

105 - Generally Accepted Accounting Principles

105-10 - Overall

105-10-00 - Status

General Note: The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

General

105-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
Conduit Debt Security	Added	Maintenance Update 2014-20	09/29/2014
Financial Statements Are Available to Be Issued	Added	Accounting Standards Update No. 2018-09	07/16/2018
Nonpublic Entity (Def. 1)	Amended	Maintenance Update 2014-20	09/29/2014
Public Business Entity	Amended	Maintenance Update 2017-06	04/07/2017
Public Business Entity	Amended	Maintenance Update 2016-11	06/27/2016
105-10-05-5	Amended	Accounting Standards Update No. 2012-04	10/01/2012
105-10-65-2	Added	Accounting Standards Update No. 2012-04	10/01/2012
105-10-65-3	Added	Accounting Standards Update No. 2015-10	06/12/2015
105-10-65-4	Added	Accounting Standards Update No. 2018-09	07/16/2018
105-10-65-5	Added	Accounting Standards Update No. 2018-09	07/16/2018
105-10-65-6	Added	Accounting Standards Update No. 2020-10	10/29/2020
105-10-65-7	Added	Accounting Standards Update No. 2023-06	10/09/2023
105-10-65-8	Added	Accounting Standards Update No. 2023-06	10/09/2023
105-10-65-9	Added	Accounting Standards Update No. 2024-02	03/29/2024
105-10-70-2	Amended	Accounting Standards Update No. 2010-07	01/28/2010

105-10-05 - Overview and Background

General Note: The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

General

105-10-05-1 This Topic establishes the Financial Accounting Standards Board (FASB) Accounting Standards Codification® (Codification) as the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. 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. In addition to the SEC's rules and interpretive releases, the SEC staff issues Staff Accounting Bulletins that represent practices followed by the staff in administering SEC disclosure requirements, and it utilizes SEC Staff Announcements and Observer comments made at Emerging Issues Task Force meetings to publicly announce its views on certain accounting issues for SEC registrants.

105-10-05-2 If the guidance for a transaction or event is not specified within a source of authoritative GAAP for that entity, an entity shall first consider accounting principles for similar transactions or events within a source of authoritative GAAP for that entity and then consider nonauthoritative guidance from other sources. An entity shall not follow the accounting treatment specified in accounting guidance for similar transactions or events in cases in which those accounting principles either prohibit the application of the accounting treatment to the particular transaction or event or indicate that the accounting treatment should not be applied by analogy.

105-10-05-3 Accounting and financial reporting practices not included in the Codification are nonauthoritative. Sources of nonauthoritative accounting guidance and literature include, for example, the following:

- a. Practices that are widely recognized and prevalent either generally or in the industry
- b. FASB Concepts Statements
- c. American Institute of Certified Public Accountants (AICPA) Issues Papers
- d. International Financial Reporting Standards of the International Accounting Standards Board
- e. Pronouncements of professional associations or regulatory agencies
- f. Technical Information Service Inquiries and Replies included in AICPA Technical Practice Aids
- g. Accounting textbooks, handbooks, and articles.

The appropriateness of other sources of accounting guidance depends on its relevance to particular circumstances, the specificity of the guidance, the general recognition of the issuer or author as an authority, and the extent of its use in practice.

105-10-05-4 The Codification contains the authoritative standards that are applicable to both public nongovernmental entities and nonpublic nongovernmental entities. Content contained in the SEC Sections (designated by an "S" preceding the Section number) is provided for convenience and relates only to SEC registrants. The SEC Sections do not contain the entire population of SEC rules, regulations, interpretive releases, and staff guidance. Content in the SEC Sections is expected to change over time, and there may be delays between SEC and staff changes to guidance and Accounting Standards Updates. The Codification does not replace or affect guidance issued by the SEC or its staff for public entities in their filings with the SEC.

105-10-05-5 The FASB does not consider Accounting Standards Updates as authoritative in their own right. Instead, new Accounting Standards Updates serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification. All nongrandfathered non-SEC accounting guidance not included in the Codification is superseded and deemed nonauthoritative.

105-10-05-6 The provisions of the Codification need not be applied to immaterial items.

105-10-10 - Objectives

General Note: The Objectives Section provides the high-level objectives that the Subtopic is intended to accomplish or attain. The Section does not summarize or discuss the main principles of accounting and reporting requirements.

General

105-10-10-1 The objective of this Topic is to establish the Financial Accounting Standards Board (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 generally accepted accounting principles (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.

105-10-10-2 This Topic also identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States (the GAAP hierarchy).

105-10-15 - Scope and Scope Exceptions

General Note: The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

General

Entities

105-10-15-1 The Financial Accounting Standards Board (FASB) Accounting Standards Codification® applies to financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP).

105-10-15-2 Content in the Securities and Exchange Commission (SEC) Sections of the Codification is provided for convenience and relates only to financial statements of SEC registrants that are presented in conformity with GAAP.

105-10-20 - Glossary

General Note: The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

Conduit Debt Securities

Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing financing for a specific third party (the conduit bond obligor) that is not a part of the state or local government's financial reporting entity. Although conduit debt securities bear the name of the governmental entity that issues them, the governmental entity often has no obligation for such debt beyond the resources provided by a lease or loan agreement with the third party on whose behalf the securities are issued. Further, the conduit bond obligor is responsible for any future financial reporting requirements.

Financial Statements Are Available to Be Issued

Financial statements are considered available to be issued when they are complete in a form and format that complies with GAAP and all approvals necessary for issuance have been obtained, for example, from management, the board of directors, and/or significant shareholders. The process involved in creating and distributing the financial statements will vary depending on an entity's management and corporate governance structure as well as statutory and regulatory requirements.

Nongovernmental Entity

An entity that is not required to issue financial reports in accordance with guidance promulgated by the Governmental Accounting Standards Board or the Federal Accounting Standards Advisory Board.

Nonpublic Entity

Any entity that does not meet any of the following conditions:

- a. Its debt or equity securities trade in a public market either on a stock exchange (domestic or foreign) or in an over-the-counter market, including securities quoted only locally or regionally.
- b. It is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets).
- c. It files with a regulatory agency in preparation for the sale of any class of debt or equity securities in a public market.
- d. It is required to file or furnish financial statements with the Securities and Exchange Commission.
- e. It is controlled by an entity covered by criteria (a) through (d).

Not-for-Profit Entity

An entity that possesses the following characteristics, in varying degrees, that distinguish it from a business entity:

- a. Contributions of significant amounts of resources from resource providers who do not expect commensurate or proportionate pecuniary return
- b. Operating purposes other than to provide goods or services at a profit
- c. Absence of ownership interests like those of business entities.

Entities that clearly fall outside this definition include the following:

- a. All investor-owned entities
- b. Entities that provide dividends, lower costs, or other economic benefits directly and proportionately to their owners, members, or participants, such as mutual insurance entities, credit unions, farm and rural electric cooperatives, and employee benefit plans.

Public Business Entity

A public business entity is a business entity meeting any one of the criteria below. Neither a not-for-profit entity nor an employee benefit plan is a business entity.

- a. It is required by the U.S. Securities and Exchange Commission (SEC) to file or furnish financial statements, or does file or furnish financial statements (including voluntary filers), with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing).
- b. It is required by the Securities Exchange Act of 1934 (the Act), as amended, or rules or regulations promulgated under the Act, to file or furnish financial statements with a regulatory agency other

than the SEC.

- c. It is required to file or furnish financial statements with a foreign or domestic regulatory agency in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer.
- d. It has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market.
- e. It has one or more securities that are not subject to contractual restrictions on transfer, and it is required by law, contract, or regulation to prepare U.S. GAAP financial statements (including notes) and make them publicly available on a periodic basis (for example, interim or annual periods). An entity must meet both of these conditions to meet this criterion.

An entity may meet the definition of a public business entity solely because its financial statements or financial information is included in another entity's filing with the SEC. In that case, the entity is only a public business entity for purposes of financial statements that are filed or furnished with the SEC.

Security

A share, participation, or other interest in property or in an entity of the issuer or an obligation of the issuer that has all of the following characteristics:

- a. It is either represented by an instrument issued in bearer or registered form or, if not represented by an instrument, is registered in books maintained to record transfers by or on behalf of the issuer.
- b. It is of a type commonly dealt in on securities exchanges or markets or, when represented by an instrument, is commonly recognized in any area in which it is issued or dealt in as a medium for investment.
- c. It either is one of a class or series or by its terms is divisible into a class or series of shares, participations, interests, or obligations.

105-10-65 - Transition and Open Effective Date Information

General Note: The Transition Section contains a description of the required transition provisions and a list of the related paragraphs that have been modified. This Section will retain the transition content during the transition period. After the transition period, the transition content will be removed yet will be available in archived versions of the Section.

General

- 105-10-65-1 Paragraph superseded on 11/07/2012 after the end of the transition period stated in FASB Statement No. 168, The FASB Accounting Standards Codification® and the Hierarchy of Generally Accepted Accounting Principles.
- 105-10-65-2 Paragraph superseded on 06/26/2015 after the end of the transition period stated in Accounting Standards Update No. 2012-04, Technical Corrections and Improvements.
- 105-10-65-3 Paragraph superseded on 07/05/2017 after the end of the transition period stated in Accounting Standards Update No. 2015-10, Technical Corrections and Improvements.
- 105-10-65-4 Paragraph superseded on 08/19/2021 after the end of the transition period stated in Accounting Standards Update No. 2018-09, Codification Improvements.
- 105-10-65-5 Paragraph superseded on 08/19/2021 after the end of the transition period stated in Accounting Standards Update No. 2018-09, Codification Improvements.
- 105-10-65-6 Paragraph superseded on 07/10/2023 after the end of the transition period stated in Accounting Standards Update No. 2020-10, Codification Improvements.

Transition Related to Accounting Standards Update No. 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative

105-10-65-7 [Accounting Standards Update 2023-06](#) 2027-06-30

The following represents the transition and effective date information related to Accounting Standards Update No. 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative:

- a. For all entities subject to the Securities and Exchange Commission's (SEC) existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale of or for purposes of issuing securities that are not subject to contractual restrictions on transfer, each amendment in the pending content that links to this paragraph shall become effective on the date that the SEC's removal of the related guidance from Regulation S-X or Regulation S-K becomes effective. An entity shall apply the pending content that links to this paragraph to financial statements issued after the effective date. Early adoption is prohibited. Paragraph [105-10-65-8](#) includes a cross-reference to Regulation S-X and Regulation S-K for the pending content that links to this paragraph.
- b. For all other entities, each amendment in the pending content that links to this paragraph shall be effective two years after the pending content becomes effective for entities referred to in paragraph 105-10-65-7(a).
- c. The pending content that links to any related requirements not removed by the SEC from Regulation S-X or Regulation S-K by June 30, 2027, will be removed from the Codification and will not become effective for any entity.
- d. An entity shall apply the pending content that links to this paragraph prospectively to financial statements issued after the effective date.

105-10-65-8 [Accounting Standards Update 2023-06](#) 2027-06-30

The following represents a cross-reference to Regulation S-X or Regulation S-K for the pending content that links to paragraph [105-10-65-7](#):

SEC Rule	Codification Paragraph
Regulation S-K Item 302(b)	932-235-50-2A
Regulation S-X Rule 10-01(b)(2)	260-10-50-1 260-10-55-51 through 55-52
Regulation S-X Rule 10-01(b)(7)	250-10-50-6 270-10-45-12 270-10-45-19 270-10-50-1
Regulation S-X Rule 3-15(c)	974-10-50-1
Regulation S-X Rule 4-08(b)	440-10-50-1
Regulation S-X Rule 4-08(d)	505-10-50-4
Regulation S-X Rule 4-08(m)	860-30-15-1 860-30-45-2 through 45-3 860-30-50-7 860-30-50-9 through 50-12 860-30-55-4
Regulation S-X Rule 4-08(n)	230-10-50-9 815-10-50-8C
Regulation S-X Rule 5-02.19(b)	470-10-15-1 470-10-50-6 through 50-7
Regulation S-X Rule 6-04.17	946-20-50-11

Transition Related to Accounting Standards Update No. 2024-02, Codification Improvements-Amendments to Remove References to the Concepts Statements

105-10-65-9 [Accounting Standards Update 2024-02](#) 2027-06-14

The following represents the transition and effective date information related to Accounting

Standards Update No. 2024-02, Codification Improvements-Amendments to Remove References to the Concepts Statements:

- a. For public business entities, the pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years.
- b. For all other entities, the pending content that links to this paragraph shall be effective for fiscal years beginning after December 15, 2025, including interim periods within those fiscal years.
- c. Early application of the pending content that links to this paragraph is permitted for any fiscal year or interim period for which the entity's financial statements have not yet been issued (or made available for issuance). If an entity adopts the pending content that links to this paragraph in an interim period, it must adopt that pending content as of the beginning of the fiscal year that includes that interim period.
- d. An entity shall apply the pending content that links to this paragraph using one of the following transition methods:
 1. Prospectively to all new or modified transactions recognized on or after the date that the entity first applies the pending content that links to this paragraph
 2. Retrospectively to the beginning of the earliest comparative period presented in which the pending content that links to this paragraph was first applied. An entity shall adjust the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) as of the beginning of the earliest comparative period presented.
- e. An entity applying the pending content that links to this paragraph retrospectively in accordance with (d)(2) shall provide the transition disclosures required by paragraphs [250-10-50-1250-10-50-2250-10-50-3](#).

105-10-70 - Grandfathered Guidance

General Note: The Grandfathered Guidance Section may contain descriptions, references, and transition periods for content grandfathered after July 1, 2009, by an Accounting Standards Update. See Codification Section [105-10-70](#) and the grandfathered content section of the Notice to Constituents for more information about grandfathered materials.

General

- 105-10-70-1** Financial Accounting Standards Board (FASB) Statement No. 162, The Hierarchy of Generally Accepted Accounting Principles, contained a description of the categories of the generally accepted accounting principles (GAAP) hierarchy that existed before the Codification. An entity that has followed, and continues to follow, an accounting treatment that was previously in category (c) or category (d) of that GAAP hierarchy as of March 15, 1992, need not change to an accounting treatment in a higher category ((b) or (c)) of that hierarchy if its effective date was before March 15, 1992. For example, a nongovernmental entity that followed a prevalent industry practice (category (d)) as of March 15, 1992, does not have to change to an accounting treatment included in a standard in category (b) or category (c) (such as an accounting principle in a cleared American Institute of Certified Public Accountants [AICPA] Statement of Position or Accounting Standards Executive Committee Practice Bulletin) whose effective date is before March 15, 1992. For standards whose effective date is after March 15, 1992, and for entities initially applying an accounting principle after March 15, 1992 (except for Emerging Issues Task Force consensus positions issued before March 16, 1992, which become effective in the hierarchy for initial application of an accounting principle after March 15, 1993), an entity shall follow guidance in the Codification.

105-10-70-2 Certain accounting standards have allowed for the continued application of superseded accounting standards for transactions that have an ongoing effect in an entity's financial statements. That superseded guidance has not been included in the Codification, shall be considered grandfathered, and shall continue to remain authoritative for those transactions after the effective date of FASB Statement No. 168, The FASB Accounting Standards Codification® and the Hierarchy of Generally Accepted Accounting Principles. While not comprehensive, the following are examples of such grandfathered items:

- a. Pooling of interests in a business combination (originally addressed by APB Opinion No. 16, Business Combinations) described in paragraph B217 of FASB Statement No. 141, Business Combinations
- b. Pension transition assets or obligations described in paragraph 77 of FASB Statement No. 87, Employers' Accounting for Pensions
- c. Employee stock ownership plan shares (originally addressed by AICPA Statement of Position 76-3, Accounting Practices for Certain Employee Stock Ownership Plans) purchased by, and held as of, December 31, 1992, as described in paragraphs 97 and 102 of AICPA Statement of Position 93-6, Employers' Accounting for Employee Stock Ownership Plans
- d. Loans restructured in a troubled debt restructuring before the effective date of FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan, described in paragraph 24 of FASB Statement No. 118, Accounting by Creditors for Impairment of a Loan-Income Recognition and Disclosures
- e. Stock compensation for nonpublic and other entities (originally addressed by FASB Statement No. 123, Accounting for Stock-Based Compensation, or APB Opinion No. 25, Accounting for Stock Issued to Employees) described in paragraph 83 of FASB Statement No. 123 (revised 2004), Share-Based Payment
- f. For nonpublic entities electing the deferral of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, FASB Statement No. 109, Accounting for Income Taxes, and related standards
- g. For business combinations with an acquisition date before the first annual reporting period beginning on or after December 15, 2008, Statement 141 and any other relevant standards
- h. For a combination of a not-for-profit entity with one or more other not-for-profit entities, businesses, or nonprofit activities, Opinion 16, if the combination occurred before the effective dates of FASB Statement No. 164, Not-for-Profit Entities: Mergers and Acquisitions.
- i. [Subparagraph superseded by Accounting Standards Update No. 2010-07.](#)