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April 30, 2025

Mr. Jackson M. Day  
Technical Director  
Financial Accounting Standards Board  
801 Main Avenue  
PO Box 5116  
Norwalk, CT 06856-5116

**RE: Invitation to Comment (ITC) on Financial Key Performance Indicators for Business Entities (Financial KPIs) (File Reference No. 2024-ITC100)**

Dear Mr. Day:

We appreciate the opportunity to respond to the Invitation to Comment on *Financial Key Performance Indicators for Business Entities* (the ITC). We believe the Board's outreach to constituents is important and we are pleased to be part of the process.

We believe that defining in Generally Accepted Accounting Principles (GAAP) elements or inputs that commonly used financial key performance indicators (financial KPIs) are composed of may improve the relevance and usefulness of authoritative accounting standards and ultimately the information included in financial statements. As discussed in the ITC, investors have become more reliant on financial measures provided outside of the GAAP financial statements. Increasingly, these measures are viewed by many financial statement users and preparers as useful in assessing an entity's performance along with the performance measures included in the GAAP financial statements. However, because GAAP does not define some of the elements or inputs used to calculate these non-GAAP performance measures, measures labeled the same way that may reasonably be expected to be comparable are often not calculated consistently. As an example, there is diversity in how entities define some of the elements (e.g. interest, amortization) of an "unadjusted" EBITDA non-GAAP measure. This makes comparing the financial performance of one entity to another more difficult, thereby compromising the utility of these measures to financial statement users.

We believe the cost of defining specific financial KPIs (i.e. the ultimate performance measure along with the specific financial elements or inputs that measure comprises) may not justify the benefits of doing so given the appetite for bespoke financial KPIs that differ based on the nature of an entity's operations and/or industry. Therefore, we do not recommend that the Board attempt to define individual financial KPIs. Instead, we believe the Board should conduct outreach with users and preparers to determine whether disclosure in the notes to the financial statements or presentation in the statement of cash flows of individual elements or inputs that commonly used financial KPIs are composed of would provide significant benefits that exceed the related costs. This approach could entail, for example, requiring new statement of cash flows subtotals and/or further disaggregating or defining certain items, such as those expected to typically enter into the calculation of measures like free cash flow.

We believe comparability of these individual elements or inputs may allow users to construct their own performance measures for individual entities with greater comparability between similar entities than is currently the case for existing non-GAAP measures. Including these elements or inputs in the audited financial statements also would further enhance their reliability as compared to existing non-GAAP measures while continuing to provide users and preparers flexibility in determining the most relevant financial KPIs in each case.

We acknowledge that ASU 2024-03 on disaggregation of income statement disclosures defines depreciation and amortization for the purpose of disclosing those amounts, and we encourage the Board to understand from users and preparers whether this is the type of enhancement that can also improve financial KPIs and could be replicated without undue cost for other elements or inputs that commonly

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used financial KPIs are composed of. We believe the Board could conduct such a project using a phased approach that focuses first on the most commonly used financial KPIs.

\* \* \* \* \*

Appendix A provides our responses to the Questions for Respondents.

If you have questions about our comments or wish to discuss the matters addressed in this comment letter, please contact Timothy Phelps at (212) 872-3249 or [tphelps@kpmg.com](mailto:tphelps@kpmg.com) or Kimber Bascom at (212) 909-5664 or [kbascom@kpmg.com](mailto:kbascom@kpmg.com).

Sincerely,

A handwritten signature in black ink that reads "KPMG LLP". The letters are stylized and slanted to the right.

KPMG LLP

## Appendix A – Responses to Questions for Respondents

### **Purpose**

#### **Question 1:**

*Please describe what type of stakeholder you (or your organization) are from the list below, including a discussion of your background and what your point of view is when responding to this ITC:*

- a. Academic*
- b. Investor, other allocator of capital, or other financial statement user, such as:*
  - i. Equity analyst: buy side*
  - ii. Equity analyst: sell side*
  - iii. Credit-rating agency analyst*
  - iv. Fixed-income analyst*
  - v. Accounting analyst*
  - vi. Quantitative analyst*
  - vii. Portfolio manager*
  - viii. Private equity*
  - ix. Individual investor*
  - x. Lender*
  - xi. Long-only focus*
  - xii. Long/short focus*
  - xiii. Other*
- c. Practitioner/auditor*
- d. Not-for-profit organization preparer*
- e. Private company preparer*
- f. Public company preparer*
- g. Regulator*
- h. Standard setter*
- i. Other*

KPMG LLP is a practitioner/auditor.

### **Increase in the Use of Financial KPIs**

#### **Question 2:**

*What is the relative priority of a project on Financial KPIs given the FASB's progress on other recent projects, including projects on financial statement disaggregation as well as other recognition and measurement projects? Do you believe the relative priority differs for public entities versus private companies? Please explain why or why not.*

Given the increasingly pervasive use of non-GAAP measures, we are pleased that the Board is willing to consider a project on financial KPIs. While we believe financial KPIs are relied upon by both public and private company financial statement users, there may be a higher priority on guidance for public entities given that users of private entity financial statements generally have greater access to information about those entities.

#### **Questions 3 and 4:**

*How often, if at all, do you use Financial KPIs in your analysis? If used, which ones?*

*If you use Financial KPIs in your analysis, do you calculate the measures yourself, use measures provided by a financial data service, or use the measures provided by management? If provided by management, do you make any additional adjustments before using the Financial KPIs in your analysis?*

We believe financial statement users are best positioned to inform the Board about the use of financial KPIs in investors' analyses.

**Question 5:**

*Does your company present Financial KPIs outside the financial statements? Do your company's peers present Financial KPIs outside the financial statements?*

We believe preparers are best positioned to address whether financial KPIs are presented outside the financial statements and whether the company's peers present financial KPIs outside of the financial statements.

**Lack of Comparability Among Financial KPIs**

**Question 6:**

*If you use Financial KPIs in your analysis, are the Financial KPIs you use comparable across different entities? If you believe that those Financial KPIs are comparable across different entities, how do you know that those Financial KPIs are calculated on a comparable basis?*

We believe financial statement users are best positioned to inform the Board about the use of financial KPIs in investors' analyses.

**Question 7:**

*If your company and your company's peers present Financial KPIs outside the financial statements, are the Financial KPIs comparable? If you believe that the Financial KPIs that are presented are comparable, how do you know that those Financial KPIs are calculated on a comparable basis?*

We believe preparers are best positioned to address whether financial KPIs are comparable between entities.

**Approach 1: Define and Require (or Permit) Disclosure of Common Financial KPIs**

**Question 8:**

*Would you benefit from standardized GAAP definitions of commonly used Financial KPIs? Please explain why or why not.*

We believe financial statement users are best positioned to inform the Board about the use of financial KPIs in investors' analyses and which commonly used financial KPIs could be beneficial.

**Which Financial KPIs Should Be Defined?**

**Questions 9 and 10:**

*If the FASB defines certain Financial KPIs, should the defined Financial KPIs be measures that are commonly used across all entities, measures that are industry-specific, or both? What should the FASB consider in determining which Financial KPIs to define?*

*Are there certain Financial KPIs you believe that the FASB should define? If so, what are they and why?*

As more fully discussed in our cover letter, we believe the FASB could prioritize defining certain elements or inputs that commonly used financial KPIs are composed of, rather than defining the financial KPIs themselves.

**Should Disclosure of Defined Measures Be Required or Optional?**

**Question 11:**

*Should disclosure of certain defined measures be required or optional? If required, how should that requirement be determined (for example, should all entities be required to disclose the defined measure or only entities in specified industries)? Please explain.*

As more fully discussed in our cover letter, we believe the Board should consider whether all entities should be required to disclose the nature and amounts of elements or inputs (as defined by the FASB) that commonly used financial KPIs are composed of, to the extent that the elements or inputs apply to a given entity.

**Question 12:**

*Should the FASB provide criteria for entities to use to determine when a defined Financial KPI needs to be disclosed? For example, an entity could be required to disclose a Financial KPI that has been defined by the FASB in the financial statements if it presents it or an adjusted version outside the financial statements (for example, if EBITDA is defined and an entity presents adjusted EBITDA).*

We believe the FASB should not attempt to define or require disclosure of any specific financial KPI. Instead, we believe the Board should consider defining the elements or inputs that commonly used financial KPIs are composed of and consider requiring disclosure of the nature and amount of those elements or inputs to the extent that they apply to a given entity.

**Question 13:**

*If the FASB defines certain Financial KPIs that are common within specific industries, should all entities within those industries be required to disclose the defined measure?*

Please see our response to Question 12.

**Approach 2: Require (or Permit) Disclosure of Financial KPIs Presented by Management Outside the Financial Statements**

**What Financial KPIs Would Be Subject to Disclosure?**

**Question 14:**

*Should an entity be required to disclose a Financial KPI in GAAP financial statements if the entity communicates the Financial KPI elsewhere? If so, what incremental benefits does requiring (rather than permitting) disclosure provide?*

We believe financial statements users are best positioned to confirm the incremental benefit, if any, they would obtain from financial statement disclosure of financial KPIs that are already provided outside the financial statements. Further, in considering whether to require or permit inclusion of financial KPIs in the financial statements, we believe the Board should work closely with the SEC on any interrelationship with the SEC regulations pertaining to non-GAAP financial measures (including Regulation G and Item 10(e) of Regulation S-K).

**Question 15:**

*If the FASB pursues Approach 2, should the criteria for identifying Financial KPIs that must be (or are permitted to be) disclosed in GAAP financial statements be broad or narrow? For example, should all Financial KPIs communicated outside financial statements be disclosed or should only those communicated in earnings announcements and regulatory filings be disclosed?*

Please see our response to Question 14.

**Question 16:**

*Are there other criteria that you believe should be used to identify Financial KPIs that would be required to be (or are permitted to be) disclosed in GAAP financial statements? If so, what are they and why should they be included?*

Please see our response to Question 14.

## **Overall Preferred Approach and Disclosure**

### **Question 17:**

*Which potential approach for standard setting on Financial KPIs do you prefer and why?*

As more fully discussed in our cover letter, we believe the Board could consider whether all entities should be required to disclose the nature and amounts of elements or inputs (as defined by the FASB) that commonly used financial KPIs are composed of to the extent that the elements or inputs apply to a given entity. This differs from Approach 1, although it is more similar to that approach than Approach 2.

### **Question 18:**

*Would a combined approach that incorporates elements of Approaches 1 and 2 provide decision-useful information that is incremental to either approach in isolation? Please explain how the approaches should be combined, including why that approach would provide incremental decision-useful information.*

If the Board were to choose not to follow the approach we recommend in our cover letter, we believe an approach that combines aspects of Approaches 1 and 2 would be better than either of those approaches in isolation. Specifically, we believe the Board could define commonly used financial KPIs and then require those definitions to be used as a starting point for related financial KPIs that a company provides to financial statement users without precluding companies from making adjustments to those measures. The Board could then either require or permit the measures companies use to be reported in their financial statements. However, it is unclear to us whether the benefits of such an approach would justify the cost mainly because we believe users and preparers would frequently use adjusted measures.

### **Question 19:**

*Is either Approach 1 or 2 inoperable? Please explain why or why not.*

We believe preparers are best positioned to address the operationality of Approaches 1 and 2.

### **Question 20:**

*Are there other approaches that should be considered? If so, please describe and comment on whether (and what) incremental disclosures should be required under an alternative approach.*

Our proposed alternative approach is described in our cover letter.

## **What Incremental Disclosures Would Be Useful?**

### **Question 21:**

*For any undefined Financial KPIs that must be (or are permitted to be) disclosed in GAAP financial statements, should an entity be required to provide a reconciliation in the financial statements to the most comparable GAAP requirement? Please explain why or why not.*

We believe if any undefined financial KPIs are disclosed in the GAAP financial statements, they should be reconciled in the financial statements to the most comparable GAAP measure. SEC Regulation G and Item 10(e) of Regulation S-K require such reconciliation when non-GAAP measures are used outside the financial statements. Given the existing requirements in these Regulations, we believe any action taken by the FASB in this area should be coordinated with the SEC.

### **Question 22:**

*Would disclosure about the components of Financial KPIs and the financial statement line items in which those components are included be useful? Please explain why or why not. If yes, should that disclosure be required?*

We believe that if any undefined financial KPIs are disclosed in the GAAP financial statements, a qualitative disclosure of their composition and quantitative disclosure of their significant components

should be required. Similar to the requirement in Topic 280 (paragraph 280-10-50-29) for segment profit or loss measure(s), this should include explaining the potential accounting differences between the measurement of profits or losses in the financial KPIs with that used in the GAAP financial statements. This disclosure would improve transparency and may yield comparability over time if entities elect to align their reporting practices.

**Question 23:**

*For any undefined Financial KPIs that must be (or are permitted to be) disclosed in GAAP financial statements, should management be required to explain the element of their performance the undefined Financial KPI is meant to convey and how the undefined Financial KPI is used by management?*

We believe that if any undefined financial KPIs are disclosed in the GAAP financial statements, an entity should be required to explain the aspect of its performance the undefined financial KPI is intended to convey and how the undefined financial KPI is used by management. This disclosure would be consistent with the requirement in Topic 280 to explain how the Chief Operating Decision Maker uses the segment profit or loss measure(s) reported in the segment disclosures to evaluate segment performance and make resource allocation decisions.

**Question 24:**

*If an entity provides comparative financial statements, should it be required to disclose comparative period information for Financial KPIs disclosed? Please explain why or why not.*

We believe that any undefined financial KPIs disclosed in the GAAP financial statements should be disclosed for all periods presented. This is based on the view that the entity is providing this information because it is decision-useful to investors. Providing comparative period information allows users to understand and analyze trends. Additionally, as previously discussed, we believe any action taken by the FASB in this area should be coordinated with the SEC given the existing requirements of Regulation G and Item 10(e) of Regulation S-K, which indicate that non-GAAP financial measures cannot be misleading.

Regulation G does not specify whether an entity must present corresponding prior year information for comparison purposes. However, we believe management should consider whether excluding a comparable prior period non-GAAP financial measure complies with the guidance in Question 100.02 of the SEC's C&DIs about inconsistent presentation between periods. The SEC staff's view on the need to recast a prior period non-GAAP financial measure for a change in the current period depends on the significance of the change. This view suggests that management should consider whether it needs to include the same non-GAAP financial measure for the prior period to avoid misleading investors and to place the disclosure in the appropriate context.

**Question 25:**

*Are there any other disclosures that you believe should accompany Financial KPIs (defined or undefined) that would be disclosed in GAAP financial statements? If so, what are they and why?*

There are no other disclosures that we believe should accompany financial KPIs that would be disclosed in GAAP financial statements other than those previously discussed.