

## What are Generally Accepted Accounting Principles?

Generally Accepted Accounting Principles (GAAP) are commonly followed accounting rules and standards for financial reporting in the United States issued by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB). There are 10 GAAP framework principles:

- 1. Principle of regularity:** Accounting procedures follow established rules and regulations.
- 2. Principle of consistency:** Accounting practices are constant across reports.
- 3. Principle of sincerity:** Accounting is accurate and truthful.
- 4. Principle of permanence of methods:** Accounting practices are constant across financial periods.
- 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:** Accounting entries are timely and realistic.
- 7. Principle of continuity:** Short- and long-term classifications of financial information are based on the idea the entity will remain in business.
- 8. Principle of periodicity:** Accounting periods are regular, routine, and consistent.
- 9. Principle of materiality:** Assets are valued at cost, and all financial reports are based on truthful information.
- 10. Principle of utmost good faith:** Every person involved in the accounting process acts honestly.

## Why follow GAAP?

GAAP is followed to standardize accounting practices. Following GAAP ensures financial information is consistently and accurately reported. It is an accounting practice required by for-profits, nonprofits, and government entities.

## What are some topics to include in a GAAP policy?

A GAAP policy should include the following:

- ▶ Minimum accounting methods needed to satisfy requirements set by federal, tribal, or state laws or by regulations and guidelines such as GAAP
- ▶ Additional accounting methods needed to meet government accounting standards, such as the GASB and FASB



- ▶ End-of-month and end-of-year procedures necessary to ensure GAAP compliance
- ▶ Person or team responsible for internally monitoring GAAP

## Resources

- ▶ [DOJ Grants Financial Guide](#)
- ▶ 2 Code of Federal Regulations:
  - ▶ [§ 200.403 Factors affecting allowability of costs](#)
  - ▶ [§ 200.515 Audit reporting](#)
- ▶ [Financial Accounting Standards Board](#)
- ▶ [Government Accounting Standards Board](#)

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