

# Generally Accepted Accounting Principles (GAAP)

Generally Accepted Accounting Principles (GAAP) is a set of accounting concepts, standards and procedures established by the accounting profession to act as a general guide and body of theory for the accounting profession.

In 1964, the governing body (i.e. the Council) of the American Institute of Certified Accountants (AICPA) defined the long-used but officially undefined term “generally accepted accounting principles.”

More important, the Council and the predecessor to FASB (the APB) declared that all material departures from APB Opinions and Bulletins must be disclosed in the financial statements. Failure to follow GAAP may invoke the application of Rule 203 of the Rules of Conduct of the Code of Professional Ethics of the AICPA.