

Introduction and Background

This chapter sets the stage for understanding governmental accounting by explaining some of the important concepts that comprise the framework of governmental accounting and financial reporting. Specifically, this chapter will discuss the following:

- What are generally accepted accounting principles?
- Who sets generally accepted accounting principles?
- Do governments need to comply with generally accepted accounting principles?
- Why is governmental accounting and financial reporting different from commercial and not-for-profit accounting and financial reporting?
- To what entities do governmental generally accepted accounting principles apply?

Understanding these broad concepts will help put in context the more specific discussions and explanations of financial statements and accounting rules described in later chapters of this book.