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April 30, 2025

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

Via Email to [director@fasb.org](mailto:director@fasb.org)

**Re: File Reference No. 2024-ITC100**

Dear Mr. Day:

Grant Thornton LLP appreciates the opportunity to comment on the FASB's Invitation to Comment, *Financial Key Performance Indicators for Business Entities*.

We commend the Board for addressing users' requests to standardize Financial Key Performance Indicators (KPIs), but ask the Board to (1) consider performing additional research prior to adding a project on this topic to its Technical Agenda and (2) determine the relative priority of such a project. We have provided our feedback on the questions within the Invitation to Comment (ITC) below.

**Our responses to the questions**

**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.

We are practitioners/auditors.

**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.**

We do not believe that a potential project to define and disclose Financial KPIs should be a high priority for the Board.

While we appreciate the requests from users for more information on Financial KPIs, we believe the scope and pervasiveness of the issue may benefit from clarification. It is not clear to us that allowing or requiring disclosure of Financial KPIs in the financial statements is an optimal—or even a sufficient—response to the expressed underlying needs of users. The Board has recently completed several projects to address similar user needs by providing more granular disclosures, and we are curious as to whether further expansion of this approach would better address user needs. Accordingly, we believe that such a project, if taken on, would benefit from feedback and experience to be gained upon adopting other standards that are currently pending with a goal of providing investors with additional information through disaggregated disclosures. Recent ASUs requiring disaggregated disclosures, including (1) ASU 2023-07, *Segment Reporting*, (2) ASU 2023-09, *Income Taxes*, (3) ASU 2024-03,

*Disaggregation of Income Statement Expenses*, are poised to greatly change the mix of information received by financial statement users, which in turn may change users' need for further information. Additionally, the IASB has recently released IFRS 18, *Presentation and Disclosure in Financial Statements*, which contains provisions that have similarities to those that are outlined in Approach 2 of the ITC. While the scope of IFRS 18 is wider than the project contemplated in the ITC, we believe that lessons learned from implementing that standard could provide useful information to the Board in formulating a project on Financial KPIs.

Additionally, we believe that the Board's current research project on the statement of cash flows could further address the informational needs of users requesting a project on Financial KPIs. For example, it is our understanding that earnings before interest, taxes, depreciation, and amortization (EBITDA), currently the most prevalent Financial KPI, was developed to better understand a company's ability to generate cash flows prior to the issuance of SFAS 95, *Statement of Cash Flows*, which introduced the requirement to include a statement of cash flows in a complete set of financial statements under U.S. GAAP. The ongoing prevalence of Financial KPIs like EBITDA may provide evidence that a project focused on providing more information to users through the statement of cash flows may be of a higher priority than incorporating those Financial KPIs into U.S. GAAP itself.

We also believe that the Board should consider whether items identified in the Agenda Consultation ITC currently out for comment would be of a higher priority for future standard setting.

We do not believe that a project on Financial KPIs should be a priority for private companies. The Private Company Decision-Making Framework (PCDMF) discusses the informational needs of users of private company financial statements, generally noting that such users require less disaggregated information and have greater access to management for their informational needs. Such PCDMF considerations may support scoping private companies out of a Financial KPI project if it were undertaken by the Board. The Board referenced these considerations in the PCDMF in its decision to scope private companies out of ASU 2024-03 and parts of ASU 2023-09.

**Question 9: 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?**

If the Board defines certain Financial KPIs, we believe that those measures should be limited to those that are most prevalent in use across all entities. Defining commonly used Financial KPIs, and standardizing the inputs to those calculations, would provide a consistent and comparable base for information to be disclosed across all entities. Many entities present adjusted forms of common Financial KPIs that reflect company-specific adjustments determined by management, such as adjusted EBITDA. While standardizing commonly used Financial KPIs would likely not change how entities present these adjustments, it would decrease the volume and complexity in

reconciling those adjusted Financial KPIs back to the closest GAAP number. This would allow users to focus on the informational value of the adjustments.

We do not believe that the Board should pursue industry-specific Financial KPIs, for three reasons: Some industries may not be defined in GAAP, entities within the same industry may use a wide variety of different measures, and such measures may change over time. For some industries with a pre-existing defined scope under U.S. GAAP, such as financial institutions and oil and gas entities, it may be possible to identify and define industry-specific Financial KPIs. However, for industries without a currently defined scope in U.S. GAAP or for entities that operate in multiple industries, defining a scope and determining appropriate Financial KPIs for those industries would be a substantive undertaking that could require a large investment of standard-setting resources. Additionally, as industries evolve over time, the Board could be required to update these standards to ensure that industry-specific Financial KPIs remain relevant and operable. For these reasons, we believe that the scope of a potential project should be to define commonly used measures across all entities, regardless of industry.

**Question 10: Are there certain Financial KPIs you believe that the FASB should define? If so, what are they and why?**

We believe a potential project should be limited to the two most commonly used measures: EBITDA and free cash flows (FCF). We believe that defining these KPIs would create consistency and comparability for financial statement users.

Many companies currently present “adjusted” versions of these metrics, reconciled back to an entity’s GAAP results, and the adjustments made to these Financial KPIs may vary between entities and between periods. Therefore, we believe that defining a common starting point for these Financial KPIs would create consistency and simplify that reconciliation process, allowing users of those adjusted measures to focus on and evaluate the adjustments made by management, which are inherently noncomparable as they are entity-specific.

**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.**

If the Board defines certain Financial KPIs, we would prefer requiring entities to disclose the defined measures. If the measures are required, we believe auditing the measures and disclosures would likely be operable. However, we acknowledge, as noted in the ITC, that the Financial KPIs we identified in Question 10 (EBITDA and FCF) may not be meaningful for entities within certain industries, such as financial institutions. This industry-specific issue could be addressed by permitting, but not requiring, entities to provide the defined Financial KPIs, as entities could forgo presenting measures that are not meaningful to their users. However, we believe that comparability should be prioritized in a Financial KPI project, as the informational value in a Financial KPI lies in its ability to discriminate performance between entities; merely permitting an entity to disclose Financial KPIs would undermine that value, as it would not ensure that users would receive comparable information. We also

observe that this industry issue could also be addressed by determining if certain industries should be excluded from the scope of the project based on the informational needs of the users of their financial statements.

Additionally, we ask the Board to consider how providing an option to present Financial KPIs could interact with the guidance in SEC Regulation G and Item 10 of Regulation S-K. We also ask the Board to consider stakeholders recent experience with adopting the amendments in ASU 2023-07, which permit an entity to present multiple measures of segment profit or loss. While that guidance allows an entity to optionally present additional measures of segment profit or loss, the SEC staff shared its view that such optional measures, which are permitted but not required, would be subject to the SEC's non-GAAP rules if the measures are not prepared in accordance with GAAP. The interaction of U.S. GAAP and SEC regulations in this area increased the complexity of adopting the amendments in ASU 2023-07, and may have had a chilling effect on entities providing additional information to users by presenting multiple measures, at least upon initial adoption. We believe that clarity on the interaction of these standards would be an important element in the decision to allow optionality in presenting Financial KPIs.

**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 that the Board should provide clear criteria to determine whether an entity is required, or when it would be permitted, to disclose a defined Financial KPI. We believe that for Approach 1, an entity should be required to always present a defined Financial KPI. Please see our responses to Approach 2 for our views on permitting or requiring Financial KPIs when used outside the financial statements.

**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?**

We do not believe that an industry-specific approach should be pursued under Approach 1. If the Board were to pursue an industry-specific approach, it should limit the scope of such industries to those already identified and defined by U.S. GAAP.

**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 do not believe that an entity should be required to disclose a Financial KPI if it is communicated elsewhere, as outlined in Approach 2 in the ITC. We believe that such an approach is not responsive to the requests from users for consistency articulated in the ITC. It is not clear to us that the incremental benefits of moving management-defined Financial KPIs that are already presented in other financial reporting, such as

MD&A or earnings releases, into the audited financial statements would outweigh the costs.

First, in our experience auditing well-defined Financial KPIs in the form of earnings-per-share (EPS), we note that considerable effort and cost are generally incurred by both management and auditors because significant judgment is often required in arriving at an appropriate measure of EPS. We believe this is likely to be exacerbated by the use of management-defined Financial KPIs, which are likely to be less rigorously defined than those defined through FASB's due process. Furthermore, such disclosures would neither provide new Financial KPIs to users nor address users' concerns around consistency and comparability.

Further, we believe that consideration should be given to how a potential standard under Approach 2 would interact with SEC Regulation G and Item 10 of Regulation S-K. Those standards require that, among other things, non-GAAP measures should not be misleading. If including such measures in the financial statements were viewed as including non-GAAP measures by the SEC that are subject to non-GAAP regulations, the audit of such disclosures may be complex and costly. Additionally, if the measures were permitted but not required, the interaction of guidance and the resulting complexity it entails may cause entities to forgo providing optional disclosures.

**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?**

If the Board were to pursue Approach 2, we believe that the criteria for identifying Financial KPIs subject to disclosure should be narrow. We believe that using narrowly defined criteria to limit the venues in which reporting a Financial KPI would cause it to be disclosed in the audited financial statements, such as regulatory filings and earnings announcements, would create consistency in reporting and decrease the cost and complexity of applying such guidance. If the Board were to consider a broader set of criteria, we suggest first performing additional research on the types and frequency of Financial KPIs that might be reported outside of these venues, as well as the utility of those measures to financial statement users as inputs to the cost-benefit analysis.

**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?**

If the Board pursues Approach 2, we ask the Board to clearly define "Financial KPIs" so that stakeholders can distinguish Financial KPIs from Nonfinancial KPIs. Additionally, interpretive guidance, along with illustrative examples, might assist stakeholders in distinguishing which KPIs would be subject to reporting under any potential project.

**Question 17: Which potential approach for standard setting on Financial KPIs do you prefer and why?**

As discussed in our response to Question 2, we do not believe that a project on Financial KPIs should be a priority for the Board at this time. However, if the Board were to undertake such project, we prefer that the Board pursue Approach 1 and limit the defined measures to those that are currently the most utilized across all entities: EBITDA and FCF. The scope of such a project would include defining the inputs to the calculation of these Financial KPIs, as well as the calculations themselves. We prefer that the defined measures would be required for the reasons discussed in Question 11.

We believe that such a project would have an identifiable scope and a feasible solution, but that additional information should be obtained about the costs and benefits, especially in understanding the potential complexity inherent in defining these metrics. Even though EPS, which is a Financial KPI that is currently required by U.S. GAAP for public entities, appears to be a straightforward metric, it entails a great amount of complexity. ASC 260 contains over a hundred paragraphs of interpretive guidance for presenting EPS, and has been the subject of lengthy firm technical guides, as well as several ASUs and SEC speeches, over the decades since its incorporation into the Codification. We ask the Board to fully consider whether such complexity could exist for any identified measures and to ensure that complexity is incorporated into the cost benefit analysis for a potential standard.

We do not prefer Approach 2, as we have concerns about whether there is a feasible, operable solution under this approach. We also believe that it has the potential to greatly increase the amount of information that has traditionally been considered "non-GAAP" into the financial statements. Additionally, we do not believe that it is clear whether Approach 2 responds to the requests of financial statement users for consistency and comparability of Financial KPIs as detailed in the ITC. It is also unclear whether the benefit of moving such information, which is already provided in other reporting and subject to SEC rules on non-GAAP reporting, into the audited financial statements would outweigh the costs. A key component of the benefit that financial statement users derive from auditor-provided assurance on financial statements is our assessment of the reasonableness of judgments made by management in applying accounting standards. In the case of auditing management-defined Financial KPIs as envisioned in Approach 2, that benefit may be significantly lessened or altogether removed, as it is unclear on what basis we would challenge the judgment of management in defining Financial KPIs. As outlined in our response to Question 14, we believe there may be operability challenges for such a project with regard to the interaction of U.S. GAAP and SEC non-GAAP rules, which could raise questions around the feasibility of solutions under this approach.

We defer to users of the financial statements as to which approach would provide decision-useful information.

**Question 19: (Preparers and Practitioners) Is either Approach 1 or 2 inoperable? Please explain why or why not.**

While we do not believe either approach is inoperable, we have concerns about the cost and complexity of both approaches, particularly Approach 2, as outlined in our response to Question 17.

**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.**

We have not identified other approaches that we believe would be more operable or decision useful than those outlined in this ITC.

**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.**

If undefined Financial KPIs are required or permitted to be disclosed within the financial statements, we believe that an entity should be required to provide a reconciliation in the financial statements to the most comparable GAAP requirement, similar to the disclosure requirements within ASC 280-10-50-30 on segments and the reconciliation requirements in SEC guidance.

**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 respectfully defer to financial statement users to answer this question.

**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 disclosure of the inputs and methodology used to calculate the Financial KPI, as well as information about how management utilizes the measure, would likely be helpful in providing context and fully conveying the information in the Financial KPI to users of the financial statements. While we defer to those users as to the extent of disclosure that would be required, we anticipate that such disclosures may be voluminous and complex, particularly if users place significant value on comparability. Accordingly, we encourage the Board to consider whether it is appropriate to include information that may be part of management's explanations in the financial statements.

**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.**

If an entity is required to disclose Financial KPIs and presents comparative financial statements, we believe that the entity should be required to disclose comparative period information for those measures. However, we defer to users as to the



usefulness of information that would be provided by requiring KPIs for comparative periods.

**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?**

We respectfully defer to financial statement users to answer this question.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Carolyn Warger ([Carolyn.Warger@us.gt.com](mailto:Carolyn.Warger@us.gt.com)) or Graham Dyer ([Graham.Dyer@us.gt.com](mailto:Graham.Dyer@us.gt.com)).

Sincerely,

/s/ Grant Thornton LLP