

What trend for Comprehensive Income Presentation? Evidence from Italy

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Abstract

Since 2007, IAS 1 has introduced two alternative formats (single-statement or two-statement) for the Comprehensive Income presentation into financial statements. The paper proposes a three-year period survey on annual reports of Italian non-financial services listed companies that aims to examine in terms of a trend-oriented analysis both the companies' format choices and the Other Comprehensive Income (OCI) aptitude to explain such choices. The results show that, during the period considered: a) the two-statement option is chosen more often; b) companies rarely change the format; c) there is a constantly low association, or even independence, between the format and the OCI's consistency, sign and size. These findings confirm that Italy uses the format closer to the national accounting tradition and suggest that the reasons for this choice have to be looked for elsewhere than the OCI. This analysis can be useful both to standard setters, to verify how successful the options they established are, and to accounting scholars, to design further research on the formats under discussion.

Keywords: Comprehensive Income, Financial Statement Presentation, IAS 1, Italy

1. Introduction

International Accounting Standard 1 (IAS1) has been revised several times (in 1997, 2003, 2005, 2007 and 2011) and the version of September 6th, 2007 (IASB 2007) started the season of the most substantial reforms concerning the Income Statement.

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In fact, before 2007, Other Comprehensive Income (OCI)³ items (involving changes in equity other than those from transactions with owners) were considered “dirty” components, in compliance with the “dirty surplus” relation between income and equity. Therefore they were presented only in “the statement of changes in equity” (SCE). On the contrary, since 2007 such values have been presented in the ‘income section’ of financial statements and have been added to the Profit or Loss (PL)⁴ in order to obtain a new performance measure named Comprehensive Income (CI)⁵. Such an inclusion is in line with the opposite “clean surplus” relation between income and equity (“capital maintenance” approach) and it is the basis of the all-inclusive one (Brief & Peasnell 1996). It also bears noting that in this way Financial Statements switched from a non-performance-based reporting to a performance-based one. In particular, due to this switch, IAS 1 allows two alternative reporting formats for the CI presentation: 1) the single-statement⁶ format, composed of both traditional PL items and additional items (OCI values); 2) the two-statement format, composed of a first statement⁷ reporting PL and of a second statement⁸ reporting OCI and CI. IASB arrived at this compromise after years of debate within the U.S. and other Anglo-Saxon contexts. On the contrary, the continental European area remained foreign to this debate until Regulation 1606/2002, which introduced IASs/IFRSs in the European Union (EU). Thereafter, Italy was affected by this change⁹.

The aim of this paper is to establish whether the format preferences of Italian companies and the OCI aptitude to explain such preferences are stable over time. The literature on the preferences of companies in the early application of IAS 1 (in its 2007 revised version), despite showing which format Italian companies prefer and if it depends on OCI features, fails in answering rigorously the particular research question regarding trend addressed by this paper.

³ The OCI includes items attributable to changes in equity resulting from transactions other than those with shareholders and it “[...] refers to income and expenses that under IFRSs are included in comprehensive income but excluded from profit or loss” (IASB 2007, BC20). See also IASB 2011, § 7.

⁴ PL is an income close to the Net Income, a concept typical of the transactional (or current operating performance) approach that considers only incurred costs and realized revenues.

⁵ On the origins and nature of the CI, see Beale & Davey 2000 and Mattessich 2002.

⁶ “Statement of comprehensive income” according to IAS 1 (2007) and “Statement of profit and loss and other comprehensive income” according to IAS 1 (2011).

⁷ “Income Statement” according to IAS 1 (2007) and “Statement of profit and loss” according to IAS 1 (2011).

⁸ “Statement of comprehensive income” according to IAS 1 (2007) and “Statement of other comprehensive income” according to IAS 1 (2011).

⁹ With Legislative Decree February 5th, 2005 no. 38 Italy introduced IAS regulation for some companies (the ones listed on regulated markets, issuing financial instruments widely traded, banks, financial companies and insurance companies). The Civil Code is applied to those remaining.

Thus, this study proposes research contributing to the literature in two ways: a) with a diachronic three-year analysis (2009-2011), instead of a synchronic or two-year analysis; b) with a set of statistical indexes aiming to explain the formats chosen, instead of percentages or single statistical indexes.

For attaining this paper's research goals a trend-oriented survey was carried out on annual reports of Italian non-financial services companies listed on the Italian Stock Exchange. In particular, the study focuses on the following aspects: 1) the relationship between CI and PL; 2) the preferred options for the CI presentation; 3) the OCI aptitude in explaining the format chosen.

The remainder of the paper presents the relevant literature, the research design, the methodology, the main results of the empirical analysis and finally, in the last section, discussion of the findings, conclusions, limitations and suggestions for further research.

2. Bibliographic Framework

The CI "idea" was born in the U.S.A. during the 20th century (AAA 1936, Paton 1934, May 1937). The fervent debate developed in this country (Ferraro & Veltri 2012), where FASB issued the relevant 1997 SFAS 130, generated many early international contributions on the topic concerning with Anglophone countries all over the world. In continental and non-UK Europe, as well as the rest of the world, on the other hand, only in recent times have scholars showed an interest in CI and/or its presentation¹⁰. In particular in Italy, although both prior and after the release of IAS 1 revised 2007 authors proposed empirical studies related to the CI¹¹, only after the first application of such version has the national literature dealt more extensively with the topic.

¹⁰ E.g. Kubota (2011) and Takahashi (2012) for Japan, Saadi (2008) for Iran, Ernstberger (2008) and Pronobis & Zülch (2011) for Germany, Wang et al. (2006) for the Netherlands, Fernández & Carro Arana (2010) for Spain, Solomon & Dragomirescu (2009) for Romania, and Fiori et al. (2011) for continental Europe.

¹¹ E.g., Bertoni et al. (2007), and Azzali et al. (2012) about value relevance; Mariniello (2004), Melis et al. (2006), Catuogno (2007), Incollingo & Di Carlo (2008), Pisani (2008), and Quagli (2009) about Comprehensive Income presentation.

Thus, from international and Italian literature, studies on the format of annual¹² Income Statements of companies and/or the associations between such format and variables such as OCI and company size were selected¹³. Table 1 lists this relevant literature under a chronological criterion and focuses on its general aspects.

Table 1 - Relevant Literature: General Aspects

Categorization criteria	Context studied		Author's origins		Language used	
	Non Italian	Italian	Non Italian	Italian	EN (intern.)	IT (national)
References						
Campbell et al. 1999	x (US)	-	x	-	x	-
Bhamornsiri-Wiggings 2001	x (US)	-	x	-	x	-
Jordan-Clark 2002	x (US)	-	x	-	x	-
Pandit-Phillips 2004	x (US)	-	x	-	x	-
Pandit et al. 2006	x (US)	-	x	-	x	-
Bamber et al. 2010	x (US)	-	x	-	x	-
Ferraro 2011	-	x	-	x	x	-
Cimini 2012	x (D,F)	x	-	x	x	-
De Cristofaro-Falzago 2012	-	x	-	x	-	x
Ferraro 2012	-	x	-	x	x	-
Agostini-Marcon 2013	-	x	-	x	x	-
Cimini 2013	-	x	-	x	x	-
Doni et al. 2013	x (D,F, UK,US)	x	-	x	x	-
Ferraro 2013	-	x	-	x	-	x
Frendzel-Szycthta 2013	x (PL)	-	x	-	x	-
Rahman-Hamdan 2013	x(MYS)	-	x	-	x	-

As Table 1 exhibits, if the literature selected is categorized according to the context studied, we obtain two main groups of contributions: i) a first group that addresses only the non-Italian context; such group is composed of two clusters: a first related to the US context and a second related to non-US context (e.g. the study on Malaysia) also including the European context (e.g. the study on Poland); ii) a second group that addresses only or also the Italian context; in particular, such a group is composed both of contributions related only to the Italian context and of contributions addressing the Italian context among others.

¹² Hence we excluded early Italian studies analyzing Interim Financial Statements (e.g. D'Este & Fellegara 2010, De Cristofaro & Falzago 2010).

¹³ It is finally important to note that from the relevant literature were excluded contributions that: a) do not deal with empirical financial presentations (e.g. Hirst & Hopkins 1998, King et al. 1999, Maines & McDaniel 2000); b) do not distinguish among the specific countries involved (e.g. Turktas et al. 2013).

Table 2 for each of both groups (i and ii) summarizes some of the contents of the above-mentioned contributions. In particular, the column referred to the sample indicates both the number of companies analyzed and their main features. The column referred to the period shows the financial statement fiscal year/s. The column referred to the format chosen distinguishes between performance-based formats (one-statement and two-statement) and non performance-based format (SCE). The column on the variables associated with the format distinguishes between features of the OCI or the company. The column referred to the tools indicates the main kind of statistical instruments used to study the association (percentages and others). Finally, the column related to the main results of the associations indicates: 1) high/moderate or weak/no association detected and; 2) the specific feature showing high/moderate association with the format chosen.

Summarizing the main contents of Table 2, it can be observed that: a) as for the period, no studies analyze a consecutive period greater than the two-years; b) as for the format, research contributions show a preference for SCE in the U.S.A., for the two-statement format in Europe and for the condensed statement in Asia; c) for what concerns the association between format and some variables, this was mainly detected in the U.S. context; on the other hand, contrasting evidence, tending to low or absent association, was found with reference to the other contexts considered.

Table 2 - Relevant Literature: Aspects Studied and Association Results (*)

Aspects	Sample	Period	Format preferred		Variables associated with the format		Tools used	Association results
			Perform. based	Non-perf.	OCI features	Company features		
References			1-st/2-st	SCE				Yes (high or moderate)/ Not (none or weak)
Non-Italian contexts								
Campbell et al. 1999	73 early adopters of SFAS 130	1997	-	x	Sign	Size	%	Yes (both)
Bhamornsiri-Wiggings 2001	100 early adopters of SFAS 130	1997, 1999	-	x				
Jordan-Clark 2002	100 financial service industries	1998	-	x	Sign Size	Size	Not only %	Yes (OCI)
Pandit-Phillips 2004	100 listed companies	2002	-	x	Sign	-	%	Yes

(Continued on the next page)

(Table 2 - Continued from the previous page)

Pandit et al. 2006	100 companies traded on the NASDAQ	2002	-	x	Sign	-	%	Yes
Bamber et al. 2010	440 S&P listed firms	1998	-	x	-	Incentives Job security	Not only %	Yes (both)
Frendzel-Szycthta 2013	140 companies (WIG20, 2IG80 and WIG180)	2010, 2011	2-s		Materiality Sign Size	Size	%	Not
Rahman-Hamdan 2013	84 non-financial listed companies under FRS101	2010	1-s					
Italian contexts								
Ferraro 2011	160 groups of companies	2009	2-s		Sign Size	-	%	Yes (OCI size)
Cimini 2012	245 listed companies	2009	2-s		Sign	Size	%	Not
De Cristofaro-Falzago 2012	120 non-financial services listed companies	2009	2-s		Materiality Sign Size	-	Not only %	Not
Ferraro 2012	all non-financial listed firms	2009	2-s		Sign Size	-	Not only %	Yes (OCI size)
Agostini-Marcon 2013	62 non-financial listed companies	2010	2-s					
Cimini 2013	600 listed companies	2009, 2010	2-s		Sign	Size	%	Not
Doni et al. 2013	10 largest non-financial companies	2009, 2010, 2012	2-s		Sign	Size Leverage Dual listing	Not only %	Not
Ferraro 2013	All non-financial listed firms	2009	2-s		Sign Size	-	Not only %	Yes (OCI size)

(*) Dark grey cells indicate an aspect that does not exist or is not analyzed by the relevant study.

3. Research Design

The basic aim of this study, i.e. to establish whether format preferences of Italian companies and the OCI aptitude to explain such preferences are stable over time, generated a basic (and twofold) research question (BRQ): "Are format preferences of Italian companies and the OCI aptitude to explain such preferences stable over time?".

Since the relevant literature does not answer completely this BRQ, we designed a study that builds upon to those of De Cristofaro and Falzago (2012) and Cimini (2013). However, this research exhibits points of difference with one or both the above-mentioned studies in the following aspects: a) *Time* - A diachronic analysis is proposed in this study instead of the synchronic one adopted by De Cristofaro and Falzago and of the one analyzing a two-year period used by Cimini; b) *Type of activity of the company* - The sample used in this study is composed of non-financial services companies (unlike De Cristofaro & Falzago's and Cimini's); c) *Sample* - Financial statements of companies throughout the period analysed are taken into consideration in this study (as in Cimini's study but differently from De Cristofaro and Falzago's); d) *Tools* - Multiple tests are used in this study: chi-square (see King et al. 1999 on professional investors' opinions), Cramer's V and the exact Fisher's test; both De Cristofaro and Falzago and Cimini use only one test. In particular, as shown in Table 3, the BRQ is split into three detailed research questions (DRQs). In order to answer the DRQs, relevant aspects and tools of analysis were selected.

Table 3 shows that: i) as for the DRQ1, many perspectives (ratio/correlation/differences) were selected to measure the relation between CI and PL; ii) as for the DRQ2, the format option was selected; iii) for what concerns the DRQ3, OCI characteristics regarded as potentially able to explain the format preferences were chosen: consistency, sign (direction) and size. Likewise, two types of research tools were used: statistical descriptions of magnitudes and statistical relationships through correlation (between distributions) and associations (between dummy variables).

Table 3 - Research Design

Basic Research Question: Are the format preferences of Italian companies and the OCI aptitude to explain such preferences stable over time?		
Detailed Research Questions	Quoted aspects	Tools
DRQ1) What is the trend of the measures of the relation between CI and PL?	a. Ratio: $ PL/CI $ b. Correlation c. Difference between CI and PL (OCI): - OCI values - OCI consistency (zero/non-zero) - OCI sign - OCI size	a. Descriptive Statistics b. Pearson index c. Descriptive Statistics
DRQ2) What is the trend of the preferences related to the main options for the CI presentation?	Format (one-statement or two-statement)	Descriptive Statistics
DRQ3) What is the trend of the OCI aptitude to explain the preferred format?	Association between the format and three aspects of the OCI that could explain the format choices: a) format and OCI consistency b) format and sign of the OCI c) format and the size of the OCI: $ OCI/P/L $ and $ OCI/CI $	Chi-Square Cramer's V Exact Fisher's test

4. Methodology

This section presents the main steps of development of the research.

- I) Data source selection - Direct observation of financial statements was chosen because available databases do not include non-traditional magnitudes (CI and OCI). In this stage, we studied online consolidated financial statements as at December 31st, 2009, 2010 and 2011 available at the selected research date (December 31st, 2012).
- II) Sample selection - The research considered non-financial services companies listed on the Italian Stock Exchange in the three-year period 2009-2011. Table 4 shows the phases used for the progressive selection of the group of 64 companies whose statements were available throughout the period. This group is hereinafter called "sample" even if it is a statistical subpopulation.

III) Data collection - In this step CI, PL and OCI data were organized in Excel spreadsheets.

IV) Data analysis - Statistical tools were used for this purpose. In particular, in order to study the OCI aptitude to explain the format we calculated the selected statistical indexes of association using SPSS.

Table 4 - Sample Selection

Ph.	Contents of the phases	Year 2009		2010		2011		
		Less	=	Less	=	Less	=	
1	Start point: All listed shares			328		328		326
2	Less: shares different from the first (2 nd , 3 rd , etc.) = All listed companies	32		32		34		292
3	Less: MIV, AIMIT, MAC = Companies listed on MTA (‘Mercato Telematico Azionario’)	16		24		30		262
4	Less: foreign companies = Italian MTA listed companies	5		5		5		257
5	Less: non indexed companies = Indexed MTA Italian listed companies	17		16		13		244
6	Less: non-service sectors companies = Indexed MTA Italian services listed companies	119		114		111		133
7	Less: financial companies = Indexed MTA Italian non financial services listed companies (MNFSC)	53		54		51		82
8	Less: companies not always existing in the three year period = Comparable MNFSC (CMNFSC)	13		10		9		73
9	Less: companies without on line financial statements (FS) = CMNFSC with on line FS (OCMNFSC)	0		0		0		73
10	Less: not consolidated financial statements = OCMNFSC with consolidated FS	2		2		2		71
11	Less: FS at dates different from 31.12 = “Sample” (companies common to the period)	7		7		7		64

5. Results

5.1. Results: Trend of the Relationship between CI and PL

This section answers the DRQ1 (trend of the measure of the relationship between CI and PL) and presents results related to (I) both the preliminary description of the two Incomes and their relationship through ratios, (II) correlation and (III) distance, namely the OCI.

I) Incomes description (CI and PL) and PL/CI ratio

As for CI and PL, descriptive statistics related to these magnitudes (see Table 5) reveals wide ranges between positive and negative values, positive mean and median (then the two distributions are skewed to the right of the zero), and high standard deviations; the latter are similar only in 2009 and are more stable for PL than CI. This attests a greater and growing volatility of the CI with respect to the PL. As for PL/CI ratio, instead, Table 5 exhibits positive extremes of the ranges, stable mean and median and low dispersions. This suggests both a relevant incidence of PL on CI and a stable low volatility of their ratio.

**Table 5 - CI, PL and PL/CI Ratio:
Descriptive Statistics for the Three-Year Period**

Year	CI			P/L			PL/CI		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
Measure									
Range	Min.: -387,012	Min.: -647,042	Min.: -4,605,000	Min.: -387,012	Min.: -656,756	Min.: -4,280,000	Min.: .14	Min.: .18	Min.: .03
	Max.: 7,085,000	Max.: 9,801,000	Max.: 9,039,000	Max.: 6,390,000	Max.: 7,383,000	Max.: 7,803,000	Max.: 2.66	Max.: 14.63	Max.: 3.76
Mean	340,178	515,385	150,514	339,356	373,127	151,901	.97	1.16	1.05
Median	11,295	10,595	1,983	11,421	9,808	2,641	1	1	1
StDev	1,207,850	1,847,061	1,413,877	1,207,306	1,299,849	1,329,767	.29	1.76	.47

II) Correlation between PL and CI

To study the correlation between PL and CI the r Pearson's index was selected. The values of this index (.98/.99/.99) show an interesting stable positive correlation over time because they are always close to 1. All p-values are lower than the fixed alpha level (.05).

These results indicate a high correlation of PL with CI and a lower incidence of the OCI on the CI.

III) Distance between CI and PL: OCI

For what concerns the OCIs (representing the relationship between PL and CI from a “subtractive” viewpoint), the descriptive statistics (Table 6) suggests an extended OCIs panorama (wide range extremes and very high values of the dispersion index). Moreover, despite the highly variable mean (both positive and negative), the other central measures (mode and median, which are mainly zero in the period) indicate a trend toward symmetry with respect to zero.

Table 6 - OCI: Descriptive Statistics in the Three-Year Period (*)

Measures	Year 2009	2010	2011
Range	Min.: -1,145,000 Max.: 695,000	Min.: -306,000 Max.: 3,826,000	Min.: -962,000 Max.: 1,236,000
Mean	822	142,257	-1,387
Median	0	59	0
Mode	0	0	0

(*) Thousands of euro

At this point, for the purposes of this paper, it became interesting to classify the various OCIs according to their consistency (zero values or not) and their sign (+ or -), as Table 7 shows.

Table 7 - OCI: Consistency and Sign in the Three-Year Period

Year	2009				2010				2011			
	Abs.	%	Abs.	%	Abs.	%	Abs.	%	Abs.	%	Abs.	%
Consistency												
Zero OCIs	14	21.87			10	15.62			11	17.19		
Non zero OCIs:	50	78.13			54	84.38			53	82.81		
			27	54			35	64.81			23	43.3
			23	46			19	35.19			30	56.6
Total	64	100	50	100	64	100	54	100	64	100	53	100

As can be observed, OCIs different from zero are steadily the majority (about 80% in the period) while the sign of the non-zero OCIs is irregular. Subsequently, we evaluated the impact of the sign of the non-zero OCIs and found fewer cases of reversal of the CI sign than the PL one (0%/9.26%/7.55%). This means that the majority of the OCIs have strengthened the PL direction when it became CI. At this step, the relative size of the OCI was measured considering the absolute value of the following ratios: OCI/PL and OCI/CI (Table 8).

Table 8 - The Size of the OCI: OCI/PL and OCI/CI over the Period

Group	Size measure		OCI/PL						OCI/CI					
	Year		2009		2010		2011		2009		2010		2011	
	Abs.	%	Abs.	%	Abs.	%	Abs.	%	Abs.	%	Abs.	%	Abs.	%
1) 0 <OCI/ PL (or CI) < 25%	52	81%	44	69%	55	86%	52	81%	46	72%	56	88%		
2) 25% <OCI/ PL (or CI) < 50%	5	8%	4	6%	4	6%	9	14%	6	9%	3	5%		
3) 50% <OCI/ PL (or CI) < 75%	3	5%	5	8%	1	2%	1	2%	2	3%	0	0%		
4) 70% <OCI/ PL (or CI) < 00%	2	3%	2	3%	0	0%	1	2%	2	3%	0	0%		
5) OCI/ PL (or CI) > 100%	2	3%	9	14%	4	6%	1	2%	8	13%	5	8%		

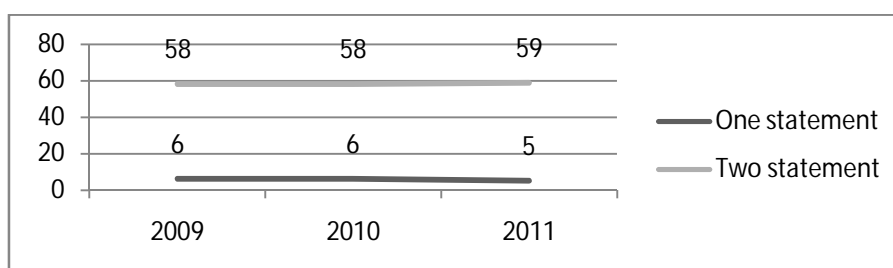
Table 8 shows similar values for both ratios. In fact, the highest percentages of the period are detected in the first group (they range from about 70% to about 90%), followed by the ones detected in the second group. All this means that the lowest OCIs (those under 50%) are the most widespread, while the greatest OCIs (those over 50%) are the least widespread. It must be noted that in very few cases the two measures are greater than 1 (group 5) because the OCI is greater than the denominator.

5.2. Results: Trend of the Preferred Format for the CI Presentation

This section answers the DRQ2 (related to choices of CI presentation) and presents findings on the format option chosen by companies (Table 9). As Table 9 shows, the majority of companies chose the two-statement format during the entire period. If we represent in a time graph the absolute data (Graph 1), the stable trend of choice can be more clearly observed. Yet, in the last year the gap between the two trends increases.

Table 9 - The Format Chosen by Italian Companies over the Period: Data

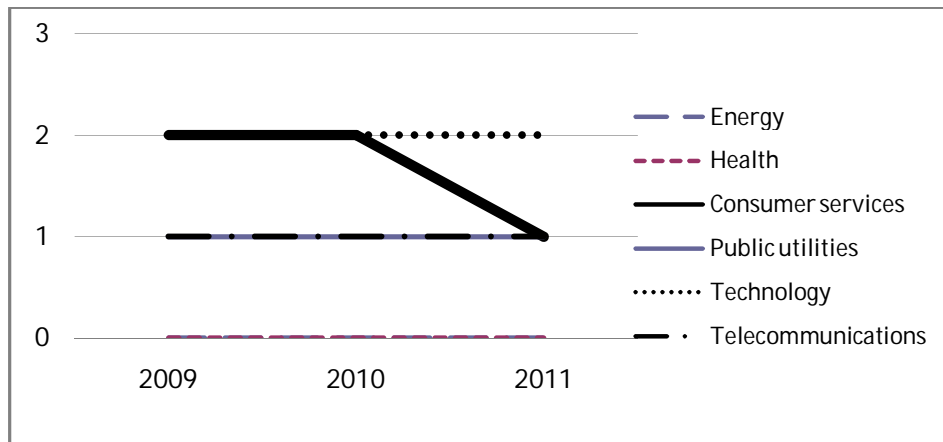
Format	Year	2009		2010		2011	
		Abs.	%	Abs.	%	Abs.	%
One statement		6	9.38%	6	9.38%	5	7.81%
Two-statement		58	90.62%	58	90.62%	59	92.19%
Tot.		64	100%	64	100%	64	100%

Graph 1 - The Format Chosen by Italian Companies over the Period: Trends

At this point, the overall data reported above have been broken down by subsectors of the Italian Stock Exchange indexes (Table 10). Results show that the one-statement choices are spread into four subsectors (C, P, Tc, and TI). The companies showing the same behavior are the same throughout the period, but one of them (consumer services) even shifted from a single-statement format to a two-statement one. To enhance the perception of the stability of the sectorial three-period trends, a time graph is also presented in this study (Graph 2). The number of companies that chose the single statement, as well as being very small, is clearly steady. Only in one case (consumer services) is the trend slightly decreasing because of the format shift.

Table 10 - Single-Statement Format and Sub-Sectors over the Period: Data

Sub-sector	Year	2009		2010		2011	
		Abs.	%	Abs.	%	Abs.	%
Energy (E)		0	0%	0	0%	0	0%
Health (H)		0	0%	0	0%	0	0%
Consumer services (C)		2	3.13%	2	3.13%	1	1.56%
Public utilities (PU)		1	1.56%	1	1.56%	1	1.56%
Technology (Tc)		2	3.13%	2	3.13%	2	3.13%
Telecommunications (TI)		1	1.56%	1	1.56%	1	1.56%
Tot.		6	9.38%	6	9.38%	5	7.81%

Graph 2 - Single-Statement Format and Sub-Sectors over the Period: Trends

5.3. Results: Trend of the OCI Aptitude to Explain the Format

This section answers the DRQ3 (about the OCI aptitude to explain the format chosen) and lists the results of the study regarding the trend of the association between the format chosen and three features of the OCI: consistency (I), sign (II) and size (III). In all three cases the first variable is the choice of the format that is treated as a nominal and dichotomous variable (F) because the values it assumes are twofold (one-statement and two-statement). Moreover, the second set of variables – consistency (C), sign (Sg) and size (Sz) – which are both nominal (consistency and sign) and cardinal (size) variables, are always treated as dichotomous variables to homogenize the analysis. This means that the tables of contingency are always “2x2” tables. To carry out the association analysis, a null hypothesis of independence was set for each couple of variables investigated. The statistical analysis of association, as explained later in more detail, was carried out combining more tests: Pearson’s chi-squared (χ^2), Cramer’s V (V) and Fisher’s two-sided exact test (FE).

I) Association between format (F) and consistency of the OCI (C)

The null hypothesis was the following: *H01 - There is independence between F and C*. C is a dummy variable because its possible values are two: zero OCIs and non-zero OCIs.

Initially, we tested Ho1 using the χ^2 (see Table 11 - Panel I) with one degree of freedom. The test suggested that Ho1 was to be accepted for the year 2011 – when the p-value (.159) is greater than the fixed alpha level (.05) – and to reject it for the remaining years when, however, a very low association is suggested.

These mixed results, in addition to some limitations of the χ^2 , led us to implement also two different tests.

Firstly, to strengthen the analysis, given the low number of observations, Cramer's V index that normalizes the χ^2 was selected. Also this test returned different answers for Ho1 over the period. Indeed, the test revealed p-values equal (2009), lesser (2010) and greater (2011) than alpha. Thus, this test confirmed that Ho1 was to be accepted for the year 2011, restating the absence of independence, and it was to be rejected for the years 2009 and 2010, with low levels of association.

Subsequently, a third test (FE) was adopted because the few one-statement choices found in the sample involved low values (less than 5) in some cells of the contingency tables, and this lowers the validity of the χ^2 . Also, this new test provided results over the period that suggested rejection (for 2009 and 2010) and acceptance (2011) of the null hypothesis. It is important to note that, however, since SPSS does not return a test value but it returns only the p-value, through the FE a judgment about the intensity of the relation in the year in which the Ho1 is refused cannot be provided.

Thus, the three test results led to similar conclusions about the decreasing aptitude of C to explain the format.

Table 11 - Results of association and tests of the null hypotheses (*)*Panel I - Format (F) and consistency of the OCI (C)*

Year	2009		2010		2011	
Test	p-value	test	p-value	test	p-value	test
χ^2	.007	7.772	0	13.083	.159	1.983
V	.05	.348	0	.452	.159	.176
FE	.018	-	.004	-	.201	-

Panel II - Format (F) and sign of the OCI (Sg)

Year	2009		2010		2011	
Test	p-value	test	p-value	test	p-value	test
χ^2	.645	.213	.049	3.862	.439	.598
V	.645	.058	.049	.246	.439	.097
FE	1	-	.083	-	.646	-

Panel III - Format (F) and size of the OCI (Sz)

Year	Format and the OCI/ PL						Format and OCI/CI					
	2009		2010		2011		2009		2010		2011	
Test	p-value	test	p-value	test	p-value	test	p-value	test	p-value	test	p-value	test
χ^2	.367	.823	.006	7.503	.918	.011	.568	.326	.006	7.503	.918	.011
V	.113	.367	.006	.342	.918	.013	.071	.568	.006	.342	.918	.013
FE	1	-	.008	-	1	-	1	-	.008	-	1	-

(*) Dark grey cells indicate rejection of the null because of p-values less than or equal to the fixed alpha level (.05)

II) Association between format (F) and sign of the OCI (Sg)

The null hypothesis was the following: *Ho2 - There is independence between F and Sg.*

Given that the possible values of the variable Sg can be three (negative, positive and zero OCIs) and since we supposed that the impact of a negative OCI on the preparer of the financial statements is equal to the impact originated by a zero OCI, the following two groupings of the OCIs were chosen: positive OCIs and remaining OCIs (negative and zero). Through the χ^2 test (see Table 11 - Panel II), two p-values greater (2009 and 2011) and one p-value slightly lower (2010) than alpha were obtained. The χ^2 test was followed by the remaining tests. Surprisingly, while the V test confirms the same results as those from χ^2 (to reject the Ho2 in 2010, although with low levels of association, and to accept it for the remaining years), the p-values returned by the FE suggest independence all over the period because p-values are always greater than alpha. Thus, the result of the FE test led to conclusions different from those obtained with only the χ^2 test.

III) Association between format (F) and size of the OCI (Sz)

Finally, our third null hypothesis was: *Ho3 - There is independence between the F and Sz.*

To measure the OCI, its absolute value was compared with two different figures of income (PL and CI), obtaining the following indexes: $|OCI/PL|$ and $|OCI/CI|$. On this basis the ratios obtained were grouped into two categories for SPSS purposes: ratios lesser and equal than 50% and ratios greater than 50%. At this stage the third null hypothesis was tested through the usual procedure: χ^2 , V and FE with a fixed alpha level (.05). The three tests for both ratios returned similar results about the null hypothesis (Table 11 - Panel III). In particular, while they suggest to accept the Ho3 for 2009 and 2011, they suggested its rejection for 2010, although with low values of V indicating a weak connection between the format and the direction of the OCI.

6. Discussion, Limitations and Concluding Remarks

The paper aimed to study the trend of preferences for the Comprehensive Income presentation (one-statement or two-statement) for Italian listed companies. The analysis was carried out on consolidated financial statements drawn up by non-financial services companies concerning the first three-year period of application (2009-2011) of the IAS 1 (2007 revised version).

The research set three DRQs related to the analysis of the trend of the main magnitudes (PL, CI and OCI) in terms of the context (1), of the formats chosen (2), and of the OCI aptitude to explain such choices (3).

As for the DRQ1, the analysis showed a strong correlation between PL and CI that seems to involve, except for some cases of high OCIs, little incidence of the OCI on CI.

For what concerns the DRQ2, we found that companies prefer the dual format throughout the period. These findings are consistent with those of Ferraro 2011 (for 2009), Cimini 2012 (for 2009), De Cristofaro and Falzago 2012 (for 2009), Agostini and Marcon 2013 (for 2010) and Cimini 2013 (for 2009-2010).

Another important finding is that the trend is steady as shown in Cimini 2013, who examines a different sample for a shorter period. This stable trend seems to be very interesting with reference to historical events. In fact, despite the intensification of the IASB's effort to eliminate the double format, companies have continued to prefer it. Yet, in one case, a company shifted its format abandoning the one-statement option. Therefore, it can be concluded that companies showed little trust in the outcome of the convergence process and did not want to "train" in view of an upcoming revision. As the solution was not introduced in IAS 1 (2011), it can be said that their point of view was valid. By observing the behavior of the individual sectors over three years, it was possible to find homogeneous distribution of the choice of formats over time, except for the consumer-service sector to which the company that changed format belongs. Thus, our results suggest that, at least for the three years after the first application of IAS 1 (2007), the two-statement option is still preferred.

As for the DRQ3, the three implemented statistical tests returned results both convergent (for OCI consistency and size) and not (for the OCI sign) toward the null hypothesis. In particular: a) for consistency purposes, the null hypothesis was rejected for the first two years (with low values of association) while accepted for the last year; b) for the sign, FE test suggested acceptance of the independence for all the period while other tests suggest rejection, with low levels of association, for the second year; c) for the size, the three tests agree both on the independence (first and last year) and the rejection (second year), always with low levels of association. These volatile results are interesting because, if considered all together, they can only strengthen the belief that, in the first three-year period after IAS 1 (2007), for Italian preparers the OCI is not a magnitude that influences the format. These findings on the trend of the OCI aptitude are: i) consistent with those of De Cristofaro and Falzago (2012), with regard to the same three OCI features, although they are referred to a different sample and period; ii) consistent with those of Cimini (2012 and 2013), with regard to the sign, although they are referred to a different sample and period; particularly, Cimini showed also that the company size did not influence the choice in the period, although he found that companies preferring the one-statement format are generally the small entities with no OCI items; iii) partially inconsistent with those of Ferraro (2011, 2012 and 2013) with regard to the size of the OCI, although referred to a different sample and period; it must be noted that the findings derive from different measures of OCI's size and type of statistical association.

It is also interesting to note how the “pioneers” of the studies on CI presentation are scholars who analyzed companies’ preferences in an accounting context different from the Italian one. In fact, they studied the association between format and OCI under the previous SFAS 130 involving three options: one non-performance-based (statement of changes in equity-SCE) and two performance-based. Thus, the main results, which sometimes showed a preference just for the SCE (Campbell et al. 1999, Jordan 2002, Pandit & Phillips 2004) and sometimes found no association between the format and the OCI sign (King et al. 1999), can only be used with extreme care to compare them with those of other countries. Particularly, to draw this comparison with the Italian context, we must consider the presence of a third option in the U.S. literature, which is not found in the Italian literature, as the element potentially undermining that comparison. Thus, it can be stated that, if the preference for the SCE is excluded, the remaining aspects of these studies indicate a strong preference for the double format. Our results are consistent with those reported in the cited U.S. literature only within the constraint of exclusion of the SCE. Moreover, for what concerns the statistical associations, it is important to stress that the statistical tools used can provide only a starting point among the many reasons for the choices: that some technical data (like OCI) influenced the format can be excluded with sufficient reliability. Moreover, it can also be excluded that, for the period considered, Italian preparers have observed the OCI before and reasoned about the format after, but the variables that were indeed observed cannot be identified by this study.

It is highly likely that the reasons for the choice, evidently shared by many Italian companies, are different from those that we initially supposed: for example, there could be cultural reasons regarding less innovative performance-based market information involved in the decision. In this case, then, it becomes more difficult to find some associations between preparer behavior and such cultural variables. However, in our opinion, the cultural variables that influence an entity include the knowledge held by human resources, including the preparers. This knowledge involves also technical aspects and personal beliefs about the presentation of annual reports that must match those of other individuals to whom the report is addressed.

At this stage, after researching the preferred format (two-statement) and after excluding the OCI as a descriptor of preferences thanks to a trend-oriented analysis, we can only affirm that, for Italian preparers, the sum of the selected format's advantages and the rejected format's disadvantages is constantly greater than the sum of the preferred format's disadvantages and the rejected format's advantages.

The main limitations attributable to this research are related to the following aspects: a) *The representativeness of the sample* - The sample, which was built with aims of homogeneity and comparability, constitutes only a fraction (about 20%) of the overall total of the companies listed on the MTA ('Mercato Telematico Azionario' that is the Italian Main Market), as it involves non-financial services companies only. Therefore, it can be classified as partially representative both of this sector of the market and of all service companies; b) *The research period* - Three years is not an adequate period for trend analysis, and thus the paper can only represent a basis for the beginning of diachronic studies over more extensive periods; c) *The study of statistical association between the format and the OCI* - The main limitations are related to the nature of the indexes selected to compensate limitations of chi-squared analysis. In fact, on one side, the V test, when the H_0 is rejectable by the p-value, returns a test value that provides information about the existence and the intensity of an association but does not indicate the direction of the latter. On the other hand, Fisher's test only returns information about the acceptability of the H_0 but does not return a test value; d) *The DRQ3* - The question aims to study the existence (or lack thereof) of an association between the format and some technical characteristics of the OCI but does not aim to establish the inherent reasons linked to the choice of a format. In fact, this research can only exclude an association between the format and the selected variables but it cannot explain the choices made. It is important to note that this limitation is the same as the one shown by contributions attempting to investigate the reasons of the format choice through a study of association between the format and technical data. These contributions, in case of positive association, could only provide initial starting points about the aspects objectively linked to the preferences (technical data) but could not explain the subjective scopes that moved preparers.

At this point, it remains to be decided whether it is appropriate or not to continue with further research on the study of the format and its association with possible explanatory variables.

Firstly, in our opinion further studies on format preferences will acquire significance based on the future behavior of the IASB concerning the possible resumption of the debate on the revision of this aspect of IAS 1. Secondly, in the meantime it is still deemed interesting to monitor the diachronic behavior of Italian listed companies. This is because any possible change in the trend could provide evidence of a corresponding evolution in Italy that could be cultural (e.g. the approach to a new type of performance measure or to new stakeholders) or economic (e.g. the strengthening of markets). In this sense, we agree with those scholars (e.g. Cimini 2013) who hope for further research concerning companies listed on non-weak equity markets. The change in the trend would also provide new implications for the opinions of the 'Organismo Italiano di Contabilità – OIC' (Italian Accounting Standard Board) who, indeed, had already expressed a favorable opinion on the exclusive use of a single-statement format.

In conclusion, if Italian companies will still prefer the two-statement format, they will continue to show their unwillingness to change and their cultural distance from the rationale that supports the condensed performance information represented by the single-statement option, probably for reasons related to the different shape and development of the economic system.

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