

# 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

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## 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 for the period	income	=	Profit or loss	+	Other comprehensive income
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Examples of items recognized outside of profit or loss (IAS 1)

- Changes in revaluation surplus where the revaluation method is used under IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- Remeasurements of a net defined benefit liability or asset recognized in accordance with IAS 19 Employee Benefits (2011)
- Exchange differences from translating functional currencies into presentation currency in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates
- Gains and losses on remeasuring available-for-sale financial assets in accordance with IAS 39 Financial Instruments: Recognition and Measurement
- The effective portion of gains and losses on hedging instruments in a cash flow hedge under IAS 39 or IFRS 9 Financial Instruments
- Gains and losses on remeasuring an investment in equity instruments where the entity has elected to present them in other comprehensive income in accordance with IFRS 9
- The effects of changes in the credit risk of a financial liability designated as at fair value through profit and loss under IFRS 9.

An entity has a choice of presenting:

- a single statement of profit or loss and other comprehensive income, with profit or loss and other comprehensive income presented in two sections, or
- two statements:
  - a separate statement of profit or loss
  - a statement of comprehensive income, immediately following the statement of profit or loss and beginning with profit or loss [IAS 1.10A]

The statement(s) must present: [IAS 1.81A]

- profit or loss
- total other comprehensive income
- comprehensive income for the period

Under the revised presentation requirements including comprehensive income information Bank of America showed comprehensive income figures on either the face of the income statement or in a separate consecutive statement as follows, as it seen from the example there are two income data. (Peters, 2012)

<b>(Dollars in Millions)</b>	<b>12/31/11</b>	<b>EPS</b>	<b>12/31/10</b>	<b>EPS</b>
Net income (Loss)	\$1,446	\$0.01	\$(2,238)	\$(.37)
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	<u>(5,371)</u>		<u>\$5,440</u>	
<b>Comprehensive Income (Loss)</b>	<b><u>\$(3,925)</u></b>	<b><u>\$(.52)</u></b>	<b><u>\$3,315</u></b>	<b><u>\$20</u></b>

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%

**TÜRK HAVA YOLLARI ANONİM ORTAKLIĞI AND ITS SUBSIDIARIES**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the Year Ended 31 December 2016**  
 (All amounts are expressed in Million Turkish Lira (TRY) unless otherwise stated.)

	Audited	Audited
	1 January - 31 December 2016	1 January - 31 December 2015
<b>PROFIT OR LOSS</b>		
Sales Revenue	29,468	28,752
Cost of Sales (-)	(26,051)	(22,959)
<b>GROSS PROFIT</b>	<b>3,417</b>	<b>5,793</b>
General Administrative Expenses (-)	(948)	(740)
Marketing and Sales Expenses (-)	(3,493)	(3,129)
Other Operating Income	439	646
Other Operating Expenses (-)	(280)	(84)
<b>OPERATING (LOSS)/PROFIT BEFORE INVESTMENT ACTIVITIES</b>	<b>(865)</b>	<b>2,486</b>
Income from Investment Activities	420	286
Expenses from Investment Activities	(59)	(3)
Share of Investments' (Loss) / Profit Accounted by Using The Equity Method	130	226
<b>OPERATING (LOSS)/PROFIT</b>	<b>(374)</b>	<b>2,995</b>
Financial Income	1,074	1,450
Financial Expenses (-)	(698)	(534)
<b>(LOSS)/PROFIT BEFORE TAX</b>	<b>2</b>	<b>3,911</b>
Tax Income (Expense)	(49)	(918)
Current Tax Expense	(65)	(34)
Deferred Tax Income / (Expense)	16	(884)
<b>(LOSS) PROFIT FOR THE PERIOD</b>	<b>(47)</b>	<b>2,993</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Items That May Be Reclassified Subsequently To Profit or Loss	3,870	1,946
Currency Translation Adjustment	2,849	2,469
Fair Value Gains on Hedging Instruments Entered into for Cash Flow Hedges	1,262	(657)
Fair Value Gains/(Losses) Hedging Instruments of Investment Accounted by Using the Equity Method Entered into for Cash Flow Hedges	14	3
Income Tax Relating Items That May Be Reclassified Subsequently to Profit or Loss	(255)	131
Items That Will Not Be Reclassified Subsequently To Profit or Loss	(14)	(3)
Actuarial Gains on Retirement Pay Obligation	(18)	(4)
Income Tax Relating Items That Will Not Be Reclassified Subsequently to Profit or Loss	4	1
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,856</b>	<b>1,943</b>
<b>TOTAL COMPREHENSIVE (EXPENSE) / INCOME FOR THE PERIOD</b>	<b>3,809</b>	<b>4,936</b>

### 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%
<b>Total</b>	<b>29</b>	<b>100%</b>

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%
<b>Total</b>	<b>29</b>	<b>100%</b>

#### 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.

**Table 4: Findings for the year 2015**

Name of the Company	Net Income (31.12.2015)	Comprehensive Income (31.12.2015)	Net Income (31.12.2015)	Comprehensive Income (31.12.2015)	Difference as percentage
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%
ARCELIK	892.993.000	847.240.000	100	95	-5%
<b>KARDEMIR</b>	<b>- 21.436.461</b>	<b>874.724.661</b>	<b>100</b>	<b>-4081</b>	<b>-4181%</b>
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 SANAYII	441.073.019	678.149.796	100	154	54%
T. HALK BANKASI	2.328.310.000	3.572.819.000	100	153	53%
TAV HAVALIMANLARI	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%
MAVI GIYIM	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%
EREGLI DEMIR CELIK	1.162.309.000	3.636.990.000	100	313	213%
EMLAK KONUT GMYO	952.605.000	952.321.000	100	100	0%
OTOKAR	79.506.151	80.911.723	100	102	2%
ULKER BISKUVI	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)	Difference as percentage
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%
PETKIM	731.687.346	736.556.529	100	101	1%
ARCELIK	1.304.150.000	1.515.617.000	100	116	16%
KARDEMIR	- 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%

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 HAVALIMANLARI	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	- 765.888.000	100	106	6%
MAVI GIYIM	51.813.223	51.998.904	100	100	0%
ASELSAN	795.201.000	892.731.000	100	112	12%
DOGAN HOLDING	- 233.886.000	- 20.090.000	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%
<b>TURK HAVA YOLLARI</b>	<b>- 47.000.000</b>	<b>3.809.000.000</b>	<b>100</b>	<b>-8104</b>	<b>-8204%</b>

## 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, 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.

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