

Fasb codification system orientation paper

[Business](#), [Company](#)



Becoming an accountant there are many guidelines and regulations that one must become aware of. The FASB assists in establishing these guidelines through generally accepted accounting principles, GAAP. As an accountant one must follow GAAP while producing any reports for a business. Consequently, the author will explore the FASB Codification System, its purpose, and contents.

The FASB Codification System

The FASB Codification Systems is a source of principles and standards recognized by the FASB that is applied to nongovernmental entities in the preparation of financial statements in conformity with (GAAP). “ Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants” (FASB. n. d.). Generally, the FASB Codification System helps to establish the principles and framework for preparation of financial statements.

The Purpose of FASB Codification System

The purpose is to have accounting to have established GAAP principles for nongovernmental entities to follow. This helps to maintain uniform accounting principles. The FASB Accounting Standards Codification as the source of authoritative principles and standards recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP (FASB. n. d.). The SEC helps to regulate to ensure entities are following the guidelines properly.

The content and types under FASB Codification System

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The nine content areas located under the FASB Codification System is general principles, presentation, assets, liabilities, equity, revenue, expenses, broad transactions, and industry. Under the general principles are overview, objectives, scope, scope exceptions, glossary, transition, open effective date information, grandfathered guidance, and XBRL Elements. The presentation section lists all the different types of financial statements. The assets name all assets such as cash, cash equivalents, receivables, investments, inventory, and more. The liability, equity, revenue, expenses, broad transaction, and industry list accordingly. In general each section reviews each classification and its sub categories within financial statements.

Conclusion

The FASB Codification System establishes GAAP principles that must be followed within nongovernmental entities while preparing financial statements. The website thoroughly explains all financial statements and classification codes. These principles assist in keeping conformity in financial reporting which is critical to follow while accounting for a business.