COMPREHENSIVE INCOME DISCLOSURES: EVIDENCE FROM ITALY

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ABSTRACT

International Accounting Standard No. 1 was released in 2007. The standard required publicly traded companies to separately report comprehensive income in the financial statements. International Accounting Standard No. 1 prescribed two alternative formats for the presentation without mandating any one specific format. It also provides other options such as the criterion for classification of expenses and the presentation of Other Comprehensive Income items at net or gross of tax. The present study examined the presentation of comprehensive income by a sample of companies listed on the Italian Stock Exchange. The goal is to define the degree of homogeneity of the income statements and to explore current correlation between the direction and size of the Other Comprehensive Income and to identify the prescribed method to present Comprehensive Income. The results show substantial uniformity across Italian companies, with regard to how company accountants present Other Comprehensive Income in their financial statement. Also, the results lead us to believe that the choice of two separate statements may be linked to the greater relative size of the Net income.

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KEY WORDS: IAS 1, reporting format, comprehensive income, consolidated financial statement

INTRODUCTION

International Accounting Standards No.1 (IAS 1), ''Presentation of Financial Statement'' allows two format choices for reporting comprehensive income (CI): a single statement or two separate statements. Furthermore, for the income statement there are other options such as the criterion for classification of expenses and the presentation of other comprehensive income (OCI) items at net or gross of tax.

In this context, the present study has a dual aim: to define the degree of homogeneity of the financial statements for CI, after the introduction of the revised version of IAS 1, and to explore the current correlation, between the direction and size of the items of OCI and the presentation of CI in one of the two prescribed formats. The first objective is based on the belief that the presence of different options can affect the homogeneity of financial statements. In the past, the directive 78/660/EC (IV directive) and 83/349/EC (VII directive) brought about a partial harmonization that then led to the adoption of IAS/ IFRS in Europe. The second objective is linked to the strong grounding, for Italian companies, in the criterion of historical cost for the preparation of financial statements. Consequently, it is estimated that in Italy the choice of one statement rather than another depends both on the contribution the components of OCI have on total income and the relative strength of the OCI on the Net Income (NI).

Data were examined for all companies listed on the Italian Stock Exchange in 2009, excluding companies in the financial sector. This sample of firms provides a unique setting in which to inform Italian policy makers on the value relevance of the additional information included in the new accounting standards. Oour study contributes to the ongoing debate on the format of CI. This study it is the first known empirical research to investigate the Italian context after the adoption of the revised version of IAS 1.

The paper is structured as follows. In section two, the main accounting novelties regarding CI according to the 2007 revised version of IAS 1 are illustrated. Section three develops a review of the main existing studies related to CI reporting modes through observation of financial statements. The fourth section illustrates the research design, while section five outlines the methodology used. Section 6 describes the sample selection process, while section 7 reports the main results of the reporting format used, the other options and the influence of the characteristics of OCI and NI for the format of the income statement. The study concludes with discussion of the main results and perspectives for future research.

COMPREHENSIVE INCOME DISCLOSURE IN IAS 1 (REVISED 2007)

In September 2007, the International Accounting Standards Board-IASB issued *Statement of International Accounting Standard* No. 1 (IAS 1), ‘‘Presentation of Financial Statement’’. This standard, effective for fiscal years beginning after December 31 2008, requires that CI and its components be reported in the financial statements in the period in which they are recognized, consistently with what is already used in the U.S. context (Bragg, 1997; Carlson *et al.*, 1999; Fitzsimmons e Thomson, 1996; Luecke e Meeting, 1998; Stevens, 1997).

As a result, listed Italian companies have been obliged, for the fiscal years beginning after 31 December 2008, to disclose the CI in an *ad hoc* statement that reports the NI figure, the OCI items and the CI figure. In particular, a company can report its CI in two alternative *ad hoc* documents: a Separate Statement of Comprehensive Income (hereafter SS) or in a Combined Statement of Net Income and Comprehensive Income (hereafter CS). The IASB leaves it to the company to decide whether to present all items concerning revenue and costs in a single statement or in two statements. This is a compromise solution that the IASB accepted as transitory until such time as other aspects involved in the presentation of the comprehensive income statement have been resolved (Basis for conclusions-BC51, BC52, BC53, BC54).

With regard to definitions of these new types of income, IAS 1 revised 2007 defines CI as the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners. OCI consists of revenues, expenses, gains and losses that are excluded from net income and are consistent with one of five classifications: (1) changes in revaluation surplus (IAS 16 and IAS 38); (2) actuarial gains and losses on defined benefit plans (IAS 19); (3) gains and losses arising from translating the financial statements of a foreign operation (IAS 21); (4) gains and losses on available-for-sale financial assets (hereafter IAS 39a); (5) the effective portion of gains and losses on hedging instruments in a cash flow hedge (hereafter IAS 39b). According to the revised IAS 1, the OCI items can be presented either before tax or at net of tax. Also, expenses recognized as regarding profit or loss should be analyzed either by nature (raw materials, staffing costs, depreciation, etc.) or by function (cost of sales, selling, administrative, etc). If an entity categorizes by function, additional information on the nature of expenses – at a minimum depreciation, amortization and employee benefits expenses must be disclosed.

To reiterate, we note that options in the revised version of IAS 1 regarding the income statement are the following: the format for CI, the criteria for classification of expenses and the presentation of OCI items at net or gross of tax.

LITERATURE REVIEW

This paragraph presents a review of the main existing studies addressing the question of CI mode of reporting through observation of financial statement. We considered only those studies that have verified the existence of a relationship between method of reporting OCI and CI and some of their characteristics.

The review starts with studies conducted in the United States following the introduction of SFAS 130 (Table 1) and, subsequently, those conducted in the Italian context with the introduction of the revised version of IAS 1 (Table 2).

Table 1: Main USA Existing Studies on Format Selected for CI

Study	Sample	Format Selected for CI	Research questions	Findings
Campbell *et al.* (1999)	Financial statements of 73 firms that chose early adoption of SFAS 130	39 companies choose SCSE 22 companies choose SS 12 companies choose CS	Analysis the choices of format selected for CI. Explore the current correlation, if any, between the sign of the OCI and the presentation of CI in one of the three prescribed formats.	The majority of companies chose to disclose CI in SSE. For this group, OCI was, on average, immaterial or negative. The companies that opted to use the FASB's recommended reporting formats tended to have material and positive amounts of OCI.
Bhamornsiri and Wiggins (2001)	Financial statements of S&P 100 companies for fiscal year 1997-1999	76 companies choose SCSE 15 companies choose SSI 4 companies choose CS 5 not reported	Analysis the choices of format selected for CI. Analysis the impact of OCI on EPS.	The majority of companies report CI as part of their SSE disclosures. On average, CI differs significantly from NI for most companies, varying by as much as 12% over the three-year period. In each year studied, the number of companies negatively affected by OCI was significantly greater than those positively affected. The impact on EPS can be explosive: some companies EPS would change by more than 100%.
Jordan and Clark (2002)	Financial statement of 100 financial service firms for fiscal year 1998	63 companies choose SSE 15 companies choose SS 12 companies choose CS	Examine whether an association exists between direction and size of OCI and the reporting format chosen	The study find that a strong association exists between both the direction and size of the items of OCI and the reporting format chosen. Firms with negative or relatively small amounts of total OCI tend to choose a SCSE format, probably because this format does not relate the OCI items to financial performance of the firm. The reporting format decision, however, does not appear to be significantly related to company size.
Pandit and Phillips (2004)	Financial statements of 100 NYSE-listed companies for fiscal year 2002	89 companies choose SSE 9 companies choose SS 2 companies choose CS	Exam the presentation of OCI and total CI in the financial statements to determine which format predominates five years after the release of SFAS 130. Exam if the reporting of OCI and total CI in one of the three prescribed formats was highly correlated with a positive or negative OCI.	The study showed that of the 89 companies that used a SCSE to report OCI, only 31 companies reported overall positive OCI, while the remaining 58 companies reported overall negative OCI. Companies with negative OCI were almost twice as likely to present it in the SCSE, despite FASB's preference that these items be shown either in the CS or SS. Both companies that used the CS format had negative OCI, whereas, of the nine companies that used the SS, six had negative OCI and three had positive OCI.
Pandit *et al.* (2006)	Financial statements of 100 NASDAQ-listed companies for fiscal year 2002	87 companies choose SSE 8 companies choose SS 5 companies choose CS	Explore the current correlation, if any, between the sign of the OCI and the presentation of CI. In addition the study also investigated other aspect of CI (ex: "Which component of OCI was dominant for the year of study among the companies sampled?").	On the first research question the study find that it is not possible to conclude that it is more "convenient" to present the comprehensive income in the Statement of Stockholders' Equity in order to make its negative character. In case of the sampled companies in the current study, a significant number of the companies that used the third format actually had reported positive OCI for the year of study.

CI = Comprehensive Income; NI = Net Income; OCI= Other Comprehensive Income, SCSE= Statement of Changes in Stockholder's Equity; SS = Separate Statement of Comprehensive Income; CS = Combined Statement of NI and CI. This table shows the main studies on comprehensive income (CI) reporting format and direction of OCI and N in the USA post SFAS 130. For each study we report the sample, the format chosen for the representation of the CI, the research hypothesis and the main findings.

The first empirical evidence on comprehensive income came from a study by Campbell et al. (1999) on those American companies that applied the SFAS N.130 a year early, that is, in 1997 rather than in 1998. They found that 39 of early adopters examined reported CI in a Statement of changes in Stockholders'equity (hereafter SCSE); 22 reported CI in a Separate Statement of Comprehensive Income (SS), and the remaining 12 in a "Combined Statement of Net Income and Comprehensive Income (CS). Their results also indicated that firms that choose the CS or the SS format tend to have items of OCI that are material and positive. In contrast, firms opting for the SCSE format generally have items of OCI that are material and negative.

The results obtained by Campbell et al., however, are not confirmed by later research carried out by Bhamornsiri and Wiggins (2001) on the financial statement of S&P 100 companies for fiscal years 1997 through 1999. With regards the comprehensive income presentation format, the authors show that, although companies show a preference for representing CI in a SCSE, this does not depend on the income results and, above all, it does not depend on their direction. Thus, Bhamornsiri and Wiggins (2001) found no evidence of a relationship between the positive or negative direction of CI and its ultimate presentation the financial statements.

Jordan and Clark (2002) aimed to verify the results of the study by Campbell et al. (1999) through an examination of the financial statements for the year 1998 on a sample of 100 financial service firms. In particular, the authors wanted to ascertain whether there was any correlation between the direction and the size of the OCI components, the size of the company and the chosen format for presenting the comprehensive income. The authors show that firms with negative or relatively small amounts of total OCI tend to choose a SCSE, probably because this format does relate the OCI items to financial performance of the firm.

Pandit and Phillips (2004; 2006) find that 89 of 100 companies used the third format, which included OCI and total comprehensive income in the Statement of changes in stockholders' equity. Only nine sample companies chose the second format and presented a Separate Statement of Comprehensive Income. The remaining two companies chose the first format and presented comprehensive income as a component of their income statement. This finding is largely consistent with that of Campbell et al. (1999) in that a significant percentage (65%) of the companies in the current sample that chose the third reporting format had negative OCI.

To sum up, empirical investigations conducted at the international level on the search for correlation between the direction of OCI and the format for presenting OCI in financial statements have been inconclusive. The work of Campbell et al. (1999) and Jordon and Clark (2002) find that when, as is the case for most of their sample, the components of OCI are presented in the statement of net equity, the OCI has a negative influence on company performance; Bhamornsiri and Wiggins (2001) and Pandit and Phillips (2004), on the other hand, have been unable to find any correlation between direction and accounting format.

In Italy, with the introduction of IAS 1, some authors have examined choices made by companies on the various options contained in the international standard. In one study, the authors tested the possible correlation between the choice of CI size and direction of the OCI, with particular attention paid to CI. However, the selected sample is composed of only of a few companies and intermediate data.

Fellagara and D'Este (2009) study the impacts of disclosure of the first application of the 2007 revised version of IAS 1 on interim financial statements (at June and September) of 110 listed groups at the Italian Stock Exchange for fiscal year 2009. The study analyses format choice selected for CI and other CI aspects. The study finds the majority (95%) of companies chose to disclose CI in a Separate Statement of Comprehensive Income, while only a small grop opted for a Combined Statement of NI and CI.

Table 2: Main Italy Existing Studies on Format Selected for CI

Study	Sample	Format Selected for CI	Research questions	Findings
D'Este and Fellagara (2009)	Interim Financial statements of 110 company groups that listed on the Italian Stock Exchange for 2009.	Financial Statements at June 2009: 97 companies choose SS 7 companies choose CS 6 not reported Financial Statements at September 2009: 61 companies choose SS 3 companies choose CS 46 not reported.	Format selected for CI. Identification of the items of OCI. Effect on the tax. Reclassification of OCI items. Quantitative impacts.	On the first research question the study find that the majority (95%) of companies chose to disclose CI in a Separate Statement of Comprehensive Income, while only a small part of the company has opted for a Combined Statement of NI and CI.
De Cristofaro and Falzago (2010)	Interim Financial statements of 15 power companies listed on the Italian Stock Exchange for 2009.	Financial Statements at September 2009: 14 companies choose SS 1 companies choose CS	Analysis the choices of format selected for CI; Explore the correlation between the sign and size of the items of OCI and the presentation of CI.	All companies chose to disclose CI in SS. The study find that a weak association exists between the direction and size of the items of OCI and the reporting format chosen.

CI = Comprehensive Income; NI = Net Income; OCI= Other Comprehensive Income, SCSE= Statement of Changes in Stockholder's Equity; SS = Separate Statement of Comprehensive Income; CS = Combined Statement of NI and CI. This table shows the main studies on the CI reporting format and direction of OCI and NI in Italy post IAS 1. For each study we report the sample, the format chosen for the representation of the CI, the research hypothesis and the main findings.

The study by De Cristofaro and Falzago (2010) is based on interim semi-annual financial statements of 15 power companies listed on the Italian Stock Exchange. The authors explore current eventual correlation between sign and size of the OCI items and the presentation of CI in one of the two prescribed formats. All companies (14) chose to disclose CI in Separate Statement of Comprehensive Income. The study finds that a weak association exists between the direction and size of the OCI items and the reporting format chosen. The reasons behind the choice of the prospectus can be attributed to a cultural attitude of the traditional type. In other words, companies appear to have chosen the option closest to traditional national accounting procedures. Based on the literature review presented, this study intends to focus on choices carried out during preparation of the 2009 income statement with the revised version of IAS 1. We test the joint contribution of OCI and NI on format choice based on typical characteristics of the national accounting system.

RESEARCH HYPOTHESES

This study forms part of investigations aimed at identifying the behaviors effectively put into practice by companies in the application of IAS/IFRS on the CI. We analyze choices made by Italian companies on the various options contained in the revised version of IAS 1 with regard to the statement of CI, as well as the role played by the OCI in the newly introduced figure of income (CI).

Consequently, the present study has a dual aim: to define the degree of homogeneity of the financial statements on CI, after the introduction of the revised version of IAS 1 and explore the current eventual correlation between the direction and size of the items of OCI and the presentation of CI in one of the two prescribed formats (a single statement or two statements).

The first objective is based on the belief that the presence of different options can affect the homogeneity of the financial statements. In the past, the directive 78/660/EC (IV directive) and 83/349/EC (VII directive) brought about a partial harmonization that then led to the adoption of IAS / IFRS in Europe.
The second objective is linked to the strong roots in historical cost for the preparation of financial statements of Italian companies. Consequently, it is estimated that in Italy the choice of one statement

rather than another depends both on the contribution that the components of OCI have on total income and the relative strength of the OCI on the NI. Following these convictions the research hypotheses are as follows:

H1. The options contained in the revised version of IAS 1 for the CI reduce homogeneity of the Statement of comprehensive income.

H2. The characteristics (direction, size and relative size) of OCI influence the choice of reporting format for the representation of the CI.

METHODOLOGY AND ECONOMETRIC MODEL

The methodology used to test the research hypothesis is divided into two phases. In the first, we examined choices made by Italian companies regarding options in IAS 1 with regard to CI, i.e. the format for CI, the criteria for classification of revenues and costs and, finally, the presentation of OCI items at net or gross of tax. In this phase the data emerging from the observation of variables forming the income (NI, OCI and CI) were described and summarized. The second step measures the probability that the direction and the size of the OCI and the NI may influence the choice of format.

In the first phase, we used simple statistical indicators such as average, median, standard deviation and variance. To measure the probability of a resulting occurrence between two alternatives, we used a logistic regression model. We define "p" as the probability of choosing the format, with "X" the vector of independent variables (direction, size and "relative strength" of the OCI and NI) and "α" and "β" the constant term and the coefficients of the model the following relationship is obtained:

$$p(Y = 1) = F(\alpha + \beta X) \tag{1}$$

where "F" denotes the cumulative standard logistic function. Starting from the equation (1), the model estimated in the research is as follows:

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \varepsilon_{i,t} \tag{2}$$

where the variable Y is coded "1" when companies choose to represent the income statement with two separate statements, and "0" otherwise:

$$Y = \begin{cases} 1 \text{ with} & \text{format = two separate statement (SS)} \\ 0 \text{ with} & \text{format = single statement (CS)} \end{cases}$$

The independent variables are defined as follows: X_1 is the direction of OCI coded "0" when the OCI is negative, "1" otherwise and; X_2 and X_3 measure the "relative strength" of the NI with OCI <NI and OCI> NI. Finally, X4 is the "relative size" of the OCI on the NI.

DATA AND SAMPLE

Our sample includes all listed firms on the Italian Stock Exchange, excluding the financial sector for the period 2009 as shown in Table 3. The decision to use the data is linked to the fact that this is the first period in which listed companies in Italy have been requested to present comprehensive income. In accordance with previous studies, we excluded banks, insurance companies and other financial firms from our industry sample because disclosure requirement accounting rules reflect on the annual account content and would not allow for comparison of companies (Devalle, 2010). Moreover, selection criteria for the sample excluded other categories including companies that do not present a consolidated account, non-listed companies and, companies whose closing date for their financial statements was different from 31/12/2009 (for example, 30/9) and thus were not obliged to adopt the revised version of IAS 1. This selection procedure yields 160 Italian firms. For each of the companies, data was hand collected from the consolidated financial statements and transferred to a spread-sheet as the basis for further analysis.

Table 3: Industrial Classifications of Sample Firms

Sectors	No. Society	%
FTSE Italia All-Share Oil and Gas	5	3%
FTSE Italia All-Share Basic Materials	1	1%
FTSE Italia All-Share Industrials	52	31%
FTSE Italia All-Share Consumer Goods	38	26%
FTSE Italia All-Share Health Care	5	3%
FTSE Italia All-Share Consumer Services	23	14%
FTSE Italia All-Share Telecommunications	6	3%
FTSE Italia All-Share Utilities	16	10%
FTSE Italia All-Share Technology	14	9%
Total	160	100%

This table shows the distribution of observations by industry, in line with the classification adopted by the Italian Stock Exchange. The firs column shows the number of companies included in each sector; the second column shows the distribution of the sample in percent.

MAIN RESULTS

Reporting Format Used and the Other Options

Table 4 provides information on the reporting format used. Regarding the accounting format adopted for CI by Italian companies in the first application of the revised of IAS 1, 86% of the sample opted to present components of OCI in a Separate Statement of Comprehensive Income. Only a small proportion of companies (14%) chose to represent comprehensive income in a Combined Statement of NI and CI.

Table 4: Comprehensive Income Presentation Formats, 2009

Format Selected for CI	No.	%
Combined Statement of NI and CI	22	14%
Separate Statement of Comprehensive Income	138	86%
Total	160	100%

This table shows the distribution of Italian companies on the format chosen for the representation of the CI.

In the first column values are expressed in absolute terms, while in the second column as a percentage.
This is hardly surprising in a context such as that of Italy, where traditional criteria and practices for dealing with income are firmly rooted in the accountancy culture. In fact, only through the separation of the two results can the earnings and costs related to the operating cycles be identifiable and, at the same time, different from those results set out in the single statement of changes in stockholders' equity. The latter are actually seen as complementary information and not a substitute for traditional income statements. Moreover, representation in a single document can lead to excessive focus on the bottom line of the statement (total comprehensive income for the year) without explaining its make-up. Uncertainty due to the lack of adequate guidelines from the IASB on what categories outlined in the statement of

comprehensive income should be and which items should be included in each category has certainly encouraged companies to opt for presenting their OCI in two separate statements.
In order to identify other possible reasons why companies choose one format rather than another, we examined the notes to the financial statements. From this study it was found that, although the choice of accounting format is indicated in the majority of the accounts analysed, in very few cases do accountants make explicit the reasons for their choice. Where this is the case, the choices are connected with a particular sector and international praxis. Indeed, the formula generally adopted is as follows: the choice is in line with the mode of presentation of our major competitors and with international praxis. The lack of additional information regarding the choice of format for representing comprehensive income does not allow the user to evaluate the results through an examination of the direction and size in OCI or to identify motivations other than those connected with the desire for as little change as possible in the format for representing the company budget.

Regarding the other options, IAS 1 states that expenses recognized in profit or loss should be analyzed either by nature (raw materials, staffing costs, depreciation, etc.) or by function (cost of sales, selling, administrative, etc.). In Table 5, we report the results of the analysis of the sample consolidated financial statements.

Table 5: Classification of Expenses in Income Statement, 2009

Number of Observation	**Classification for expenses by:**			
	Natur		**Function**	
160 Consolidate Financial Statements	115	72%	45	28%

This table shows the number of companies have adopted the classification by nature or by function for their expenses. The results are reported both in absolute and percentage terms.

The results show a clear preference for the classification of expenses by nature (72%), while a smaller percentage of companies opt for classification by function (28%). This examination did not allow a comparison between the various income statements. Table 6 shows the choice made regarding the possibility of representing OCI components at gross or net of related tax effects. In this context the analysis shows a strong predominance towards one of two possible alternatives, namely the representation of OCI items already at net of taxes.

Table 6: Presentation of OCI Items at Gross or Net of Tax in Consolidate Financial Statements, 2009

Number of Observation	**OCI Items:**			
	To net of tax		**To gross of tax**	
160 Consolidate Financial Statements	101	63%	59	37%

This table shows the number of companies have adopted the presentation of OCI items to net or gross consolidated financial statement for the year 2009. The results are reported both in absolute and percentage terms.

A joint reading of the results obtained shows that there is a prevailing attitude for each IAS 1 option for the income statement representation. However, since there are a number of companies that differentiate in this sense, this leads us to conclude that the presence of options leads to a non comparability of prospects immediately, thus reducing their homogeneity.

Direction, Size and Relative Size of OCI and NI

Through the use of statistical analysis the composition of OCI was defined as well as the distribution, average, median and direction of NI and OCI during 2009 as shown in Table 7. In addition, we studied the impact of OCI on final income figure with the results presented in Table 8.

Table 7: OCI and NI in Consolidated Financial Statements, 2009

€/000	IAS 16	IAS 19	IAS 21	IAS 39a	IAS 39b	Tax	Other	Total
OCI items	-24,337	-197,008	2,232,123	188,566	-1,850,765	482,467	-34,349	796,698
Relative size of total OCI %	-3.05%	-24.73%	280.17%	23.67%	-232.30%	60.56%	-4.31%	100%

Range of OCI		**Average of OCI**	**Median of OCI**
Min OCI -1,145,000	Max OCI 822,000	4,958	0.00
		OCI direction	
Positive OCI 41%		Negative OCI 43%	OCI = 0 16%
Range of NI		**Average of NI**	**Median of NI**
Min NI -848,000	Max NI 6,390,000	122,074	3.637
		NI direction	
Positive NI 60%		Negative NI 40%	NI = 0 0%

This table shows the distribution of OCI items and the main statistical quantities (range, average and median) calculated for OCI and NI.

As Table 7 shows, minimum and maximum values of OCI in the aggregate has both positive and negative direction. Furthermore, analysis of positive, negative and zero OCI, shows an almost equal distribution between the groups with positive OCI (41%) and negative OCI (43%). Finally, if we consider the median calculated to be zero it is clear that as the distribution of OCI is divided into two masses of values, those below the median are negative, while subsequent ones are positive. For NI, the data highlights the high prevalence of positive values and a significant average weight compared to the OCI.

Table 8: Impact of OCI on Net Operating Income

Negative variation:	**70**
From profit to loss	1
Reduction of profit	42
Increase in loss	27
No Variation	**24**
Positive variation	**66**
From loss to profit	3
Increase in profit	41
Reduction of loss	22
Total	**160**

This table shows that, through the calculation of the variation in company income after the inclusion of OCI, it was possible to identify the number of cases where company income recorded a gain or a loss, as well as the number of cases where profit turned into loss or vice versa

Finally, as we can see in table 8, for 136 companies (70+66), the inclusion of OCI generated a positive (or negative) impact in the calculation of company earnings, increasing (or decreasing) net income or losses, reversing, in certain cases, the direction from profit to loss and vice versa. The results of Tables 7 and 8, however, are based on absolute values of NI and OCI, which represent only a starting point for an overview of the effects of the revised version of IAS 1 on CI. The analysis continues, therefore, on the relative size index as OCI/NI, OCI/CI and NI/CI.

Table 9 shows, values obtained confirm a higher incidence of NI with respect to OCI on CI. The results and considerations on which we base our H2 lead us to believe that even in cases where OCI is positive, the choice of two separate statements may be linked to the greater relative size of NI compared to OCI and, therefore, does not deserve the role of intermediate result which would be used in the case of a single statement.

Table 9: The Relative Size Index OCI/NI, OCI/CI e NI/CI

	Range		Average	Median	Dev. Std.	Variance
Index	**Min**	**Max**				
OCI/NI	-3.41	7.45	0.05	0,00	0,793	0,628
OCI/CI	-31.62	1.99	-0,20	0,00	2,555	6,528
NI/CI	-0.99	32.62	1,20	1,00	2,555	6,528

The table shows the statistical analysis conducted on OCI/NI, OCI/CI e NI/CI. The calculation of standard deviation and variance was necessary to cancel the effect of the direction (positive or negative) of the two quantities under comparison.

The influence of the characteristics of the OCI and NI for the format of the income statement

This section examines whether the characteristics (direction, size and relative size) of the OCI influence the choice of reporting format for the representation of the C. The results of equation 2, which has tested the research hypothesis H2, are presented in table 10.

Table 10– Logistic regression model

Variables	**Equation (2)**	
	Coeff	z-stat
X_1	3.01	4.48***
X_2	0.03	1.34
X_3	0.08	2.83***
X4	2.18	2.79***
Pseduo-R^2	0.20	
Chi-test	35.62	
	0.00	

(*), (**), (***) denote statistical significance at the 10, 5 and 1% level, respectively. This table shows regression coefficients, the value of the z-statistic. In the bottom of the table shows, in addition to the value of the Pseudo-R^2, the value of chi-square and its probability assuming that the regression coefficients are jointly equal to zero.

The results show the direction of the estimated coefficients (beta) is positive and statistical significance is high, except for X_2 that measures the "relative size" of the NI with OCI <NI. The results show that when the OCI, both positive and negative, has a relative strength greater than the NI (to improve the overall result) there is a greater probability of choosing the single statement for the representation of economic performance. However, although the percentage of correct classifications by the model is very high (89%) it should be noted that the value of the pseudo-R^2 is very low (20%). This means that the choice of format for the CI involved other factors not strictly related to the characteristics of the NI and OCI.

CONCLUSIONS

In this study we examined the means of representing and the impact generated by CI on listed companies in Italy that have, for the first time, drawn up their financial statements according to the specifications in the revised version of IAS 1. In particular, we analyze choices made by the Italian companies on various options contained in the revised version of IAS 1 with regard to the statement of CI, as well as the role played by the OCI in the new figure of income (CI).

The purpose of this study has been to evaluate the degree of homogeneity in the presentation of income statements with the revised version of IAS 1, and to explore the correlation between the direction and size of the items of OCI and the presentation of CI in one of the two prescribed formats (a single statement or two statements). The results show substantial uniformity across Italian companies, with regard to how OCI presentation in their financial statement and for the other options provided by IAS 1.

In all of the analyzed sample there is evidence of a prevalent tendency, for each of the different options in the IAS 1, towards the income statement representation. However, there are a number of companies that differentiate, leading us to conclude that the presence of options leads to no immediate comparability of prospects, thus reducing their homogeneity.

With regard to the second objective, we examine the characteristics (direction, size and relative size) of the OCI items. The minimum (€ -1,145,000) and maximum (€ 822,000) values of OCI in the sample show that this aggregate has both positive and negative direction. Furthermore, analysis of OCI positive, negative and zero values shows an almost equal distribution between the groups with positive OCI (41%) and negative OCI (43%). Finally, we note the median calculated to be zero is understood as the distribution of OCI divided into two masses of values: those below the median are negative, while subsequent ones are positive. For the NI, the data highlights the high prevalence of positive values and a significant average weight compared to the OCI. Also, we verify that for 136 companies (70+66), the inclusion of OCI generated a positive (or negative) impact in the calculation of company earnings, increasing (or decreasing) net income or losses, reversing, in certain cases, the direction from profit to loss and vice versa.

Finally, the analysis on the relative size index (OCI/NI, OCI/CI and NI/CI) confirms a higher incidence of NI with respect to OCI on CI. In conclusion, the results and considerations on which we base our H2 lead us to believe that even in cases where the OCI is positive, the choice of two separate statements may be linked to the greater relative size of NI compared to OCI and, therefore, does not deserve the role of intermediate result which would be used in the case of the single statement.

To measure the probability that characteristics (direction, size and relative size) of the OCI influence the reporting choice for the representation of the CI, we used a logistic regression model. The results show the direction of estimated coefficients (beta) is positive and that statistical significance is high, except for X_2 that measures the "relative size" of the NI with OCI <NI. In other words, the results show that when the OCI, both positive and negative, has a relative strength greater than NI (to improve the overall result) there is a greater probability of choosing the single statement for representation of economic performance.

However, although the percentage of correct classification of the model is very high (89%) it should be noted that the pseudo-R^2 value is very low (20%). This means the choice of format for CI involved other factors not strictly related to the characteristics of NI and OCI. The findings of this work can be a useful starting point for future research aimed at assessing significance of the notion of income in accounting. Based on international experience, a study of predictive values, in terms of future earnings and turnover, of comprehensive income and traditional income, could shed light on the question of which of the two notions should be adopted as a measure of company performance.

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