THE GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP), THE STATUS BETWEEN A GOING CONCERN AND CHANGE

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ABSTRACT

The primary aim of the research is to analyse the Generally Accepted Accounting Principles (GAAP) and categorise them based on the extent of their change or continuity over years. The first group of principles includes the principles that have remained unchanged from their inception to the present day, while the second one includes those principles that were unstable and changed in practical application and professional practices. We discuss the process of principles formation, and the conditions under which principles were changed, developed or remain unchanged. An inductive analytical approach was used to achieve the research objectives. We study and analyse the literature regarding the accounting principles and conventions and develop a set of recommendations and propositions that explain the historical development of accounting principles and their status between continuity and change. The research reached a set of conclusions, the most important of which is that the GAAPS as it exists today did not all emerged at the same time to form an integrated theoretical framework that governs practical application and professional accounting practices. Rather, each one emerged independently when the need for it emerged then its application spread and gained general acceptance.

Keywords: GAAP, Accounting conventions, Accounting concepts Going concern, Change.

INTRODUCTION

Accounting as a science has grown and developed over years. Accounting hypotheses, for example, were developed in the mid-sixteenth century and were considered as the starting point for the issuance of GAAP. The GAAPs, the pillars upon which the modern accounting theory rests, have become general judgments that are relied upon to choose between alternatives for practical application. That is, it is the reference to which it is appealed to resolve any dispute that may arise in the field of accounting sciences. The term of Generally Accepted Accounting Principles (GAAP) has appeared a long time ago. American Institute of Certified Public Accountants (AICPA) created and used this term during the 1930s of the last century to narrow the areas of differences in the financial reports and statements. This was through excluding the undesirable practices employed in practical applications and compliance with the accounting practices and make them appropriate to the variable of economic and social condition. Since then, the GAAPs have been played a vital role in accounting practice and reduce the dispute between accountants in the practical application. They also represent the general framework that external auditors used to express their opinions in the fairness of financial statements and thus,

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the nonconformity with the GAAP in practice involves issuing a qualified opinion by auditors in their report or even an adverse opinion about the fairness of financial statements.

In this vein, this research aims to provide answers for a number of questions related to principles and its inception. Who determines that the principle is generally accepted, is it practical applications or professional organizations? Is there still a principle of going concerned in the application of the generally accepted accounting principles until now? Are the GAAPs still remaining unchanged? Answering these questions will provide insights into the inception and developments of accounting principles. The importance of the research emerges from the vital role of accounting principles in accounting functions. The accountant for example depends upon these principles in doing their job from the recognition of financial transactions into the preparation of the financial statements. Since the principles are not static, they are subject to change based on the changes in economic conditions. These developments or change in principles are required to enable accountants dealing with practical problems they face, during the work, in terms of the manner of measurement and recognition of economic transactions and then their disclosure in the financial statements.

An inductive analytical approach is used to answer the research questions and achieve its objectives. The reminder of this paper is organized as follow. In section 2, we examine the inceptions (roots) of GAAPs and their characteristics. Section 3 provide an explanation of the generally accepted accounting principles (GAAP) and its evolution. In section 4, the discussion of the results is presented while the research is concluded in section 5.

The Inception of GAAPs and their Characteristics

The accounting principles, as they are today, have not emerged all at the same time to represent an integrated hypothetical framework that governs the practical application and professional practices, but each principle has emerged when a need of it exists, then spread and gained general acceptance (Abdel Halim, 2015, 53). The term generally accepted accounting principles, known as GAAP has emerged since the 1930s following the crash of the stock market in 1929 and the spread of accounting practices that misleads the financial report users. The term was introduced by the American Institute of Certified Public Accountants (AICPA) in 1934 to aggregate the accounting practices and make them suitable with the economic and social variable conditions.

The dealer with the conceptual framework of accounting theory faces a problem in terms of the GAAPs content and meaning. The term GAAP has been used for a long time but the meaning and the content of GAAP have been changed over decades. In the beginning, the source of GAAP was the practical application and practices and broad used, however, there was no agreement list including the GAAP and when the question was raised about a regarded issue as GAAP, the answer was because it is used widely in the practical life (Hijazi, 2000, 11). Accounting Principles Board (APB) see that GAAP involve the general agreement in a certain time on the economic resources and the obligations that can be considered as assets and liabilities and how to measure the assets and liabilities and their changing. Also, it involves knowing what the financial information that is disclosed and how and the prepared financial statements (Hijazi, 2000: 11). Also, it is defined as a set of conventions and fundamentals that been named as GAAP that are used as a basis to justify and describe the accepted accounting practices in time and place. In this vein, it can be said that the GAAPs are stable, rather they are under subject to change due to changes of time and places and they are in ongoing developing to deal with the merged practical problems that accountant faces and thus there is no agreement on

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them. Also, the GAAPs as defined by (Rama, 2009: 25), is a term used widely to describe a set of principles that govern the accounting of financial transactions that represent the basis of setting the financial statements. It is noted that this definition does not differ in terms of the content from the first one since the principles that govern the accounting on financial transactions are the same principles that govern determining what the resources and obligations are and how they are measured, recognised and disclosed in the financial statements.

From the above discussion, it can be said that the term of GAAP is an expression that includes all the accounting practices followed in a certain time and setting that have got agreement by accountants. Its inception relied upon the habit that decided the kind of accounting treatment that used to apply by accounting practitioners. However, this term has been developed after forming associations, professional bodies and international organizations that they took upon themselves to determine and develop these principles to be appropriate with the economic and social development. For example, the International Accounting Standards Committee IASC takes on the responsibility of issuing international accounting standards.

The main criterion that can be used to distinguish between Generally accepted and non-accepted accounting principles is that the accepted ones have the official endorsement of the authorities responsible for regulating and developing the profession. Also, there should be a consensus on how to apply them. In general, accounting principles are considered acceptable when satisfying the following characteristics:

1. **Objectivity:** Although objectivity is one of GAAPs, objectivity should characterize the accounting principles themselves to the extent that they are not affected by personal bias. This means that accounting principles should be set and chosen in an unbiased way. In other words, they must not be biased towards a particular user or group of users or any private interest.
2. **Applicability:** This feature means that the principle must be applicable and useful in practical application and the principle has no value if it is only theoretical.
3. **Reliability:** Information provided based on these principles must be true and accurate and complete and can be verified by the potential investor for example.
4. **Feasibility:** The principles must be easy to use without much effort and cost otherwise their usefulness will be limited.
5. **Understandability:** The principle must be simple and easy to understand. This means that accounting information must be prepared and disclosed in a way that is easy to understand by users who are generally assumed to have reasonable knowledge of commercial and economic activities.

The generally accepted accounting principles (GAAP) and its evolution

The dealer with the theoretical framework of accounting theory, specifically, Assumptions, principles, concepts, policies and accounting conventions, find a terminology difference problem. This has been approved by several scholars. What some call a principle, others call it a concept or an imposition, or a policy, a method, a rule, and others. For example, a scholar may describe the same idea as a concept, while another one describes it as a principle or an assumption.

The lack of agreement on the use of technical and scientific terms by academic and accounting practitioners is a major weakness taken on accounting. Al-Saqqa, (2000, 143), mentions that accounting as a science has not yet been able to fully provide the conditions for the theory to benefit from its functions. The lack of full agreement on the terms used in defining and determining the framework of accounting theory confused students and practitioners of accounting, both scientifically and professionally, in the academic and professional fields, so that many do not distinguish between them and use one as an alternative or synonym for the other.

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Despite the efforts made so far, there are difficulties faced by the scientific approach used to define the essential accounting principles. However, this does not mean that the accounting profession works without rules or determinants, rather it is based on basics and conventions, and it is agreed upon to name it as GAAP that are used as a basis to describe and justify the accepted accounting practices. Far from this controversy, this research relies upon AICPA in categories the accounting principles. We have shown that the principles that enjoy significant official support and become part of the generally accepted accounting principles are divided into two categories including accounting concepts and accounting conventions**.**

ACCOUNTING CONVENTIONS

During the early stage of accounting development, accounting was an application based upon a set of customary rules must be followed by accountants in their work. These rules derive their binding force from the repetition of their application and recognition of the validity of their results that lead to them. Accordingly, kind of accounting customs similar to the rules of legal custom arose. These customs still represent a large part of what is currently known as the generally accepted accounting principles (GAAP) (Shirazi, 1990, 52). Hence, Accounting conventions have been divided into the following:

Conservatism

This custom is applied in professional practice through striving to choose among the different alternatives of accounting techniques and policies. It requires a high degree of precaution before making a legal claim to any profit. The application of this convention leads to not exaggeration in the value of income of the accounting period and then reduce the profit in the income statement. Also, it leads to reduce the value of assets and maximising the value of liabilities on the balance sheet. Its important applications in practice are evaluating ending inventory by cost or net realizable value whichever is lower and also, establishing all kinds of allowances (Matar, 2004, 54).

It is argued that since 1930 this custom began to lose its importance, especially after converting attention from determining the financial position to determining the profitability of projects. This was due to the undesirable impact of its practical application in determining the profit. However, conservatism still has a shine in the eyes of accountants, especially when accountants face a problem of choosing between several alternatives, they choose the one that fits with conservatism. For example, choosing the FIFO method instead of the LIFO method in evaluating the inventory or the FIFO instead of the highest price method. It is necessary to mention that in 1938, the US Congress allowed the use of LIFO for taxes purposes. This indicates a small number of cases for the impact of taxes policy on the GAAP due to the strong pressure on accounting professions for financial reports (Zeff, 2005, 3). However, as discussed in the literature, it is important to note that the principle of conservatism has no longer seen as significant as it was before in preparing financial statements due to changes in economic conditions. For example, most countries experience monetary inflation rather than failing factor prices.

We argue that this accounting custom has lost its lustre over the years. It is no longer used as before. This is confirmed by some international accounting and financial reporting standards, including but not limited to IFRS13, the Fair value measurement. This standard goes

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beyond this accounting custom by allowing accountants to use fair value measurements to assess some types of fixed assets, although the fair value in most cases is higher than the historical cost.

Consistency

This custom implies once a particular accounting method is selected and applied, it will not be changed from period to period. A consistency requirement insists on uniformity that is important to facilitate comparison and avoid confusion in accounting policies and methods. However, in some situations and when there is a need to change, full disclosure must be made and a detailed note should be given stating the changes and their effects in addition to the reason and necessity to do so in the financial statements (Al-Saqqa, 2011, 38).

We observe that this custom with changing economic conditions has been abandoned in many situations. Examples include the Annual amendments that obtained on the international accounting standards and the emergence of new standards and the disappearance of others. To determine the cost of inventory and during the 1930s USA congers did not allow to use method except the LIFO and consider it as accepted practice to prepare financial statements. This method had continued even though the recommendation of ARB 29 during the 1940s due to pressure from big companies, allowing to use of three methods including LIFO, FIFO, and weighted average. However, LIFO preserves its priority due to the purpose of taxes. Accordingly, this method has become a part of GAAP (Zeff, 2005, 5). However, it has become compulsory based on the international standard number 2 about the inventory to use FIFO and weighted average method in calculating the cost of inventory in the cases that cannot use the specific identification. The LIFO is seen is not in line with the concept of fair value that represents the current direction of IASB, therefore it is no longer allowed to be used.

Based on the above discussion, it is clear that consistency custom is relative rather than absolute in the use of same method and practices adopted in measuring and providing accounting information from one period to another. These methods and practices are changing with the changing of economic conditions that reflect on the accounting international standards resulting in its amendments or changing every year. What was considered as principles in the past are no longer so in the current days such as the LIFO that is not allowed to use it these days, in addition to issuing some international accounting standards that allowed the fair value and abandon of historical cost.

Materiality

Materiality is seen as important in both accounting and auditing. In accounting, for example, the materiality is applied to all accounts, errors and differences in sums. Based on this concept, the items that consider within this concept are the only ones that must be processed and disclosed based on GAAP. For those items that are not considered within this concept, it is not necessary to treat them exactly based upon GAAPs. Also, it is not necessary to be disclosed but they can be merged with other items in the financial statements. This implies that materiality is used as a criterion to the way of both accounting treatment and disclosure. The Institute of Chartered Accountants in England and Wales (ICAEW) has issued a guide for accountants to depend on when applying the concept of materiality. This guidance shows that materiality is the approach to the qualitative characteristics for accounting information, so, if the item is not important, there is no need to discuss the information type related to them. The accounting

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information considers important if it has an impact on the decision-makers (Jahmani & Omari, 2001, 54).

The scholars of this study highlight that although the materiality is linked fully with accounting disclosure, thus it is affected by the disclosure requirements, and represent the qualitative standard in the disclosure process. This is confirmed by the report, issued in 1977 by American Accounting Association (A.A.A), showing that materiality represents the qualitative standard in the disclosure process that determines the quantity of information that must be disclosed (Karji, 2017, 23). This also been confirmed by FASB when they issued statement 2 titled the qualitative characteristics of accounting information that consider the materiality as a constraint on accounting information in addition to the cost constraint (Al-Saqqa, 2011, 35). However, the join framework in concepts statements 8 in 2010, made the materiality is one of the characteristics of relevant accounting information quality after it was a constraint on it. Thus, the materiality has been evolved from information constrain to one of the main characteristics that support the relevance of accounting information.

Full Disclosure

The disclosure is the express clearly about facts and details when accounting information is shown in the financial statements, while full means the necessity of including all the information that has materiality in the financial statements. The emergence of this principle is linked with the emergence of corporations and their need for financing through Capital markets stock and bond exchanges that are supervised by professional or semi-governmental bodies. These bodies obligate corporates to follow fundamental rules determined by the profession in order to achieve credibility in the disclosure and published financial reports. Moreover, the auditor must certify the fairness of the financial statements and the accounting information that was disclosed to confirm the reliability of that disclosure (Hanan, 2006, 471-472).

We find that the comprehensiveness and content of the disclosure have been gradually expanded. For example, before the great economic crisis of 1929-1933, the management of companies refrained from disclosing the income statement. This was because publishing it would harm the competitive position, and therefore disclosure was governed by what the management wanted. However, after that, Professional and scientific accounting bodies such as the American Institute of Certified Public Accountants (AICPA) and the American Accounting Association (AAA) have sought to adhere to comprehensive (full) disclosure, and the US Securities Exchange Commission (SEC) issues instructions requiring corporations to consider full disclosure (Hanan, 2006, 471-472).

It is important to note also, that the concept of full disclosure has been expanded also. In 1988, for example, two financial statements were added including cash flow statement and equity change statement in addition of course to the income statement and balance sheet. This is followed by issuing international standards to disclose these statements (Taleb, 2016, 482).

From the above discussion, it seems that this principle has been influenced over years. It has been expanded and new types of disclosure appeared that were not previously known, such as electronic disclosure, which took many forms and by various means. All of which serve decision-makers in providing all the information they need at the right time and the required speed.

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ACCOUNTING CONCEPTS

Accounting concepts are seen as basic rules on which the accountant relies to organise the accounting functions. They work as filters that restrict data to and from the accounting process (Broadbent & Cullen, 2003). They include the following:

Historical Cost Concept

Based on this concept, the value of assets is recorded based on its acquisition cost and thus it does not take into consideration the change in the current market value of the assets after the date of acquisition. This original cost of the assets is referred to whenever it is required and revaluations are not allowed.

This concept is approved by the Institute of Certified Public Accountants (AICPA) in the 1930s with the support of the SEC as an accounting principle generally accepted. Since then, until the present, the principle was one of the most important and most generally accepted accounting principles that have been subjected to criticism and controversy.

Since its inception in the 1930s and accredit this concept, the CES has refused to make any amendment on the historical cost principle to prepare the financial statements. The CES insist on using or following this concept, but in 1978 and for the first time, the CES allowed re-evaluating only the value of oil and gas reserves periodically. However, the SEC did not allow to re-evaluate assets for other companies in spite of the inflation existing in that period, the great pressure from the big accounting companies and the political pressure posed on the ARB, APB and FASB. It is argued that this insistence on using this concept was a reaction to the widespread accounting practices during the 1920s and before regulating the stock market and establishing the SEC. Firms were re-evaluated their high assets increasingly as a result of inflation mostly based on questionable evidence of their market value. These practices resulted in misleading users when they assess the shares especially after the great collapse of the stock market (Zeff, 2005 : 4).

This concept remained constant until issuing some international accounting standards that allowed to use the fair value and abandon the historical cost. For example, but not limited to, IAS 29 "*Financial Reporting in Hyperinflationary Economies" in 1989, IAS 16 "property, plant and equipment*", IAS 32 "*Financial Instruments - Presentation and Disclosure", AS 39 "financial instruments recognition and measurement*" that reissued by IFRS in two standards. The first is IFRS 7 Financial Instruments: Disclosures and the second one is IFRS 9 "*Financial Instruments*" and finally IFRS 13 the fair value measurement that represents the most important transfer from Historical cost to the fair value.

Separate Entity Concept

Accounting problems appear sometimes between accountants in the practical application in determining the limits of the legal personality of the economic unit. This situation appears clearly in the case of treating problems of holding companies and subsidiaries. Also, in the case of joining or merging companies and the consequent continuation of the legal personality of one of the joined companies or the demise of this personality for all the merged companies and the creation of a new legal personality. All of which has an impact on creating some accounting problems (Jarbou, 2014, 85).

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We find that this concept has been influenced over years due to the complexity of economic transactions and the appearance of new types of companies such as multinational corporations and the increasing of companies' size. As a result, these companies have become required to provide information not only about the company as a whole but also about a part of it, such as departments, divisions or centres. This implies that the concept has been influenced over years and what support this opinion is IFRS 8 operating segments and IPSAS 18. These standards approved that the entity is not an economic unit as a whole existing in itself but it could be a sector or part of an economic unit that was a division or even a cost centre.

Money Measurement Concept

What applies to any measurement science also applies to accounting. Money is the current means by which all economic transactions take place, whether they are internal or external. Thus, it is the best method currently to consider it as a unit of accounting measurement. It is at least a simple, universal, available and understandable basis. The monetary unit of measurement was considered one of the most important axioms, concepts or stable accounting principles in the accounting custom, without which accounting measurement may be impossible (Al-Hamid, 2009, 87-89) The researchers see that there is no change in this concept.

Going Concern Concept

This concept refers to one of the important accounting assumptions that accountants focus on when preparing financial statements and applying accounting procedures. It means that the company exist to continue in its work and there is no intention to liquidate it. This implies that in normal conditions the economic unit does not think in liquidation and its life is continued. From a theoretical perspective, we can find that the constructing accounting theory requires either a continuation case or a liquidation case and thus both cases cannot be assumed, otherwise, the accounting principle would conflict. Also, the logic bases to build accounting model must be established on the assumption of continuity in the future as long as there is no clear evidence for the opposite (Othman and Shaath, 2016, 389-390). It is observed that there is no change in this concept since its inception till now.

Realization Concept

This concept can be discussed from two aspects as follows:

Revenue Recognition (Realization) Concept

It means determining the point, date or event at which revenue can be recognized and considered recordable in the accounting records (Al-Naghi, 1989, 121). The main problem in revenue recognition is related to the realization and recording of revenue in the accounting records. It has been customary to consider that revenues are realized at the time of sale, as been the correct measure of revenue realization, whether the sale is in cash or credit. This assumption depends on two logical hypotheses. The first one is the assumption of going Concerned, which had the effect of adopting the philosophy of accrued revenue instead of cash revenue only. The second one is the assumption of the objectivity of the measurement that has a clear effect on adopting the principle of sale as a basis for revenue realization. The documented sales process represents a specific and positive guide for measurement (Nimr, 1967, 17).

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Expense Recognition

The expenses represent the total decrease in the assets of an economic unit or the increase in its obligations. In general, there are three bases to recognize an expense including cause and effect relationship, organized and logical allocation and instant download. (Al-Laithi, 2003, 135-136). The findings indicate that that there has been a partial change in this principle, especially after the emergence of new types of economic transactions. These transactions are related to electronic commerce that did not exist previously and are seen as new types of transactions that appeared, and affected this principle.

Accounting Period Concept

The best way to measure the financial result of the economic unit is the difference between the net assets at the beginning of its economic activity and the net activity result of it at the end of its life or upon its liquidation for any reason. Certainly, the users of the accounting information for this unit and decision-makers cannot wait Until the end of its life or its liquidation. This is because it may take a long time to happen or may not happen at all. Therefore, accountants and practitioners have become acquainted with dividing the life of the economic unit into equal lengths of time. This time is used to be a year and to make a virtual pause to know the assets and rights of the economic unit, as well as to know its obligations, to meet the information needs of decision-makers.

We find that this principle has undergone a relative change over the previous years, by reducing the period in which the economic unit prepares its reports and financial statements. Over the previous years, accountants used to prepare their records for a year. However recently, there has been a calling for the necessity to prepare the report and statements for periods less than a year. For example, they are counted for six months, then for three months, and monthly. This perhaps was a reaction due to the development of economic transactions and the emergence of new types of transactions that were not previously known. Also, it is perhaps due to the emergence of new types of companies such as holding companies, subsidiaries, multinational companies etc. Perhaps what supports the findings are some international accounting and financial reporting standards. These standards called for the necessity of preparing financial statements and reports for periods of less than a year. For example, IAS 34 "*Reports*" "*interim financial*", states that the minimum contents of the interim financial report include the financial statements that are issued for part of the financial year (quarterly or semi-annually) and the concepts of recognition and measurement that must apply.

We would like to go further in the expectations regarding this principle, as we believe that there will be a change in the future on this principle. It is believed that the preparation of reports and financial statements will be for less than three months and maybe for one month or a week. This, of course, can be due to the complexity of the current transactions, besides the impact of information technology on accounting.

Matching Concept—Periodic Matching of Costs and Revenues Concept

Income in Accounting can be calculated using two approaches including the balance sheet approach, and the matching revenue with expenses approach. The first one is based on comparing net assets at the beginning of the period and the end of it after excluding the impact of any additional investments or distributions to owners. However, the contemporary model for

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calculating the income in accounting is the second one which is called the operations approach. Here the income is calculated by matching the period's revenues with its expenses. According to this principle, expenses represent the costs of obtaining revenues, meaning there is a causal relationship between them. Thus, the first step is to calculate the period's revenue and then, its expenditures are calculated since it considers that part of the costs spent to achieve those revenues, i.e., matching the achievements made with the efforts made (Shaheen, 2011: 166).

It is believed that there has been a partial change in this principle. The change was a result of introducing the concept of capital preservation through other comprehensive income in the conceptual framework of the International Accounting Standards Board IASB. In this approach, the IASB officially has approved the necessity of closing the re-evaluation differences for fixed assets (in case of increase or inflation) in equity rights rather than in the income statement. The purpose is to preserve the capital from the wrong distribution.

DISCUSSION

The above discussion shows that the GAAPs, after over eighty years of their emergence, differ in terms of their continuity without changes or otherwise. Some of them have been characterised by stability and remained until now unchanged such as Money Measurement and going concern. Others have partially changed such as realization concept, matching concept and Accounting Period Concept. In this aspect, it is important to highlight that stability in these principles is relative and that the change in them was the result of changing economic conditions that led to their continuous modification, almost every year. In terms of accounting period concept, the change during the previous years was through narrow the period in which financial statements are prepared. Thus, in addition to prepare them annually, they are prepared now on a quarter or semiannual basis. This is due to the requirement of some standards such as 34 Interim Financial Reporting. Another set of standards have lost their status despite, they are still in use today. The most obvious ones are historical cost and Conservatism. Both principles have lost their statues as superior principles applied when preparing financial statements. Issues such as the inflation that hit mostly all the country over the world were among factors that reduced supporters and increased criticism against them. Hence, they have abandoned them partially, especially after issuing several accounting standards such as 9 and 7 that are related to financial tools besides international accounting standard related to fair value measurement.

Last but not least, we can highlight a set of principles that have been developed and reinforced such as the principles of full disclosure and principle of materiality. The comprehensiveness and content of disclosure for example has gradually expanded since the economic crisis in 1930s untill now. Several statements have been added, such as cash flow statement, change in equity statement and several common items and disclosures that appear in the notes and margins to the financial statements. In terms of materiality, having been a constraint on accounting information, it has become an important fundamental characteristic of accounting information in addition to being an accounting principle.

From a historical perspective, and as explained before, the AICPA gave special attention to the development of accounting principles, especially after adopting the term of Accepted accounting principles. At the time, several accounting rules had been adopted such as realising revenue by selling, disallowing to add capital profit to the normal operation profit, and consistency principle. In 1963 the AICPA adopted the term GAAP to unify the practical practices in accounting and making them consistent with the changing condition of the economy and society. The AICPA established, in 1938, Committee on Accounting Procedure to narrow

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the areas of difference in reports and financial statements by excluding undesirable methods applied in practice. Nevertheless, the committee and instead of developing a set of principles based on an integrated vision, they merely discussed the issue raised at that time and issued recommendations titled Accounting Research Bulletin.

Over 20 years and until its dissolution, the committee issued 51 papers. In these papers, suggestions had been made to address various accounting and operation problems which, at the time, represent quick response to many practical problems. These suggestions and principles had been approved by the State Securities and Investment Commission (SEC) which, unofficially, had given these publications a semi-official status.

After the Second World War, changes in economic, social and legal conditions have led to the emergence of an urgent need to find an alternative approach to develop accounting principles. In 1959, AICPA established a new committee titled Accounting Principal Board (APB) aimed to develop and explain GAAP. During its operation between 1959 and 1973 until the establishment of the FASB, the APB published what were called "*APB- Opinions*" which represented, at the time, solutions for the problems faced by accountants. Also, the APB has modified and explained some accounting principles and opinions issued previously by Accounting Research Bulletin to serve as a guide for practical application procedures as long as they do not conflict with FASB guidelines. There were 31 opinions dealing with practical application problems issued by the APB in addition to the what was called "*Accounting Interpretations*" in which providing explanatory series about opinions. The aim was to communicate recommendations to practitioners and putting them into practice (Hanan, 2009: 51-54).

The validity of the accounting theory is related to the validity of its hypotheses, which are determined by its effectiveness in facing the problems of reality, that is, today and the near future. Accordingly, it has not and will not be fixed, and it is always waiting for better theories to replace it in the future according to the circumstances of the situation. This can be explained because the accounting environment, as we know, has an impact directly on the objectives, principles and rules of accounting that can be deduced from them. (Ben Auf and Muhammad, 2010: 238-239)

CONCLUSION

The research provides a comprehensive analysis of the GAAP. We categorise and discuss principles in terms of their continuity or change over years. We argued developments in accounting principles and their relevance to the accounting environment they serve. As the validity of principles relies upon their effectiveness in addressing accounting problems in reality, they are never seen as absolute or fixed, rather, they are always developed or replaced according to changes in circumstances. We find that a practice or concept to be a generally accepted accounting principle must meet several criteria including objectivity, application, reliability, feasibility, and understandability. In addition, it must have the official approval of the authorities responsible for regulating and developing the profession and a consensus on how to implement them. To remove the ambiguities and criticisms of accounting principles, we recommend professional organisations interested in accounting agree on the principles and standardised them. Future research should continue and expand to study and develop the conceptual and intellectual framework for accounting and accounting theory and focusing on the relationship between the practices and theory.

Citation Information: Irdiny, T.A.H., Jameel, S.Z.M., Alyamoor, A.H. (2021). The generally accepted accounting principles (gaap), the status between a going concern and change. *Academy of Accounting and Financial Studies Journal, 25*(5), 1-12.

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