



# Financial Key Performance Indicators for Business Entities (Financial KPIs)

## FASB | IASB Education Meeting

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# Objective and Timeline

**Research Objective:** Explore standardizing the definitions of financial key performance indicators, informed by the progress of the Disaggregation—Income Statement Expenses project and considering interactions with the regulatory framework.



# Research Project Parameters

- Measures calculated by business entities by adjusting GAAP information (or GAAP measures) to communicate the nature of and trends in their performance

## Examples of Current GAAP Measures

- Net Income
- Revenues
- Earnings Per Share
- Operating Cash Flows

## Examples of Other Financial KPIs

- Earnings Before Interest, Taxes Depreciation, and Amortization (EBITDA)
- Free Cash Flows (FCF)

- Excludes measures and metrics *not* derived from financial statements, such as:
  - Same store sales, number of subscribers, sales per square foot, and churn.

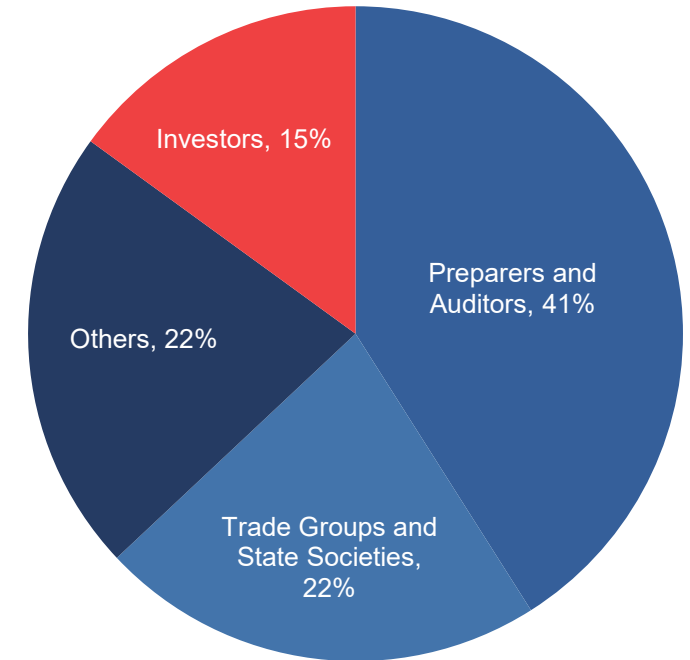
# June 2021 Agenda Consultation: Prioritization

## ■ Top Priority Topics Identified by Investors

1. Disaggregation of Financial Reporting Information
2. Statement of Cash Flows
3. Environmental, Social, and Governance Related Transactions or Disclosures
4. Intangible Assets
5. **Financial KPIs or Non-GAAP Metrics**
6. Digital Assets
7. Income Tax

## ■ Comment Letters Addressing Financial KPIs and Non-GAAP Metrics (~40 Respondents)

- Preparers and Auditors
- Trade Groups and State Societies
- Others
- Investors



# June 2021 Agenda Consultation: Feedback

## Investors Generally Suggested

- They would benefit from FASB defining certain commonly used Financial KPIs.
- Many companies would continue to present adjusted versions of Financial KPIs.
- Different measures may be more meaningful in different industries.
- If the FASB defined a Financial KPI, companies should be required to present that KPI in their financial statements.

## Other Respondents Suggested

- There is diversity in how companies calculate certain measures.
- Management is often in the best position to determine what measures best tell their financial story.
- If the FASB defined a Financial KPI, respondents had mixed views on whether companies should be required or permitted to present that KPI in their financial statements.

Note: Feedback from the Investor Advisory Committee and other investors was consistent with feedback received in the Agenda Consultation.