining life of 5 years ($8 - 3$). The new depreciation expense each year is \$60,000.

Note that the question is asking about depreciation expense. It just as easily could have been accumulated depreciation or it could have been the net book value of the asset.

3.

Choice 4 is correct.

This particular change is from weighted average to FIFO. It is a change in accounting principle. Accounting changes are reported on the statement of retained earnings net of tax. In this question, the cumulative effect before taxes is \$800,000. Net of tax, it is \$560,000 ($\$800,000 \times .70$).

4.

Choice 1 is correct.

A change in accounting principle, if considered "impractical to accurately calculate the cumulative effect adjustment," is handled "Prospectively." A change from FIFO to LIFO (U.S. GAAP) would require the establishment and recalculation of old inventory layers, which are considered impractical to rebuild. Hence, the beginning inventory of the year of change is the first LIFO layer.

5.

Choice 1 is correct.

The cash basis for financial reporting is not a generally accepted basis of accounting (GAAP); therefore, it is an error. Correction of an error from a prior period is reported as a prior period adjustment to retained earnings. APB 20 para. 13 and 36

Choice 2 is incorrect. Cash basis reporting is not acceptable under accrual basis accounting principles.

Thus, the change from cash basis is not reported as a change in accounting principle.

Choice 3 is incorrect. Correction of prior period errors has no effect on the current year's income statement.

Choice 4 is incorrect. An error correction is recorded by restating retained earnings. Error corrections are not reported on the income statement.

6.

Choice 4 is correct.

A "change in accounting estimate" affects only the current and subsequent (future) periods, if the change affects both. It does not affect prior periods or retained earnings.

Choice 1 is incorrect. Restating prior years' financial statements is required when comparative financial statements are shown for prior period adjustments of corrections of errors, changes in entities, and changes in accounting principle.

Choices 2 and 3 are incorrect. A change in accounting estimate does not affect prior periods.

7.

Choice 1 is correct.

As of January 1, the beginning of the year.

Rule: When comparative financial statements are not presented, the cumulative effect of a change in accounting principle equals the difference between retained earnings at the beginning of period of the change and what retained earnings would have been if the change was applied to all affected prior periods. If comparative financial statements are presented, then the cumulative effect is calculated at the beginning of the earliest period presented.

Choice 2 is incorrect. The cumulative effect of the change is not determined as of the date the decision is made.

Choices 3 and 4 are incorrect. The cumulative effect of the change is not determined by a weighted average.

8.

Choice 4 is correct.

Under IFRS, when an entity records a change in accounting principle, the entity must (at a minimum) present three balance sheets (end of current period, end of prior period, and beginning of prior period) and two of each other financial statement (current period and prior period). The cumulative effect adjustment is shown as an adjustment to beginning retained earnings on the balance sheet for the beginning of the prior period, which would be January 1 of the prior year.

Choice 1 is incorrect. The cumulative effect of the change is not reported as an adjustment to beginning retained earnings as of the date the decision is made.

Choice 2 is incorrect. The cumulative effect of the change is not reported as an adjustment to beginning retained earnings at the end of the period in which the decision is made.

Choice 3 is incorrect. Under IFRS, when an entity records a change in accounting principle, the entity must (at a minimum) present three balance sheets (end of current period, end of prior period, and beginning of prior period) and two of each other financial statement (current period and prior period). The cumulative effect adjustment would be shown as an adjustment to beginning retained earnings on the balance sheet for the beginning of the prior period, which would be January 1 of the prior year, not January 1 of the current year.

TASK-BASED SIMULATION

TASK-BASED SIMULATION 1: Accounting Treatments

 Accounting Treat.	 Authoritative Literature	 Help
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On January 1, Year 2, Riggs Corporation hired a new controller. During the year, the controller working with Riggs' outside accountants and President, made changes to existing accounting policies, instituted new accounting policies, and corrected several errors in prior year accounting. Riggs uses U.S. GAAP and does not present comparative financial statements

For each of the transactions below, identify the classification of the transaction by double-clicking in the shaded cells under "Classification" and selecting from the list provided. Also, identify the general accounting treatment required for each transaction's classification by double-clicking in the shaded cells under "Treatment" and selecting from the list provided. The available treatments are:

Retrospective application

Include the *cumulative effect* of the adjustment resulting from an accounting in the Year 2 financial statements as an adjustment to beginning retained earnings.

Retroactive restatement approach

Adjust the Year 2 beginning retained earnings if the error or change affects a period prior to Year 2 .

Prospective application

Report Year 2 and future financial statements on a new basis, but do not adjust the beginning related earnings. .

Transaction	Classification	Treatment
1. Riggs manufactures heavy equipment to customer specifications on a contract basis. On the basis that it is preferable, accounting for these long-term contracts was switched from the completed-contract method to the percentage-of-completion method.		
2. As a result of a production breakthrough, Riggs determined that manufacturing equipment previously depreciated over 15 years should be depreciated over 20 years.		
3. The equipment that Riggs manufactures is sold with a five-year warranty. Because of a production breakthrough, Riggs reduced its computation of warranty costs from 3% of sales to 1% of sales		
4. Riggs changed from FIFO to average cost to account for its raw materials and work in process inventories.		
5. Riggs sells extended service contracts on its products. Because related services are performed over several years, in Year 2 Riggs changed from the cash method to the accrual method of recognizing income from these service contracts.		
6. During Year 2, Riggs determined that an insurance premium paid and entirely expensed in Year 1 was for the period January 1, Year 1, through January 1, Year 3		
7. Riggs changed its method of depreciating office equipment from an accelerated method to the straight-line method to more closely reflect costs in later years.		
8. Riggs instituted a pension plan for all employees in Year 2 and adopted U.S. GAAP Standards relating to employer's accounting for pensions. Riggs had not previously had a pension plan.		
9. Based on improved collection procedures, Riggs changed the percentage of credit sales used to determine the allowance for uncollectible accounts from 2% to 1%.		

TASK-BASED SIMULATION 1: *Accounting Treatments*

Accounting Treat.	Authoritative Literature	Help
Year 2の1月1日、Riggs Corporationは新しい経理部長を採用した。Year 2において、経理部長は社長や顧問会計士とともに、既存の会計方針変更したり、新しい会計方針を採用したり、過年度の誤りを訂正したりした。RiggsはU. S. G A A Pを採用しており、比較財務諸表は開示していない。 以下の各取引について、“Classification”と書かれた列の影付きのセルをダブルクリックし、提供されたリストから取引の分類を選択しなさい。また、各取引の分類で求められる一般的な会計処理について“Treatment”と書かれた列の影付きのセルをダブルクリックし、提供されたリストから選択しなさい。利用できる処理は以下の通りです。 • <u>Retrospective Application</u>は会計方針の変更による修正や誤り訂正による影響額をYear 2の財務諸表で累積的影響額として開示する。 • <u>Retroactive Restatement approach</u>は誤りあるいは会計処理の変更がYear 2以前の期間に影響する場合はYear 2の期首の利益剰余金を修正する。		
Transaction	Classification	Treatment
1. Riggsは契約基準で顧客仕様の重機を製造している。この長期的契約の会計は完成基準から進行基準へと切り替えられることが望ましい。		
2. 製造技術の飛躍的進歩の結果、Riggsは以前15年にわたって減価償却された製造装置は20年にわたって減価償却されるべきと決定した。		
3. Riggsが製造している機械は5年間の品質保証付きで販売されている。製造技術の飛躍的進歩で、Riggsは品質保証費用の計算を売上高の3%から1%へ減らした。		
4. Riggsは原材料と仕掛品の計上をFIFOから総平均法に変更した。		
5. Riggsは製品について幅広いサービス契約を販売している。関連したサービスは数年にわたり行われるため、Year 2にRiggsはこれらサービス契約の収益認識基準を現金主義から発生主義方式に変更した。		
6. Year 2に、Riggsは次のことを決定した。Year 1に支払われ、その全額を費用として計上した保険料は、Year 1の1月1日からYear 3の1月1日までの期間の分であった。		
7. Riggsは後年の費用をより正確に反映させるため、オフィス機器の減価償却方法を加速法から定額法へと変更した。		
8. RiggsはYear 2に全社員を対象に年金制度を設けた。年金についての雇用者側の会計に関してU.S.GAAPを採用した。Riggsにはこれまで年金計画制度はなかった。		
9. 資金回収方法の改善により、Riggsは掛販売に対する貸倒引当金の決定に使用されていたパーセンテージを2%から1%に変更した。		

〈選択肢〉

Select Item

Change in accounting principle

Change in accounting estimate

Correction of an error in
previously presented financial
statements

Neither an accounting change
nor an error correction

OK Cancel

Select Item

Retrospective application

Restatement approach

Prospective application

OK Cancel

〈解答解説〉

Solution

1. Change in accounting principle | Retrospective application

Switching from the completed-contract method of accounting to the percentage of completion method is a change in accounting principle.

In this case, the cumulative effect of a change in GAAP should be shown on the statement of retained earnings against beginning retained earnings net of tax.

2. Change in accounting estimate | Prospective application

A change in the lives of fixed assets is considered a change in estimate.

A change in accounting estimate affects only the prospective (current and subsequent) periods, not prior periods or retained earnings. Simply implement the change and continue with the accounting in future periods.

3. Change in accounting estimate | Prospective application

A change in the computation of warranty costs from 3% of sales to 1% of sales is a change in accounting estimate.

A change in accounting estimate affects only the prospective (current and subsequent) periods, not prior periods or retained earnings. Simply implement the change and continue with the accounting in future periods.

4. Change in accounting principle | Retrospective application

A change in an inventory pricing method from FIFO to average cost is a change in accounting principle.

In this case, the cumulative effect of a change in GAAP should be shown on the statement of retained earnings against beginning retained earnings net of tax.

(continued)

(continued)

5. Correction of an error in previously presented financial statements | Restatement approach

A change from the cash method to the accrual method is a correction of an error in previously presented financial statements.

When comparative financial statements are not issued (as in this case), a correction of an error requires restatement of the retained earnings from the prior period end by adjusting (net of tax) the opening balance of the current retained earnings statement.

6. Correction of an error in previously presented financial statements | Restatement approach

The change of the accounting practice of expensing insurance premiums when paid rather than allocating them to the periods benefited is a correction of an error in previously presented financial statements.

When comparative financial statements are not issued (as in this case), a correction of an error requires restatement of the retained earnings from the prior period end by adjusting (net of tax) the opening balance of the current retained earnings statement.

7. Change in accounting estimate | Prospective application

A change in the depreciation method from an accelerated method to the straight-line method for the purpose of more fairly presenting the financial statements is a change in accounting method and change in estimate, which shall be treated as a change in estimate.

The new depreciation method should be used as of the beginning of the year of change in estimate and should start with the current book value of the underlying asset.

8. Neither an accounting change nor an error correction | Prospective application

Instituting a pension plan and adopting statements of accounting standards to account for it, is neither an accounting change nor an accounting error.

When a company institutes a pension plan for the first time, it affects only the prospective (current and subsequent) periods, not prior periods or retained earnings.

9. Change in Accounting Estimate | Prospective application

A change in the percentage of credit sales used to determine the allowance for uncollectible accounts (bad debt) is a change in accounting estimate.

Changes in accounting estimate are recognized only in the current and future years under the prospective approach (i.e., implement the new method and continue into future years).

Transaction	(内容)	Classification	Treatment
1	会計処理方法（会計方針）の変更に該当する。	Changes in accounting principle	Retrospective application
2	見積もりの変更に該当する。	Changes in accounting estimate	Prospective application
3	見積もりの変更に該当する。	Changes in accounting estimate	Prospective application
4	会計処理方法（会計方針）の変更に該当する。	Changes in accounting principle	Retrospective application
5	Cash basis から accrual basis への変更は、error correction となる。	Correction of an error	Restatement approach
6	Prepaid expense とすべきところを、過年度において、支出時に一括して費用化していることに気づき、修正するので、error correction となる。	Correction of an error	Restatement approach
7	Depreciation method の変更は、見積りの変更に該当する。	Changes in accounting estimate	Prospective application
8	新しく pension plan を設け、pension に関する会計基準を適用することになった場合は、「変更」ではない。また、過去に error があつたわけでもないの、単に「これから適用していく」というだけのことになる。よって、treatment としては、prospective と表現することになる。	Neither an	Prospective application
9	見積もりの変更に該当する。	Changes in accounting estimate	Prospective application

NOTES

TASK-BASED SIMULATION 2: FIFO

LIFO Authoritative Literature Help 												
Effective January 1, Year 2, an entity changed from the average cost method to the FIFO method to account for its finished goods inventory. Cost of goods sold under each method was as follows: <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; padding: 5px;"><u>Years</u></th> <th style="text-align: left; padding: 5px;"><u>Average Cost</u></th> <th style="text-align: left; padding: 5px;"><u>FIFO</u></th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Prior to Year 1</td> <td style="padding: 5px;">\$71,000</td> <td style="padding: 5px;">\$77,000</td> </tr> <tr> <td style="padding: 5px;">Year 1</td> <td style="padding: 5px;">79,000</td> <td style="padding: 5px;">82,000</td> </tr> </tbody> </table>			<u>Years</u>	<u>Average Cost</u>	<u>FIFO</u>	Prior to Year 1	\$71,000	\$77,000	Year 1	79,000	82,000	
<u>Years</u>	<u>Average Cost</u>	<u>FIFO</u>										
Prior to Year 1	\$71,000	\$77,000										
Year 1	79,000	82,000										
For cells B1 and B2, double -click in the shaded cells and select from the list provided. Enter the appropriate amount in cell B3.												
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center; padding: 2px;"> </td> <td style="width: 400px; height: 20px;"></td> </tr> <tr> <td style="text-align: center; padding: 5px;">A</td> <td style="text-align: center; padding: 5px;">B</td> </tr> <tr> <td style="padding: 5px;">1. Classification of transaction</td> <td style="background-color: #d3d3d3;"></td> </tr> <tr> <td style="padding: 5px;">2. Accounting treatment for transaction</td> <td style="background-color: #d3d3d3;"></td> </tr> <tr> <td style="padding: 5px;">3. Dollar amount of transaction</td> <td style="background-color: #d3d3d3;"></td> </tr> </table>					A	B	1. Classification of transaction		2. Accounting treatment for transaction		3. Dollar amount of transaction	
A	B											
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〈選択肢〉

Select Item
Change in accounting principle
Change in accounting estimate
Correction of an error in previously presented financial statements
Neither an accounting change nor an error correction
OK Cancel

Select Item
Retrospective application
Restatement approach
Prospective application
OK Cancel

TASK-BASED SIMULATION 2: *FIFO*

<u>Years</u>	<u>Average Cost</u>	<u>FIFO</u>
Prior to Year 1	\$71,000	\$77,000
Year 1	79,000	82,000

B1と B2の影付きのセルをダブルクリックし、提供されたリストから選択しなさい。B3のセルに適切な金額を入力しなさい。

A	B
1. Classification of transaction	
2. Accounting treatment for transaction	
3. Dollar amount of transaction	

〈選択肢〉

Select Item
Change in accounting principle
Change in accounting estimate
Correction of an error in previously presented financial statements
Neither an accounting change nor an error correction

OK Cancel

Select Item
Retrospective application
Restatement approach
Prospective application

OK Cancel

〈解答解説〉

Solution

1. Change in accounting principle

A change in the cost method used to account for inventory is a change in accounting principle.

2. Retrospective application

A change in the cost method used to account for inventory is accounted for using a retrospective application (cumulative effect).

3. \$9,000

<u>Years</u>	<u>Average Cost</u>	<u>FIFO</u>	<u>Change</u>
Prior to Year 1	\$71,000	\$77,000	\$6,000
Year 1	79,000	82,000	<u>3,000</u>
			<u>\$9,000</u>

まず、inventory の単価計算方法として、average method から FIFO に変更しているので、accounting principle の変更に該当する。よって、対応としては、retrospective application となる。

次に、dollar amount of transaction という表現の意味がわかりにくいかもしれないが、これは、cumulative effect の額を問う問題である。ここで、accounting principle の変更は、その年度の期首に行われたと考えるので、Year 1 末までの合計の影響を考えればよい。よって、Year 1 よりも前の影響額が \$6,000、Year 1 の影響額が \$3,000 なので、合計の影響額は \$9,000 となる。なお、厳密には、cumulative effect は net of tax で求めるが、本問では tax rate が示されていないため、\$9,000 で解答することになる。

NOTES

TASK-BASED SIMULATION 3: *Straight-line Depreciation*

Straight-line Dep. Authoritative Literature Help									
In January of Year 1, an entity purchased a machine with a five-year life and no salvage value for \$40,000. The machine was depreciated using the straight-line method. On December 31, Year 2, the entity discovered that depreciation on the machine had been calculated using a 25% rate. For cells B1 and B2, double-click in the shaded cell and select from the list provided. Enter the appropriate amount in cell B3.									
✕ ♥ fx <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">A</th> <th style="width: 50%; text-align: center;">B</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">1. Classification of transaction</td> <td style="background-color: #d3d3d3;"></td> </tr> <tr> <td style="padding: 5px;">2. Accounting treatment for transaction</td> <td style="background-color: #d3d3d3;"></td> </tr> <tr> <td style="padding: 5px;">3. Dollar amount of transaction</td> <td style="background-color: #d3d3d3;"></td> </tr> </tbody> </table>		A	B	1. Classification of transaction		2. Accounting treatment for transaction		3. Dollar amount of transaction	
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〈選択肢〉

Select Item
Change in accounting principle
Change in accounting estimate
Correction of an error in previously presented financial statements
Neither an accounting change nor an error correction
OK Cancel

Select Item
Retrospective application
Restatement approach
Prospective application
OK Cancel

TASK-BASED SIMULATION 3: *Straight-line Depreciation*

Straight-line Dep. Authoritative Literature Help											
Year 1の1月に、ある企業は耐用年数5年、残存価格なしの機械を\$40,000で購入した。この機械は定額法を使い減価償却された。Year 2の12月31日、その企業は機械の減価償却が25%の率で計算されていることを発見した。 B1と B2の影付きのセルをダブルクリックし、提供されたリストから選択しなさい。B3のセルには適切な金額を入力しなさい。											
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Select Item
Change in accounting principle
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Neither an accounting change nor an error correction

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Retrospective application
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〈解答解説〉

Solution

1. Correction of an error in previously presented financial statements

The use of a 25% rate rather than the proper 20% rate (e.g., $100\%/5 = 20\%$) is a correction of an error.

2. Restatement approach

The incorrect recording of depreciation is corrected for all prior periods by adjusting the beginning retained earnings net of tax of the period in which the error is discovered if no comparative statements are issued (the restatement approach).

3. \$2,000

The error was discovered in Year 2; therefore, the Year 2 depreciation expense will be calculated using the proper 20% rate. The Year 1 depreciation expense (and net income) were determined using the incorrect 25% rate. The difference ($5\% \times \$40,000 = \$2,000$) is a prior period correction.

Incorrect: Year 1 depreciation ($25\% \times \$40,000$) = \$10,000

Correct: Year 1 depreciation ($20\% \times \$40,000$) = (\$8,000)

Total = \$2,000

Useful life について、正しくは5年（20％）のところ、誤って4年（25％）で計算していたことが判明したので、本問は error correction の問題であり、treatment は、restatement となる。このような error correction についても、accounting principle の変更と同様、期首に修正したと考えるため、本問では Year 1 の depreciation の正しい額と誤った額の差額を計算すればよいことになる。

誤った額： $\$40,000 \times 25\% = \$10,000$

正しい額： $\$40,000 \times 20\% = \$8,000$

したがって、prior period adjustment は\$2,000となる。なお、厳密には、prior period adjustment は net of tax で求めるが、本問では tax rate が示されていないため、\$2,000で解答することになる。

NOTES

TASK-BASED SIMULATION 4: Research

How is a change in reporting entity accounted for? Find the proper citation that provides guidance to answer this question.

Type the topic here. Correctly formatted FASB ASC topics are 3 or 4 digits.

FASB ASC - - -

Some examples of correctly formatted FASB ASC responses are 205-10-05-1, 323-740-S25-1, 260-10-60-1A, 260-10-55-99 and 115-60-35-128A

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Solution

Source of answer for this question:

FASB ASC 250-10-45-21

Keyword: Change in Reporting Entity

TASK-BASED SIMULATION 4: Research

会計報告単位の変更はどのように処理されるか？この問いに対してガイダンスを提供する適切な条文を探しなさい。

Type the topic here. Correctly formatted FASB ASC topics are 3 or 4 digits.

FASB ASC - - -

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