



Complete Guide to GAAP

Generally accepted accounting principles (GAAP) refer to a common set of accounting principles, standards, and procedures issued by the Financial Accounting Standards Board (FASB). Public companies in the United States must follow GAAP standards when their accountants compile their financial statements. [GAAP Principles](#) are a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP aims to improve the clarity, consistency, and comparability of the communication of financial information. And the GAAP definition, or standards, is accepted worldwide by more than 100 countries.

U.S. law requires businesses that release financial statements to the public, and companies that are publicly traded on stock exchanges to follow [GAAP guidelines](#).

1. Principle of regularity: GAAP-compliant accountants strictly adhere to established rules and regulations.
2. Principle of consistency: Consistent standards are applied throughout the financial reporting process.
3. Principle of sincerity: GAAP-compliant accountants are committed to accuracy and impartiality.
4. Principle of permanence of methods: Consistent procedures are used in the preparation of all financial reports.
5. Principle of non-compensation: All aspects of an organization's performance, whether positive or negative, are fully reported with no prospect of debt compensation.
6. Principle of prudence: Speculation does not influence the reporting of financial data.
7. Principle of continuity: Asset valuations assume the organization's operations will continue.
8. Principle of periodicity: Reporting of revenues is divided by standard accounting time periods, such as fiscal quarters or fiscal years.
9. Principle of materiality: Financial reports fully disclose the organization's monetary situation.
10. Principle of utmost good faith: All involved parties are assumed to be acting honestly.