Changes in Methods of Accounting

Accounting 580T
Gertzman: Chapter 9
Robert A. Scharlach

Consistent Treatment

- Adoption of Method in Initial Year
- Change of Correct Method
- Change of Incorrect Method

Correction of Errors

- Not a Change in Accounting Method
- Issue –
  – Correction of error, or
  – Change in method
Change in Underlying Facts

- Change in Business Practice
- Change in Economic or Legal Relationships
- Altered Fact Situation

Change in Underlying Facts

- Change in Tax Law
  - Not a change in facts

Change in Underlying Facts

- Change in Facts versus Adoption of Method for New Item
Change in Character

- Not a Change in Method

Revenue Procedure 2002-9

- Applies to Items Covered in Appendix
- Permission is Automatic
- No Form 3115 Required

Techniques for Changes Without Approval

- The Drop Down
- Carryover Tax Attributes
- Transfers of Business Growth