
Geographical and Sectoral Diversity of the Statement of Comprehensive Income with IAS

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Abstract:

Purpose: The aim of this paper is to verify the existence of geographical and sectoral differences and similarities in the method of presenting information in the statement of comprehensive income prepared in accordance with International Accounting Standards.

Design/Methodology/Approach: The empirical study covered information included in the statements of comprehensive income of 100 biggest capital groups listed on three stock exchanges, i.e., Paris, Frankfurt and Warsaw, for the period 2016-2018. In the quantitative analysis, techniques of descriptive statistics and statistical tests of significance were used.

Findings: The study showed the existence of numerous similarities (both geographical and sectoral) in the way information is presented in the statement of comprehensive income concerning among others: the form of presentation, the variant of drawing up, the internal structure of this document or the method of presenting information about other comprehensive income.

Practical Implication: The results of the study can be successfully used by users of financial statements because they relate to the important problem of comparability of financial data. They can also be used by institutions that create accounting standards.

Originality/Value: The justification for undertaking comparative research is the fact that the vast majority of research so far in the scope of the method of presenting information in the statement of comprehensive income concerns solutions used by entities in one specific country. There are also no detailed comparative studies due to the type of business.

Keywords: Financial statement, profit and loss account, other comprehensive income (OCI), comprehensive income (CI), IAS/IFRS, accounting regulations, diversification.

JEL codes: M41, M48.

Paper type: Research study.

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1. Introduction

The financial statement constitutes the main source of financial information used by different users for evaluating the financial situation of business entities and making decisions. One of its basic elements is the profit and loss account, which includes information about financial results of an entity, in which current and potential investors are particularly interested. The decisions they make, in the more and more complex and dynamically changing world, can be proper when based on the most current data, of a promising and not historical character. Therefore, the information needs of the users of financial statements have an influence on the rules of their preparation included in the accounting standards forcing changes both in the method of presenting information, their inclusion in a statement, and in the used valuation methods. The displacement of the presentation of the information about the other comprehensive income from the balance sheet to the income statement creating a new element of the financial statement – the statement of comprehensive income is an example of such changes.

On the other hand, incredibly complex and dynamically changing economic life forces the accounting standards to be of more general and multivariant character, i.e. according to the idea of creative accounting, to give an accountant freedom to choose between the possible solutions those that let present the effects of an entity's activity reliably and accurately depending on the selected business model. It must be underlined however, that the freedom to choose the methods and techniques of presenting financial information can consequently hinder or even quite strictly limit the comparability of data between entities and thus make it difficult to make correct decisions by the users of financial statements.

Due to the great freedom given by the accounting standards, including the International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), the method of presenting and including information in financial statements has become one of the research areas of contemporary accounting. This study also concerns this issue. The newest element of the financial statement – the statement of comprehensive income, introduced into the solutions of the International Financial Reporting Standards in 2007 is the object of the study.

The aim of the study is to verify the existence of geographical and sectoral differences and similarities in the method of presenting information in this element of the financial statement. Indicating the variants of presenting information in the statement of comprehensive income according to the solutions included in International Accounting Standard 1 *Presentation of Financial Statements* constitutes the background for the discussion of the results of the conducted empirical study. It will allow distinguishing detailed research areas included in the empirical study. The following hypothesis was formulated at the beginning of the study:

H1: Despite a considerable freedom in the method of presenting information, the statements of comprehensive income drawn up by entities from the same country or representing the same sectors of activity manifest significant similarities.

The objective was achieved and the formulated hypothesis was verified on the basis of the analysis of available source literature, including the solutions in the IAS/IFRS. In the empirical study, information included in the statements of comprehensive income of 100 biggest capital groups listed on three stock exchanges, i.e., Paris, Frankfurt and Warsaw, was analysed. In the quantitative analysis of the data the methods of the descriptive statistics and statistical tests of significance were used.

The fact that the vast majority of the studies conducted so far in the scope of the method of presenting information in the statement of comprehensive income concerns solutions used by entities in one specific country justified the undertaking of the study. It presents a comparison of the methods used by capital groups listed on the stock exchanges of two biggest Western Europe countries, i.e., Germany and France and comparing them with the entities listed on the stock exchange in the biggest country in Central and Eastern Europe, i.e., Poland. The empirical study concerns financial statements prepared in the years 2016–2018, but the interpretation of the obtained results also takes into account the results of earlier studies conducted in this area.

The study consists of two parts. The first one presents the most important aspects concerning preparing the statement of comprehensive income according to IAS/IFRS, the other part demonstrates the results of the empirical study aiming at verifying the hypothesis formulated earlier.

2. Statement of Comprehensive Income – Theoretical Background

Introducing the statement of comprehensive income into the solutions of the contemporary financial reporting has resulted from two alternative concepts of a financial statement of an entity, i.e., the concept of comprehensive income and the concept of current operating performance discussed since the 1930s. The former – the concept of comprehensive income – is based on the model of clean surplus and it assumes that the change of the book value of equity not including transactions with owners (e.g. payment of dividends or a new issue of shares) should find its full reflection in a statement for a given period (O’Hanlon and Pope, 1999). As Walińska and Jurewicz point out, such an approach allows “removing” revenues and expenses from equity, that is categories independent of the owners of equity (Walińska and Jurewicz, 2011), and including them entirely in an income statement, whether they are repetitive or exceptional in nature (Cahan *et al.*, 2000). As far as the benefits resulting from applying the concept of comprehensive income are concerned, it is the most frequently indicated that it provides a better insight into the ability of an entity to generate profits in the future (Kanagaretman *et al.*, 2009); it constitutes a better evaluation of the value creation process and helps to forecast a company’s ability to

generate cash and its equivalents (Marchini and D'Este, 2015); it also minimises the negative effects in connection with the phenomenon of active shaping of profits by managements resulting from transferring expenses (Chambers *et al.*, 2007).

The other approach, that is the concept of current operating performance, bases on the model of dirty surplus, which assumes that certain changes of net assets, other than those resulting from transactions with owners, can be excluded from a profit and loss account and included in other elements of a financial statement, e.g., in the balance sheet in equity (Szychta, 2012). In such a situation, an income statement includes only revenues and expenses resulting from current operating performance and depending on the actions undertaken by the management, eliminating all entries the management of an entity cannot really influence. Such an approach on the one hand constitutes a better standard for the assessment of efficiency of management activities (Hendriksen and van Breda, 2002), on the other hand, as many researches point out, it enables manipulating current level of the financial result (O'Hanlon and Pope, 1990).

As a result of intense debate, the concept of comprehensive income was first introduced into the solutions of financial reporting in Great Britain in October 1992 after Financial Reporting Standard 3 (FRS 3) *Reporting Financial Performance* was published by the UK Accounting Standards Board (ASB) with compulsory implementation of the introduced solutions in statements drawn up after 22nd July 1993 (Acker, 2002). Under FRS 3, total recognized gains and losses starts with net income, and includes other transitory items such as currency translation difference, and unrealized surplus on the revaluation of fixed assets (Ozcan, 2015). In the following years, they were also implemented by New Zealand in 1994 (FRS-2 *Presentation of Financial Reports*), the USA in 1997 (SFAS 130 – *Reporting Comprehensive Income*) and Canada in 2006 (*Handbook: Section 1530 Comprehensive income*) (Grabiński, 2012; Gazzola, Amelio, 2014).

Since 2007 the concept has been included in the International Accounting Standards, which required changing the previously effective IAS 1 *Presentation of Financial Statements* in the context of presenting information concerning other comprehensive income. Consequently, the previous profit and loss account was replaced by a statement of comprehensive income. It includes a current financial statement of an entity established according to the principles of a traditional profit and loss account extended to include other comprehensive income, so far included in equity.

When analysing the rules of drawing up a statement of comprehensive income included in the altered IAS 1, it should be underlined that they leave plenty of room in the scope of the form of presenting the information concerning the total result and the internal structure of this document. According to Bek-Gaik, the freedom concerns among others (Bek-Gaik, 2013a):

- the form of the presentation of the statement of the total financial result;
- the method of presenting expenses;
- the method of recognition of income tax,
- the obligation to present other comprehensive income.

Preparing an income statement, entities are entitled to choose one of the two forms of presenting information, i.e., in the form of one document including the current financial result together with other comprehensive income, or two separate statements, i.e., a traditional profit and loss account which ends with a net profit and a statement of comprehensive income, which starts with this profit (IAS 1, paragraph 10A). An entity is also entitled to select between two methods of presenting information about the costs of basic activity, i.e., according to nature of costs or function of costs (IAS 1, paragraph 99). When selecting the option, IAS 1 advise taking into account the reliability and relevance of information, also historical factors, the industry in which an entity operates and the nature of its activities (IAS 1, paragraph 105). Moreover, IAS do not impose one constant structure of the document, but give only minimum information which must be presented, giving possibilities of choice as regards presenting partial (middle) levels of the financial result.

As far as information concerning other comprehensive income is concerned, IAS 1 allow choosing between two methods of presentation. The first method consists in presenting entries in net amounts, that is net of related tax effects, or in gross amounts, that is before related tax effects with one amount shown for the aggregate amount of income tax relating to a given type of OCI (IAS 1, paragraph 91). The standard does not indicate however the form of information presented in a statement of comprehensive income. Therefore, in order to increase the transparency of the presented data and to facilitate its comparison (Strojek-Filus, 2015), in 2012 IAS imposed the obligation to present information concerning OCI with a division into two separate categories, i.e., information which is not later reclassified into profit or loss and information reclassified into profit or loss after certain conditions are met. It concerns both forms of preparing a statement of comprehensive income, that is in the form of one or two separate statements. The aim of those changes was also to approximate the solutions in IAS to the American solutions included in the US GAAP (Hołda, 2013).

Such freedom in presenting information on the one hand enables matching a statement of comprehensive income with the business model adopted by an entity, but on the other hand, it can hinder comparability of information included between individual entities (Buk, 2013; Sajnog, 2014; Thalassinos and Liapis, 2014). This comparability can be additionally hindered by conceptual chaos resulting from the freedom in naming individual items of a statement of comprehensive income and also in individual levels of the financial result.

Due to the great freedom, the method of presenting information in a statement of comprehensive income has become one of the main research areas into this element of a financial statement.² In Europe, empirical studies in respect of the method of presenting information in a statement of comprehensive income drawn up according to the principles included in International Accounting Standards have been conducted by among others: O. Ferraro (2011), M. Agostini, C. Marcon (2013) and T. Cristofaro, B. Falzago (2014) who studied entities listed on the Milan Stock Exchange, R. Cimini (2013) who examined entities listed on the stock exchanges in France, Germany and Italy, I. Jianu, I. Jianu, I. Gusatu (2012) who analysed accounts of entities listed on the stock exchange in London, J. Backhuijs, K. Camfferman, L. Oudshoorn (2017) who examined entities listed on the stock exchange in Amsterdam, P. Gazzola and S. Amelio (2014) who examined data for companies listed on the stock exchange in Prague, I. Baumane (2018) for entities listed on the stock exchange in Riga and M. Lapkova and J. Stasova (2014) who studied entities prepared financial statements according to IAS/IFRS in Slovakia.

In Poland the issue was dealt with by among others A. Szychta (2011; 2012; 2013), E. Walińska (2011), B. Bek-Gaik (2011; 2013), A. Sajnog (2014), J. Gad (2015), P. Prewysz-Kwinto (2018) analysing data included in financial statements of companies listed on the Warsaw Stock Exchange (GPW). The presented conclusions indicate first of all a considerable difficulty in comparing information about other comprehensive income between companies due to considerable freedom of its presentation in a financial statement. It refers to both the mentioned before nomenclature and the form and structure of the document itself (e.g. Szychta, 2012; Bek-Gaik, 2013a; Sajnog, 2014). Attention was also drawn to the fact that the lack of transparency limiting comparability of presented information can cause problems in making right economic decisions by stakeholders (Winnicka, 2013).

The conclusions formulated in the mentioned studies encouraged conduction another study aiming at comparing the methods of presenting information in statements of comprehensive income between entities operating in different countries and representing different sectors. It was to answer the question whether the methods of presenting information concerning the financial result manifest geographical and industry similarities and differences. The fact that the problem had not been analysed in detail, though the existence of certain correlations was partly verified in the course of other studies, constituted a further incentive.

²*Other research areas of this element of a financial statement relate to comparing the meaning of net profit and total result in evaluating the financial situation of an entity, also the influence of the information concerning CI and OCI on the market price of shares and investors' decisions (Ferraro, 2011; Strojek-Filus, 2015). Due to the subject of this article, they will not be presented in more detail and the presentations of results can be found in: (e.g. Obradović and Karapavlović, 2017; Agostini and Marcon, 2013).*

In order to answer the question, statements of comprehensive income of 100 biggest capital groups listed on the stock exchanges in Paris, Frankfurt and Warsaw were analysed. The received results are presented further in the article.

3. Methodology and Characteristics of the Studied Group

The study covered a total of 100 biggest capital groups listed on three European stock exchanges in Paris, Frankfurt and Warsaw, which on 12th December 2019 comprised their main indices: CAC 40, DAX and WIG-30. The examined group comprised 40 capital groups listed on the Paris Stock Exchange, 30 ones listed on the Frankfurt Stock Exchange and 30 listed on the Warsaw Stock Exchange. All the studied capital groups drew up financial statements in accordance with IFRS. In the analysis, for the purpose of comparing the achieved results, consolidated statements for operations in 2016, 2017 and 2018 financial years or a financial year finished in those years if the balance-sheet date was other than 31st December, were taken into consideration. All the studied groups specified other comprehensive income in an income statement in the whole studied period.

The aim of the study was to identify the existence of geographical and industry similarities in the presentation of the information in the statement of comprehensive income taking into account all the mentioned possible differences, i.e. the form of presentation (one statement – two statements), the method of presenting information concerning expenses of basic activity (by function – a multi-step variant or by nature – a comparative option), the internal structure of the document (the number and type of identified levels of the financial result and the method of presenting revenues and expenses), presentation of information concerning other comprehensive income (at net or gross amounts). In the quantitative analysis, techniques of descriptive statistics and statistical tests of significance were used, and the achieved results were compared with the ones of the earlier studies in this field.

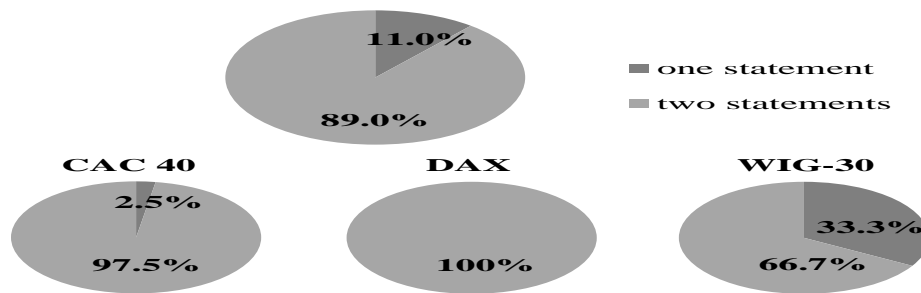
4. Research Results

The study started with the verification of the first of the abovementioned possible differences in presenting information in the statement of comprehensive income, i.e. the form of this document – one statement or two separate ones. The results for the whole group and for the entities listed on the stock exchanges in Paris, Frankfurt and Warsaw separately are presented in Figure 1.

The interpretation of presented results needs to be started with emphasising that they are identical during the whole studies period 2016-2018, i.e. none of the studied capital groups changed the form of presenting information in the statement of comprehensive income. It can therefore be concluded that the examined entities had developed the most convenient solutions. As Figure 1 shows, the biggest capital groups chose presenting information concerning the financial result in the form of two separate statements the most often - 89%, and not as one document - 11%.

Therefore, the obtained results confirm those of the earlier studies in this area both in Europe and in Poland. Similar results were obtained by among others: R. Cimini – two separate statements were selected by 87% of 600 entities from France, Germany and Italy (Cimini, 2013), T. Cristofaro and B. Falzago – 92.5% of 120 entities listed on the Italian stock exchange (Cristofaro and Falzago, 2014), I. Jianu, I. Jianu, I. Gusatu – 92% of 62 groups belonging to the FTSE100 index (London Stock Exchange) (Jianu, Jianu, Gusatu, 2012), J. Backhuijs, K. Camfferman, L. Oudshoorn – 85% of 75 entities listed on the stock exchange in Amsterdam (Backhuijs *et al.*, 2017) and P. Gazzola and S. Amelio – 73% of the studies entities listed on the Prague Stock Exchange (Gazzola and Amelio, 2014).

Figure 1. The form of presentation a statement of comprehensive income.



However, it should be indicated that a separate analysis of the entities according to the place of listing revealed differences in the form of presenting information concerning the statement of comprehensive income. Though in all the groups the form of two separate statements dominated, the capital groups listed on the stock exchanges in Frankfurt and Paris selected this form much more frequently (100% and 97.5% respectively) than those listed in Warsaw (66.7%). A higher percentage of statements in the form of two documents on the stock exchanges in Paris and Frankfurt finds its confirmation in the results obtained previously by Cimini. Two separate statements were chosen by 81.6% of 207 German companies and 88.6% of 193 French ones. Taking into consideration only the big entities, the percentage was higher – 96.8% for German companies and 92.2% for the French ones (Cimini, 2013).³

For the purpose of statistical verification of the observed differences, three separate tests of significance (tests for two proportions) were conducted for the following three pairs of the studied groups: WIG-30 and CAC40 (1), WIG-30 and DAX (2), and CAC40 and DAX (3). Due to the fact that the study groups had numbers below 50, statistics based on the χ^2 test were used (Józwiak and Podgórski, 2012).

³It can be mentioned that the earlier study also confirmed a higher percentage of statements of comprehensive income prepared in the form of two documents among big entities and a lower percentage among smaller entities (e.g. Cimini, 2013; Frndzel and Szycha, 2013; Prewysz-Kwinto, 2018).

When constructing a test of significance, H_0 hypothesis was formulated and it proposed an equal share of entities preparing the statement of comprehensive income in the form of two separate documents in both groups ($p_1 = p_2$) and H_1 hypothesis, which proposed that the proportion is different ($p_1 \neq p_2$). The value of χ^2 statistics was then calculated for the distinguished pairs of studied groups and its statistical significance was established. Additionally, for comparing the obtained results, the value of Z-statistics (used for large samples) was also calculated. The obtained values are presented in table 1.

Table 1. Results of tests of significance concerning the difference in the form of presenting information in the statement of comprehensive income.

Value of	WIG vs. CAC	WIG vs. DAX	CAC vs. DAX
χ^2 statistic	12.305	12.000	0.761
p <	0.001	0.001	0.39
Z-statistic	-3.508	-3.464	-0.872
p <	0.001	0.001	0.39

The obtained results confirmed the existence of statistically important differences in the form of presenting information between the groups from WIG-30 and CAC40, and WIG-30 and DAX. The percentage of the entities preparing the statement of comprehensive income in the form of two separate documents was significantly statistically lower for the capital groups listed on GPW in Warsaw. Such differences were not noticed when the capital groups from CAC40 and DAX were compared.

A lower percentage of statements in the form of two separate documents among the capital groups listed on GPW in Warsaw is also reflected in previous studies conducted in this scope in Poland, and among them the following can be mentioned: Bek-Gaik – two separate statements used by 60% of 31 examined companies (Bek-Gaik, 2013b), A. Szychta – 75% of 24 groups (Szychta, 2012), J. Gad – 60% in 2012 and 63.2% in 2013 and 2014 respectively among 30 studied entities (Gad, 2016), P. Prewysz-Kwinto – 61.7% of 60 entities in 2015, 2016 and 2017 (Prewysz-Kwinto, 2018). The choice of two selected statements can, like A. Szychta suggests, result from accountants' habit of preparing profit and loss accounts (Szychta, 2012). It can also arise from the willingness to highlight the differences between current operating performance and comprehensive income, because the former still constitutes a basis for assessing an entity and its management's achievements and calculating the EPS ratio obligatorily presented in the income statement. Moreover, using two separate statements may facilitate comparing achieved financial results with other (usually smaller) entities drawing up financial statements according to the national accounting standards, which do not require including OCI in the profit and loss account.

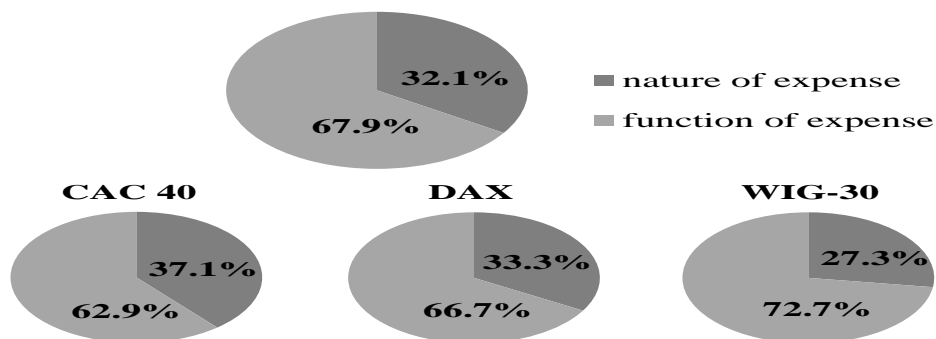
It is worth adding that taking into account the results of the earlier studies in the scope of the form of presenting information in the statement of comprehensive

income, not all of them confirm more frequent preparation in the form of two separate statements. An opposite trend was indicated by I. Bumane when analysing financial statements of Latvian entities listed on the stock exchange in Riga. Presenting a statement of comprehensive income in the form of one document was chosen by as much as 73.1% (Baume, 2018). It may however be caused by examining a much smaller group consisting of 26 entities only. Similar results were however obtained by M. Lapkova and J. Stasova studying a bigger group of entities (58) listed on the Slovakian stock exchange. 72.4% of them prepared a statement of comprehensive income in the form of one document (Lapkova and Stasova, 2014). It may suggest a more significant interest in drawing up this statement in one document in the Eastern Europe than Western Europe countries. Confirming this assumption would however require conducting a separate study.

An analysis of the form of presenting information concerning the comprehensive income was also conducted with reference to the type of activities conducted by the studied capital groups. The obtained results did not however reveal statistically important differences. No sector in which such a statement was prepared in the form of one document more frequently was indicated either, which indicates that the kind of conducted activities does not have an impact on choosing the form of this document.

Another stage of the conducted study consisted in analysing the differences in the method of presenting information about the costs of operating in the income statement. The analysis was started by verifying the variant of the document, i.e. whether the costs of basic activity were presented according to their type (nature of costs), or according to the cost centres (function of costs). The analysis did not include financial statements of banks and entities conducting insurance activities, because they draw up income statements according to distinct rules specific for these entities. Eventually, the number of the capital groups examined in the study amounted to 85 and it included: 22 entities from the WIG-30 index, 36 from CAC40 and 27 from DAX. The results obtained for the whole group and for the capital groups listed on individual stock exchanges separately are presented in Figure 2.

Figure 2. *Differences in the method of presenting the costs of basic activity*



The obtained results reveal that in the whole examined group, two-thirds of the entities opted for presenting costs according to functional classification, and only one-third chose classification by nature.⁴ When analysing the method of presenting costs by groups in a given index separately, it must be indicated that the classification by nature was selected slightly more frequently by the capital groups listed on the stock exchange in Paris, the groups belonging to WIG-30 chose it the least frequently. For the purpose of statistical verification of the differences in presenting information concerning costs, statistical tests of significance were conducted again and the obtained results are presented in Table 2.

Table 2. Results of the tests of significance regarding the differences in presenting the costs of basic activity

Value of	CAC vs. WIG	DAX vs. WIG	CAC vs. DAX
chi² statistic	0.816	0.210	0.205
p <	0.37	0.65	0.66
Z-statistic	-0.903	-0.458	-0.453
p <	0.37	0.65	0.66

The test results demonstrate that the existence of statistically significant differences in the method of presenting information concerning the costs of basic activity by the examined groups with reference to the place of their listing is not confirmed.

Although the existence of statistically important differences has not been confirmed, when comparing the obtained results with the results of earlier studies conducted in different countries, such differences can be indicated. The studies conducted by Lapkova and Stasova (2014) among Slovakian entities can be mentioned here, in which the classification by nature (77.6%) was used more often than the functional classification (22.4%). Similar results were obtained from studies conducted in Italy and Spain. Agostini and Marcon (2013) indicated that the classification by nature was used by 89% of entities in Italy, and by function only by 11% and in the study conducted by Ferraro (2011) the percentage of statements with classification by nature amounted to 72%. In Spain the percentage of statements in this variant drawn up by entities in the IBEX35 index was even bigger and amounted to as much as 96% (Kvaal and Nobes 2010). The more frequent use of classification by nature used in Italy as indicated by Agostini and Marcon (2013) has its own conditions. It may result from accountants being accustomed to the national accounting standards, according to which they prepared financial statements before the International Financial Reporting Standards were introduced. The national standards required preparing the profit and loss account only in the comparative variant, i.e. with the

⁴It is worth adding that in the case of one capital group (from WIG-30), the analysis of an income statement itself did not let assess which variant had been used, since sale revenues were balanced against one cumulative entry named "operating costs", which adjusted with other operating revenue gave an operating result immediately.

presentation of costs by nature (Agostini and Marcon, 2013). Statistically significant differences in presenting cost information regarding the geographical location do not exist, but a question was raised whether such differences could be observed taking into account the kind of conducted activity regardless of the place of listing of a given capital group. The obtained results are presented in Table 3.

Table 3. *The method of presenting cost information with reference to the conducted activity*

Sector of activity	Nature of expense	Function of expense
Automotive	0.0%	100.0%
Chemical	0.0%	100.0%
Clothing	0.0%	100.0%
Electronics	40.0%	60.0%
Energy	57.1%	42.9%
Financial (without banks)	100.0%	0.0%
Food	0.0%	100.0%
Fuel	50.0%	50.0%
Information technology	28.6%	71.4%
Luxury goods	0.0%	100.0%
Media	100.0%	0.0%
Retail	0.0%	100.0%
Telecommunication	100.0%	0.0%

The data in Table 3 show clearly that presentation of costs according to the classification by nature was used by all the groups from the telecommunications, media and financial services industries (without banks and insurance companies), that is entities in connection with services. The classification by function was used by all the capital groups from the automotive, chemical, clothing, food, luxury goods, and retail industries, that is entities operating in manufacturing and commerce. The obtained results allow concluding that it is the kind of conducted activity and not geographical location that can have a significant impact on the selection of the method of presenting information concerning the costs of basic activity. Detailed statistical tests in this scope were not conducted however due to a small number of entities representing the distinguished sectors.

In the further part of the study, attention was also drawn to the differences in the internal structure of this document by the number of distinguished levels of the financial result. The study was conducted separately for entities preparing the income statement in the comparative variant (nature of expense) and in the multi-step option (function of expense).

Among all the entities preparing the income statement in the multi-step variant, over two-thirds (69.4%) presented there 4 levels of the income statement out of five

possible ones.⁵ The profit on sales was the most often omitted, the administration costs and selling costs were joined with other operating costs and revenue, and after the gross profit on sales, the operating result was presented immediately. In the profit and loss account of 19.6% of the examined entities, all the possible levels of the financial result were distinguished (with the profit on sales additionally), and in the case of 10% only three levels. In the last group, the gross profit on sales and the profit on sales were omitted the most often, and the operating result constituted the first level of the result. The financial statements of the capital groups listed on the stock exchange in Frankfurt were the most uniform in terms of the internal structure. Almost 89% of them presented four levels of the financial result (always omitting the profit on sales), and the other 11.1% three levels. In the case of the companies from the WIG-30 index, the percentage of entities presenting four levels of the result amounted to 81.3%. The statements of the capital groups listed on the stock exchange in Paris were the most varied in this scope.

Taking the type of conducted activity into account, it is worth noting that in the case of some sectors distinguished in the research, the internal construction of the profit and loss account was similar for most of its entities regardless of the place of listing. Such a situation was noticed among all the companies in the clothing industry and the oil and gas industry, which always presented 4 levels of the financial result without separation of the profit on sales. A similar situation was observed among 90% of the groups from the chemical sector, 66.7% from the energy industry and 55.6% those of the automotive sector.

Taking into consideration the income statement in the comparative variant, the method of presenting partial results was much more varied. Only one-third of the studied groups distinguished 4 basic levels of the financial result, that is profit on sales, operating profit, gross and net profit. 13.8% of the entities distinguished five levels of results additionally presenting EBITDA result. 17.2% decided to present three and similarly to the entities drawing up the income statement in the multi-step variant, profit on sales was the most often omitted. The remaining 10.3% demonstrated only two levels of the financial result, i.e. either gross and net profit or operating result and net profit, and 3.4% chose to present only one result – the final net profit. The statements of the groups listed on the stock exchange in Warsaw were the most uniform, those from the Paris Stock Exchange the most varied. Taking into consideration the internal structure of the income statement drawn up with the use of the comparative option, no differences among businesses from the same sector were observed. The number of distinguished levels of a financial result was considerably varied.

In the following part of examining similarities and differences in the methods of preparing the income statement, attention was drawn to presenting information

⁵The possible results are: gross profit on sales, profit on sales, operating result, gross profit and net profit.

concerning other operating revenues and expenses, and financial revenues and expenses, that is whether they were presented separately or together, i.e. as net amount. The conducted analysis revealed that the examined entities opted for a separate presentation of the revenues and expenses more often. In the case of the other operating activity, it was selected by 68.6% of the entities and in the case of the financial activity as much as 87.1%. Figure 3 presents detailed results for the whole examined group and with reference to geographical locations, and in Table 4 obtained results of the tests of significance can be seen. The presented results show that almost all the capital groups listed on the stock exchange in Frankfurt chose a separate presentation of revenues and expenses in both other operating and financial activity and they decided to use such a form of presentation significantly more frequently than the entities listed on the Warsaw and Paris Stock Exchanges. The obtained results confirm the existence of geographical differences in the method of presenting information concerning other expenses and revenues in the statement of comprehensive income.

Figure 3. The method of presenting other operating revenues/expenses and financial revenues/expenses

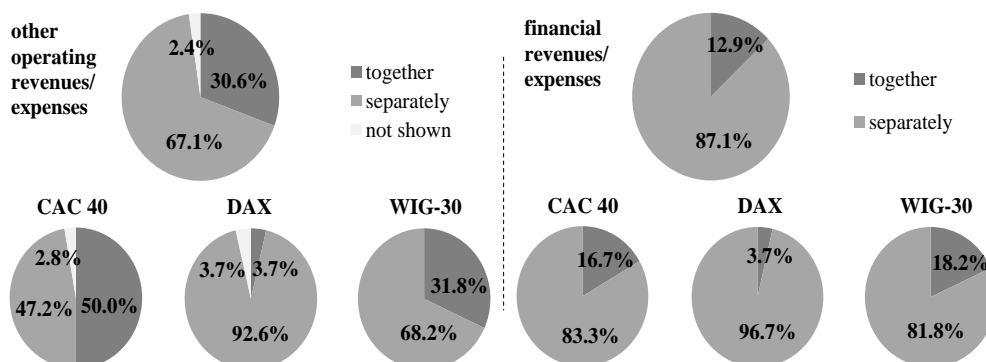


Table 4. Results of the tests of significance regarding the differences in presenting other operating revenues/expenses and financial revenues/expenses.

other operating revenues/expenses			
Value of	WIG vs. CAC	DAX vs. WIG	DAX vs. CAC
chi ² statistic	2.110	6.713	15.749
p <	0.15	0.01	0.001
Z-statistic	-1.453	-2.591	-3.969
p <	0.15	0.01	0.001
financial revenues/expenses			
Value of	CAC vs. WIG	DAX vs. WIG	DAX vs. CAC
chi ² statistic	0.022	2.773	2.625
p <	0.89	0.10	0.11
Z-statistic	-0.148	-1.665	-1.620
p <	0.89	0.10	0.11

A similar analysis was conducted with reference to the type of conducted activities. The results demonstrated that a combined presentation of the other operating expenses and revenues could be found more frequently in financial statements of all the groups dealing with manufacturing and distribution of luxurious goods and those from the electronics industry (80%), media industry (66.7%) and information technology sector (57.1%). A more frequent presentation of financial revenues and expenses was discovered only in statements of entities from the luxurious goods sector (66.7%). In all the others, a separate presentation of these categories dominated.

The last stage of the conducted analysis consisted of examining the differences in presenting information concerning other comprehensive income, i.e. whether it was presented in gross amounts, placing adjusting for the income tax in a separate entry, or in net amounts, after adjusting for the tax effect. The obtained results for the whole group and with reference to geographical locations are presented in Figure 4. The results of the tests of significance are presented in Table 5.

As the figure demonstrates, a definite majority of the entities (74%) opted for presenting information concerning other comprehensive income in gross amounts, only a quarter selected the other method, that is presenting amount net of related tax effects. The results obtained separately for the groups belonging to the examined indices manifested close similarities, thus statistically important differences in the method of presenting other comprehensive income with respect to the geographical location and the type of conducted activity were not confirmed. However, when comparing the obtained results with those of earlier studies, it can be noticed that J. Backhuijs, K. Camfferman and L. Oudshoorn achieved similar results. Presenting information in gross amounts was used by 56% of 75 examined entities on the Amsterdam Stock Exchange. An opposite way of presenting OCI, i.e. in net amounts, was mostly used by examined groups listed on the stock exchange in Milan – 60% (Agostini and Marcon, 2013) and in Riga – 72% (Baume, 2018).

Figure 4. *The method of presenting other comprehensive income*

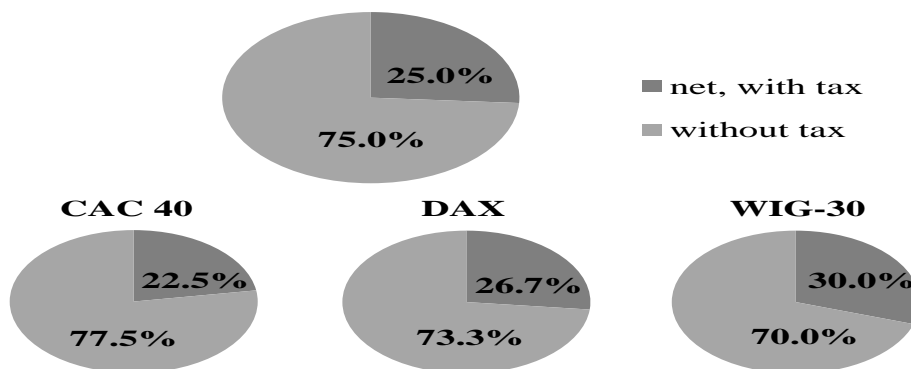


Table 5. Results of the tests of significance regarding the differences in presenting OCI.

Value of	CAC vs. WIG	DAX vs. WIG	DAX vs. CAC
chi² statistic	0.505	0.082	0.162
p <	0.48	0.78	0.69
Z-statistic	-0.710	-0.286	-0.402
p <	0.48	0.78	0.69

It should also be added that IAS 1 obligate entities to present information concerning other comprehensive income divided into two groups, that is that that can be reclassified to the profit and loss account and that that will not be reclassified. A detailed analysis revealed however that such a division had not been found in the financial statements of 2% of the examined entities.

5. Conclusions

The conducted analysis of statements of comprehensive income presented by the biggest capital groups listed on the stock exchanges in Paris, Frankfurt and Warsaw confirmed that despite the freedom granted by IAS 1 in the method of presenting information, distinct similarities and differences can be seen taking into consideration both the country from which a capital group comes and the activity it conducts. The indicated similarities and differences concern among others:

- the form of presentation – among the big capital groups, presenting information in the form of two separate statements dominates; however, statistically important geographical differences, i.e. with reference to the country from which an examined group comes, can be seen. The form of two statements was more often selected by groups from Germany and France than by those from Poland listed in the WIG-30 index.
- the variant of drawing up – among the studied entities, the multi-step variant (with classification of costs by function) prevails. Though geographically significant differences were not noticed in this scope, it was discovered that the type of activity had a significant impact on the method of presenting costs. All the groups providing services (e.g. from the telecommunications or media industries) always selected the comparative variant, and companies dealing with manufacturing and commerce (e.g. from the chemical, food or automotive sectors) opted for the multi-step variant much more frequently.
- the internal structure of the document (with respect to the number of distinguished levels of the financial result) – despite a crucial differentiation in the number of distinguished levels of the financial result, both geographical and sectoral similarities were noted. The capital groups listed on the stock exchange in Frankfurt manifested similar internal structure regardless of the fact whether they drew up a statement in the multi-step or comparative variant. Similarly, statements prepared by companies from the clothing, oil and gas, chemical or energy industries were more uniform. The statements of capital

groups from the Paris Stock Exchange manifested the most significant differences.

- the internal structure of the document (with reference to the presentation of information considering other operating revenues/expenses and financial revenues/expenses) – although in the whole group a separate presentation of expenses and revenues within the framework of the other operating and financial activity prevailed, it was significantly more frequently selected by the groups from Germany and Poland than from France. The French groups chose a combined presentation of those entries within other operating activity more often. Similar differences were observed with reference to the type of conducted activity. A combined kind of presentation was more popular among companies dealing with manufacturing and sales of luxurious goods and from the electronics, media and information technology sectors.
- the method of presenting information about other comprehensive income – in all the studied groups presentation of OCI in gross amounts with a separate entry for the adjusting for the income tax prevailed. Neither geographical not sectoral statistically important differences were noticed.

The conclusions presented above allow for positive verification of the research hypothesis set out in the introduction. There are similarities in the way information is presented in the statement of comprehensive income between companies from the same countries and representing the same sector of activity.

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