Income Statement vs. Comprehensive Income Statement

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Abstract
The objective of general purpose financial statements is to provide information about the financial position, financial performance, and cash flows of a company that is useful to a wide range of users in making economic decisions. In June 1997, the FASB issued FAS130 on how to report comprehensive income, so second type of income statement is came up. Under the traditional income concept-income statement, extraordinary and nonrecurring gains and losses are excluded from income. Under the all-inclusive income concept-comprehensive income statement, all revenues, expenses, gains, and losses recognized during the period are included in income, regardless of whether they are considered to be operations of the period. International Accounting Standards Board (IASB) also introduced this issue in 2009. According to the standard a business entity using IFRS must also include a statement of comprehensive income. The aim of this study is to discuss the necessity and need for presentation of two performance statements- income comprehensive income- especially from the perspective from investors while these items are stated in equity section of the balance sheets. Effects of this dual reporting of income statements which leads confusion are also discussed by examining cases from different countries and survey is conducted to BIST (Borsa Istanbul) 30 companies from Turkey.

Keywords: Income statement, comprehensive income statement, net income, dual reporting case, Turkey
Jel Code: M 41
DOI: 10.7176/EJBM/11-35-05
Publication date: December 31st 2019

1. Introduction
In recent years, society as a whole, through governmental and public groups, has become one of the largest and most important users of accounting information. Users who need accounting information to make decisions on public issues include tax authorities, regulatory agencies, and various other groups. (Needles et al.,2013)

International Accounting Standard- IAS 1 Presentation of Financial Statements sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content. The objective of IAS 1 is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

According to IAS 1 a complete set of financial statements includes:
- a statement of financial position (balance sheet) at the end of the period
- a statement of profit or loss and other comprehensive income for the period (presented as a single statement, or by presenting the profit or loss section in a separate statement of profit or loss, immediately followed by a statement presenting comprehensive income beginning with profit or loss)
- a statement of changes in equity for the period
- a statement of cash flows for the period
and notes, comprising a summary of significant accounting policies and other explanatory notes comparative information prescribed by the standard.

The paper is organized as follows. Section II briefly summarizes what is income statement and comprehensive income statement. Section III explains the data and methodology of the study and the results are presented in Section IV. Finally, Section V gives the conclusion.

2. Income Statement and Comprehensive Income Statement
As stated above companies have to prepare four financial statements according to IASB. One of them is income statement which summarizes the revenues earned and expenses incurred by a business over an accounting period. From the view of the investors it may be the most important financial report because it shows whether a business achieved its profitability goal—that is, whether it earned an acceptable income and whether it is worth to invest to this company. According to IAS 1 there are two types of income statement. A statement of profit or loss and other comprehensive income for the period (presented as a single statement, or by presenting the profit or loss section in a separate statement of profit or loss, immediately followed by a statement presenting comprehensive income beginning with profit or loss)

In June 1997, the Financial Accounting Standards Board (FASB) issued FAS130- “Reporting Comprehensive Income” in which comprehensive income concept came out. This is an extra income reporting and different from the traditional income statement. Under the traditional income concept-income statement,
extraordinary and nonrecurring gains and losses are excluded from income. This is an all-inclusive income concept—comprehensive income statement, in which all revenues, expenses, gains, and losses recognized during the period are included in income, regardless of whether they are considered to be operations of the period. After FASB International Accounting Standards Board (IASB) also introduced this issue in 2009.

Profit or loss is defined as "the total of income less expenses, excluding the components of other comprehensive income". Other comprehensive income is defined as comprising "items of income and expense (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by other IFRSs". Total comprehensive income is defined as "the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners". (IAS 1.) In order to calculate comprehensive income, for the period other comprehensive income items must be added to profit or loss of the period.

### Comprehensive Income for the Period

| Comprehensive income | Profit or loss | Other comprehensive income |
|----------------------|---------------|---------------------------|
| Net income (Loss)    | $1,446        | ($3,925)                  |
| Other Comprehensive Income: |             |                           |
| Cumulative change in accounting principle | - | 113 |
| Net change in securities | (4,270) | 5,759 |
| Net change in derivatives | (549) | (701) |
| Employee benefit plan adjustments | (444) | 145 |
| Net change in foreign currency translation | (108) | 237 |
| Total Other Comprehensive Income | (5,371) | $5,440 |

While the net income is -2.238 million dollars (loss), company declares 3.315 million dollars' comprehensive income for the year 2010. In this statement there are two income figures. For an investor which
income data will be taken in economic decisions is a very important issue.

Here is another example is given below which represents the dual income reporting difference. If company has material other comprehensive income or loss for the period, then there may be huge difference between these two income figures.

The related information is summarized below. As of December, 31, 2016 company declares -47,000,000 Turkish Liras (TL) net income (loss) and because of the huge other comprehensive income items, the total compressive income is -8204% percent of the net income information. (3,809,000,000 TL)

| Net Income (31.12.2016) | Comprehensive Income (31.12.2016) | Net Income (31.12.2016) | Comprehensive Income (31.12.2016) | Difference as percentage |
|--------------------------|----------------------------------|--------------------------|----------------------------------|-------------------------|
| -47,000,000              | 3,809,000,000                    | 100                      | -8104                            | -8204%                  |

3. Data Set and Methodology

The data for the study is obtained from Borsa Istanbul (http://www.borsaistanbul.com) which contains accounting and finance information of publicly-opened firms listed in Borsa Istanbul (BIST)- Istanbul Stock Exchange. The data set includes firms listing in ISE 30 Indices as of December 31, 2016 and the study is restricted for two years; 2015 and 2016. BIST30 consists of the largest and most liquid shares of leading 30
public companies. Because financial statements of one company lack of information, 29 firms are included in the study. The aim of the study is to investigate and see the difference of this dual income reporting of first 29 companies in Istanbul Stock Exchange.

The distribution of types of companies in this study are categorized as financial or nonfinancial are shown in Table 1, Table 2.

Table 1: The Data

| NAME OF THE COMPANY | FINANCIAL/NONFINANCIAL | SINGLE OR TWO STATEMENTS |
|---------------------|------------------------|--------------------------|
| AKBANK              | Financial              | Two Statements           |
| GARANTI BANKASI     | Financial              | Two Statements           |
| SISE CAM            | Nonfinancial           | Two Statements           |
| IS BANKASI          | Financial              | Two Statements           |
| TOFAS OTO. FAB.     | Nonfinancial           | Two Statements           |
| VAKIFLAR BANKASI    | Financial              | Two Statements           |
| TURKCELL            | Nonfinancial           | Two Statements           |
| KOC HOLDING         | Nonfinancial           | Two Statements           |
| PETKIM              | Nonfinancial           | Single                   |
| ARCELIK             | Nonfinancial           | Two Statements           |
| KARDEMIR           | Nonfinancial           | Single                   |
| ENKA INSAAT         | Nonfinancial           | Two Statements           |
| BIM MAGAZALAR       | Nonfinancial           | Single                   |
| SABANCI HOLDING     | Nonfinancial           | Two Statements           |
| SODA SANAYII        | Nonfinancial           | Two Statements           |
| T. HALK BANKASI     | Financial              | Two Statements           |
| TAV HAVALIMANLARI   | Nonfinancial           | Single                   |
| TUPRAS              | Nonfinancial           | Single                   |
| TEKFEN HOLDING      | Nonfinancial           | Two Statements           |
| TURK TELEKOM        | Nonfinancial           | Two Statements           |
| MAVI GIYIM          | Nonfinancial           | Single                   |
| ASELSAN             | Nonfinancial           | Two Statements           |
| DOGAN HOLDING       | Nonfinancial           | Two Statements           |
| YAPI VE KREDI BANK. | Financial              | Two Statements           |
| EREGLI DEMIR CELIK  | Nonfinancial           | Two Statements           |
| EMLAK KONUT GMYO    | Financial              | Single                   |
| OTOKAR              | Nonfinancial           | Single                   |
| ULKER BISKUVI       | Nonfinancial           | Two Statements           |
| TURK HAVA YOLLARI   | Nonfinancial           | Single                   |

According the data that is investigated in this study 24% of 29 companies are financial and 76% of them is nonfinancial company.

Table 2: Types of Companies

| Type             | Number of companies | Percentage |
|------------------|---------------------|------------|
| Financial        | 7                   | 24%        |
| Nonfinancial     | 22                  | 76%        |
| Total            | 29                  | 100%       |

According to IAS 1 companies can prepare single income statement which includes comprehensive income information or two separate income statements. (a statement of profit or loss and other comprehensive income for the period (presented as a single statement, or by presenting the profit or loss section in a separate statement of profit or loss, immediately followed by a statement presenting comprehensive income beginning with profit or loss). In this study this information is also investigated. The results presented in Table 3.

Table 3: Presentation Style

| Presentation Type | Number of companies | Percentage |
|-------------------|---------------------|------------|
| Single            | 9                   | 31%        |
| Two statements    | 20                  | 69%        |
| Total             | 29                  | 100%       |
4. Findings of The Study

In this study the data set includes firms listing in ISE 30 indices as of December 31, 2016 and the study is restricted for two years; 2015 and 2016. Since the financial statements of one company lack of information, available information of 29 companies is considered in the study. The aim of the study is to compare net income and the comprehensive income figures of these companies for the years 2015 and 2016.

In this study the net income information is for each company is represented as 100 and comprehensive income is calculated as a percentage of net income. This logic is conducted to each company and to each year (2015 and 2016) separately in order to see how these figures differ from each other.

| Name of the Company | Net Income (31.12.2015) | Comprehensive Income (31.12.2015) | Net Income (31.12.2016) | Comprehensive Income (31.12.2016) | Percentage Difference |
|---------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|----------------------|
| AKBANK              | 3.229.366.000            | 2.444.437.000                    | 100                      | 76                               | 0                    |
| GARANTI BANKASI     | 3.615.114.000            | 5.111.095.000                    | 100                      | 141                              | 0                    |
| SISE CAM            | 804.866.447              | 2.495.685.981                    | 100                      | 310                              | 210%                 |
| IS BANKASI          | 3.739.671.000            | 3.870.877.000                    | 100                      | 104                              | 4%                   |
| TOFAS OTO. FAB.     | 830.801.000              | 825.666.000                      | 100                      | 99                               | -1%                  |
| VAKIFLAR BANKASI    | 1.873.913.000            | 2.143.745.000                    | 100                      | 114                              | 14%                  |
| TURKCELL            | 1.905.790.000            | 1.505.391.000                    | 100                      | 79                               | -21%                 |
| KOC HOLDING         | 5.829.351.000            | 5.336.265.000                    | 100                      | 92                               | -8%                  |
| PETKIM              | 639.208.658              | 622.122.630                      | 100                      | 97                               | -3%                  |
| ARCELİK             | 892.993.000              | 847.240.000                      | 100                      | 95                               | -5%                  |
| KARDEMIR           | 21.436.461               | 874.724.461                      | 100                      | -4081                            | -4181%               |
| ENKA INSAAT         | 1.455.501.000            | 2.305.044.000                    | 100                      | 158                              | 58%                  |
| BIM MAGAZALAR       | 583.131.000              | 789.827.000                      | 100                      | 135                              | 35%                  |
| SABANCI HOLDING     | 4.421.082.000            | 3.722.965.000                    | 100                      | 84                               | -16%                 |
| SODA SANAYİI        | 441.073.019              | 678.149.796                      | 100                      | 154                              | 54%                  |
| T. HALK BANKASI     | 2.328.310.000            | 3.572.819.000                    | 100                      | 153                              | 53%                  |
| TAV HAVAİMALIARİ    | 604.732.000              | 928.064.000                      | 100                      | 153                              | 53%                  |
| TUPRAS              | 2.563.927.000            | 2.094.706.000                    | 100                      | 82                               | -18%                 |
| TEKFEN HOLDING      | 193.036.000              | 123.321.000                      | 100                      | 64                               | -36%                 |
| TURK TELEKOM        | 862.850.000              | 723.759.000                      | 100                      | 84                               | -16%                 |
| MAVİ GİYİM          | 33.452.943               | 33.975.733                       | 100                      | 102                              | 2%                   |
| ASELSAN             | 213.373.000              | 366.579.000                      | 100                      | 172                              | 72%                  |
| DOGAN HOLDING       | 172.994.000              | 138.490.000                      | 100                      | 80                               | -20%                 |
| YAPI VE KREDI BANK. | 1.908.728.000            | 3.272.738.000                    | 100                      | 171                              | 71%                  |
| EREĞLİ DEMRİ CELİK  | 1.162.309.000            | 3.636.990.000                    | 100                      | 313                              | 213%                 |
| EMLAK KONUT GMİYÖ   | 952.605.000              | 952.321.000                      | 100                      | 100                              | 0%                   |
| OTOKAR              | 79.506.151               | 80.911.723                       | 100                      | 102                              | 2%                   |
| ULKER BİSKUVİ       | 322.814.136              | 560.374.932                      | 100                      | 174                              | 74%                  |
| TURK HAVA YOLLARI   | 2.993.000.000            | 4.936.000.000                    | 100                      | 165                              | 65%                  |

Table 5: Findings for the year 2016

| Name of the Company | Net Income (31.12.2016) | Comprehensive Income (31.12.2016) | Net Income (31.12.2016) | Comprehensive Income (31.12.2016) | Percentage Difference |
|---------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|----------------------|
| AKBANK              | 4.854.179.000            | 5.077.376.000                    | 100                      | 105                              | 5%                   |
| GARANTI BANKASI     | 5.147.759.000            | 5.160.361.000                    | 100                      | 100                              | 0%                   |
| SISE CAM            | 1.040.028.635            | 1.500.989.697                    | 100                      | 144                              | 44%                  |
| IS BANKASI          | 5.682.858.000            | 5.325.615.000                    | 100                      | 94                               | -6%                  |
| TOFAS OTO. FAB.     | 970.228.000              | 740.160.000                      | 100                      | 76                               | -24%                 |
| VAKIFLAR BANKASI    | 2.792.446.000            | 2.709.957.000                    | 100                      | 97                               | -3%                  |
| TURKCELL            | 1.563.451.000            | 1.667.076.000                    | 100                      | 107                              | 7%                   |
| KOC HOLDING         | 5.276.386.000            | 5.097.897.000                    | 100                      | 97                               | -3%                  |
| PETKİM              | 731.687.346              | 736.556.529                      | 100                      | 101                              | 1%                   |
| ARCELİK             | 1.304.150.000            | 1.515.617.000                    | 100                      | 116                              | 16%                  |
| KARDEMİR           | - 123.877.113            | - 111.582.956                    | 100                      | 90                               | -10%                 |
| ENKA INSAAT         | 1.809.132.000            | 4.435.807.000                    | 100                      | 245                              | 145%                 |
| BIM MAGAZALAR       | 670.859.000              | 625.452.000                      | 100                      | 93                               | -7%                  |
## 5. Conclusion
Sir Arthur Lowes Dickinson (8 August 1859 – 28 February 1935) was a British chartered accountant in England and the United States of America helped organize the First International Congress of Accountants in Saint Louis, Missouri, in this Congress in 1904 he delivered a paper entitled "Profits (Income) of a Corporation". After 100 years, today’s, the accountants and accounting standard setters are still working on income and thinking about valuation and presentation styles.

From the perspective of the investors financial information especially net income information is very important and valuable in order to give the right economic decisions. In this dual reporting there are two income figures. For an investor which income data will be taken in economic decisions may be confusing. Since the main purpose of financial statements is giving information to decision makers, this information must be accurate and not lead to confusion. Although comprehensive income information is very important for an investor calculation of EPS (Earnings Per Share) is done by using net income figures. So that the most important figure for an investor is net income while the other (comprehensive income) is just informative. From this point of view presenting two separate income statement will be better informative than combined single income statement.

### References
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| Name of the Company      | Net Income (31.12.2016) | Comprehensive Income (31.12.2016) | Net Income 31.12.2016 | Comprehensive Income (31.12.2016) | Difference as percentage |
|--------------------------|--------------------------|-----------------------------------|------------------------|-----------------------------------|--------------------------|
| SABANCI HOLDING         | 5,547,146,000            | 5,822,517,000                     | 100                    | 105                               | 5%                       |
| SODA SANAYII            | 576,624,415              | 667,419,443                       | 100                    | 116                               | 16%                      |
| T. HALK BANKASI         | 2,539,456,000            | 2,441,448,000                     | 100                    | 96                                | -4%                      |
| TAV HAVAMANLARI         | 399,379,000              | 782,497,000                       | 100                    | 196                               | 96%                      |
| TUPRAS                  | 1,812,790,000            | 1,227,971,000                     | 100                    | 68                                | -32%                     |
| TEKFEN HOLDING          | 330,323,000              | 367,499,000                       | 100                    | 111                               | 11%                      |
| TURK TELEKOM            | -                        | 724,340,000                       | 100                    | 106                               | 6%                       |
| MAVI GIYIM              | 795,201,000              | 892,731,000                       | 100                    | 112                               | 12%                      |
| ASELSAN                 | -                        | 51,998,904                        | 100                    | 100                               | 0%                       |
| DOGAN HOLDING           | 233,886,000              | -                                 | 100                    | 9                                 | -91%                     |
| YAPI VE KREDI BANK.     | 2,932,860,000            | 3,034,788,000                     | 100                    | 103                               | 3%                       |
| EREGLI DEMIR CELIK     | 1,571,702,000            | 4,171,155,000                     | 100                    | 265                               | 165%                     |
| EMLAK KONUT GMYO        | 1,761,276,000            | 1,760,866,000                     | 100                    | 100                               | 0%                       |
| OTOKAR                  | 69,725,866               | 69,990,703                        | 100                    | 100                               | 0%                       |
| ULKER BISKUVI           | 242,004,730              | 381,331,661                       | 100                    | 158                               | 58%                      |
| TURK HAVA YOLLARI       | -                        | 47,000,000                        | 100                    | -8104                             | -8204%                   |

