
The Generally Accepted Accounting Principles (GAAP)

The Generally Accepted Accounting Principles, or GAAP, are the accounting principles, standards, and procedures employed by companies in recording their financial statements ("Comprehensive guide...", 2018). This principle is used to make sure that investors keep a consistent level of financial statements when trying to figure out which company to invest. The GAAP includes revenue identification, balance sheet entry classification, and outstanding share identification ("Development of GAAP"3, 2018). When recording their financial statements, U.S. law requires that all companies release their financial statements to the public and also to different companies that are publicly traded on stock exchanges.

The Fidelity Investments Company is a well-known mutual fund investment company. The Fidelity Investment Company makes great amounts of investments, that are worth billions, in companies that have been listed in the stock markets ("Financial Accounting Foundation", 2018). GAAP are very important for Fidelity's investment analysts. The Fidelity investment analysts find financial statements that have been prepared in accordance with GAAP and audited by an independent Certified Public Accountant (CPA) useful ("Comprehensive guide...", 2018). It is useful to them because of its accuracy. These financial statements are prepared by the management and checked by the CPA. The CPA are honest and trustworthy. They have no reason to lie since they will not gain anything from it. When the financial statements are prepared in accordance with GAAP, it is guaranteed that all of the rules are followed and that they are correct.

There are several organizations that influence GAAP, which include the Financial Accounting Standards Board (FASB), the American Institute of Certified Public Accountants (AICPA), the Securities and Exchange Commission (SEC), the Government Accounting Standards Board (GASB), the Public Company Accounting Oversight Board (PCAOB), the International Accounting Standards Board (IASB), and the Internal Revenue Service (IRS) ("Essentials of GAAP...", 2017). The Financial Accounting Standards Board (FASB) is the main organization that is responsible for making rules that need to be followed to be employed in accounting practice.

The American Institute of Certified Public Accountants (AICPA) is a professional association of the certified public accountant. It influences the accounting field through the acts of its senior technical committee. The Security and Exchange Commission (SEC) is the federal government agency with the authority to carry out accounting practices. These accounting practices are carried out on the companies and businesses that provide their securities to the public. This is very important and has a great influence on the accounting practice, because without it these

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practices would not be about to be perpetrated. The Governmental Accounting Standards Board (GASB) is an organization that provides accounting standards to the state, and also the local governments (Wilkinson, 2017). The Public Company Accounting Oversight Board (PCAOB) is a government body that was created by the Sarbanes-Oxley Act. This organization registers public accounting firms and determines the standards that should be followed by company auditors. It conducts inspections, investigations, and disciplinary proceedings of registered accounting firms if standards are not followed.

The International Accounting Standards Board (IASB) is an organization that approves the international accounting standards. Lastly, the Internal Revenue Service (IRS) is the body that administers the tax law rules, which is very helpful and important with the accounting practice (“Essentials of GAAP...”, 2017).

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