



PRO FORMA FINANCIAL INFORMATION: A Snapshot

This guide provides a high-level summary of the SEC's pro forma financial information requirements for significant business acquisitions and is based on the SEC's latest rule [amendments](#) that become effective on January 1, 2021, but may be voluntarily applied earlier.

INTRODUCTION

Regulation S-X Rule 11-01(a)

When a public company (acquiror) completes the acquisition of a significant business or real estate operation, it must provide historical financial statements of the acquired business (target) and the related pro forma financial information. Additional information on the SEC's historical financial statement requirements for significant business acquisitions and real estate operations, including information on the significance tests as well as when and what to file, can be found in our companion publications - [Financial Statements of Acquired Businesses: A Snapshot](#) and [Financial Statements of Acquired Real Estate Operations: A Snapshot](#).

FORM AND CONTENT OF PRO FORMA FINANCIAL INFORMATION

Regulation S-X Rule 11-02

PRO FORMA FINANCIAL STATEMENTS

- ▶ Condensed balance sheet (typically, as of the end of the most recent period) that includes historical balance sheets of the acquiror and target, applicable pro forma adjustments, and pro forma results in a columnar format
- ▶ Condensed statements of comprehensive income from continuing operations (including per share data) for the last completed fiscal year and year-to-date interim period of the acquiror that include historical income statements of the acquiror and target, applicable pro forma adjustments, and pro forma results in a columnar format
- ▶ Accompanying explanatory notes

OTHER FORMS AND CONTENT DISCLOSURES

- ▶ An introductory description of the transaction, entities involved, periods presented and an explanation of what the pro forma presentation reflects
- ▶ Clear explanations of the pro forma adjustments that reflect:
 - Transaction Accounting Adjustments - The accounting for the transaction
 - Autonomous Entity Adjustments - The adjustments necessary to present an entity as an autonomous entity, as applicable (e.g., a spinoff transaction)
 - Management Adjustments - The effect of synergies and dis-synergies from the transaction
- ▶ Disclosure of the revenues, expenses, gains and losses and related tax effects which will not recur beyond 12 months after the transaction within the explanatory notes

FORM AND CONTENT OF PRO FORMA ADJUSTMENTS

Regulation S-X Rule 11-02(a)

	TRANSACTION ACCOUNTING	AUTONOMOUS ENTITY	MANAGEMENT
When to present	Required	Required when the entity was previously part of another entity (generally spinoff transactions)	Optional – judgment must be applied to determine when there is a reasonable basis for such adjustments
Where to reflect	Presented in a separate column in the pro forma financial information	Presented in a separate column in the pro forma financial information	Presented in the explanatory notes to the pro forma financial information
What to reflect	<ul style="list-style-type: none"> ▶ Application of the required accounting for the acquisition ▶ Total consideration transferred/ received, including its components and how they were measured ▶ Additional information if the accounting for the acquisition is incomplete 	<ul style="list-style-type: none"> ▶ Incremental expenses or charges necessary to present the registrant as if it were a separate stand-alone company ▶ Description of material uncertainties, assumptions, calculations and qualitative information necessary for a fair and balanced presentation 	<ul style="list-style-type: none"> ▶ The effect of synergies and dis-synergies that in the opinion of management, are necessary for fair presentation ▶ May include forward-looking information¹ ▶ The basis for and material limitations of each adjustment, including any assumptions or uncertainties, the estimated time frame to achieve and explanation of methods of calculation ▶ Reconciliation to pro forma net income from continuing operations and EPS data
How to reflect	For the pro forma statements of income, apply adjustments assuming transaction occurred as of the beginning of the acquiror's fiscal year presented		
	For the pro forma balance sheet, apply adjustments assuming transaction occurred on the date of the acquiror's balance sheet presented		N/A

¹ Any forward-looking information provided is expressly covered by the safe harbor provisions under the related Securities Act and Exchange Act rules.



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