

GAAP:

A Complex Collection of Principles and Guidelines

While designed to bring greater consistency to US accounting standards, generally accepted accounting principles (GAAP) create a major challenge for firms as they navigate a complex mixture of rules and requirements.

What do firms need to know about GAAP?

GAAP encompasses a set of accounting principles, procedures and standards issued by the Financial Accounting Standards Board (FASB). It combines specific standards with common accounting methods - covering areas such as revenue recognition and materiality.

The aim of GAAP is to improve the clarity, consistency and comparability of the financial information shared by public companies in the US. This brings transparency to financial reporting, making it simpler for investors to gain the information they need from a company's statements - and compare it against the accounts of another firm.

The GAAP guidelines are built on ten key principles:

- Principle of regularity
- Principle of consistency
- Principle of sincerity
- Principle of permanence of methods
- Principle of non-compensation
- Principle of prudence
- Principle of continuity
- Principle of periodicity
- Principle of materiality
- Principle of utmost good faith



Beyond these ten points, GAAP is underpinned by basic accounting principles and guidelines, rules and standards issued by the FASB, and other generally accepted industry practices.

What are the challenges of **GAAP** compliance?

The biggest challenge for firms working to comply with GAAP requirements is the level of complexity involved. Despite laying out a wide range of principles and guidelines, GAAP presents organisations with a mixture of authoritative and non-authoritative guidance on how to record and report financial information.

This situation is made worse by the fact that there is no universal approach to GAAP. Firms still have varying levels of discretion over how they interpret the various principles and practices - and this is largely defined by where they operate geographically. Compliance is often set at a state level, making it more difficult for firms to fully understand the rules that are relevant to them.



How Millennium Consulting can help with **GAAP**

To create a platform for GAAP success, firms need to view the principles not as a set of rules they have to follow but as an opportunity to improve their processes to deliver:

- Improved insight into business performance
- Reduced operational risks

Also, businesses need to build their systems infrastructure around the ability to deliver compliance now and in the future. This means being able to handle huge volumes of data at high speed, bringing together information from disparate sources held in different forms. It is more of a shift in mindset than a quick technical fix - and the experienced Millennium Consulting practitioners can help you make that journey.

We also work in partnership with a wide variety of technology vendors to supply solutions that overcome the challenges associated with GAAP and help you navigate the complexities of the framework.

Contact us to find out more about how we can help you deliver GAAP compliance:
assist@millenniumconsulting.com