

Generally Accepted Accounting Principles (GAAP)

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Generally Accepted Accounting Principles (GAAP) refers to a common set of accounting principles, standards, and procedures issued by the Financial Accounting Standards Board (FASB). Public companies in the U.S. must follow GAAP when their accountants compile their financial statements.

- GAAP is the set of accounting principles set forth by the FASB that U.S. companies must follow when putting together financial statements.¹
- GAAP aims to improve the clarity, consistency, and comparability of the communication of financial information.
- GAAP may be contrasted with pro forma accounting, which is a non-GAAP financial reporting method.
- The ultimate goal of GAAP is to ensure a company's financial statements are complete, consistent, and comparable.
- There are 10 key concepts that guide the principles of GAAP.
 1. Principle of Regularity
 2. Principle of Consistency
 3. Principle of Sincerity
 4. Principle of Permanence of Methods
 5. Principle of Non-Compensation
 6. Principle of Prudence
 7. Principle of Continuity
 8. Principle of Periodicity
 9. Principle of Materiality
 10. Principle of Utmost Good Faith

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