

April 16, 2025

Technical Director  
FASB  
801 Main Avenue  
PO Box 5116  
Norwalk, CT 06856-5116

Email: [Director@fasb.org](mailto:Director@fasb.org)

RE: File Reference No. 2024-ITC100

We appreciate the opportunity to provide feedback on the Invitation to Comment (ITC), *Financial Key Performance Indicators for Business Entities*, dated November 14, 2024. The purpose of the ITC is to help inform the Board on whether to add a project on Financial KPIs to its technical agenda and, if added, to determine the objective and scope of the project.

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs (TXCPA). The committee has been authorized by the Texas Society of CPAs' Leadership Council to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Leadership Council or Board of Directors and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs.

As the TXCPA primarily represents preparers and auditors of financial statements, our feedback on the ITC is provided from that perspective. We have the following observations:

- We believe that a project on Financial KPIs should not be a high priority for the Board because stakeholders are already provided the information they need through the use of non-GAAP measures. However, the PSC recognizes that other respondents may view the project as a higher priority due to the expanding use of non-GAAP measures outside of the financial statements and the resulting potentially dilutive impact on the value of reporting under generally accepted accounting principles.
- If the Board decides to pursue a project for defining and providing Financial KPIs within GAAP, we are generally supportive of Approach 1 outlined in the ITC. We believe a standardized GAAP definition could be provided for a narrow set of Financial KPIs that are commonly used by entities and that can be calculated based on other GAAP numbers already presented in the financial statements. Such standardized definitions could include measures such as EBT, EBIT, EBITDA, Free Cash Flow, and Funds from Operations. We believe that the disclosure of Financial KPIs should be optional.
- We do not believe trying to define more specialized KPIs is practical, as often these measures are industry or company specific and attempting to come up with a uniform definition may result in a complicated and cumbersome task.
- We also recommend that the Board prohibit presenting any adjustments to standardized KPIs within the GAAP financial statements. We believe that allowing adjustments to GAAP measures is inconsistent with the purposes of GAAP. However, if the Board decides to allow adjustments to GAAP KPIs, we believe that the Board should adopt the SEC's



framework for non-GAAP reporting. This framework prohibits any measures which could be misleading and requires entities to explain how the non-GAAP measure is used and why it is important, as well as to reconcile the non-GAAP measure to the most directly comparable GAAP measure, presenting the GAAP measure with equal or greater prominence.

- We are not supportive of Approach 2 outlined in the ITC. The PSC does not believe Approach 2 would solve any of the current reporting issues, as it does not provide standardized KPIs. Currently, entities often come up with their own definitions for non-GAAP measures, resulting in consistency and comparability issues across companies.

We appreciate the opportunity to submit comments on the Invitation to Comment (ITC), *Financial Key Performance Indicators for Business Entities*.

Sincerely,

A handwritten signature in cursive script that reads "Jeffrey L. Johanns".

Jeffrey Johanns, CPA  
Chair, Professional Standards Committee  
Texas Society of Certified Public Accountants