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THE DEVELOPMENT OF OTHER COMPREHENSIVE INCOME 2008-2013

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***Abstract**: This study is based on the revised (2007) version of IAS 1, which changes the reporting practice of OCI components. The purpose of this study is to examine the extent of OCI and its components. The results are aimed to shed light on the significance of OCI and CI as an additional reporting instrument besides net income.*
It is based on descriptive data from 2008 to 2013, which covers data during the financial meltdown in 2008 and sheds light on impacts of the amendment of IAS 1 (2007). The data was gathered from the annual financial report of the EuroStoxx50 companies. On basis of this extensive empirical evidence the author tries to provide additional theoretical background to point out the importance of OCI and CI as additional earning measures.
The empirical data suggests a high relevance of OCI and consequently CI for financial statements users. Although OCI and its components vary considerably between different firms in the same business year as well as between the same firms in different business years, generally the study shows that the items "FX" and "AfS" are decisive for the extent of OCI. Furthermore the study reveals an especially high impact of the subprime crisis on OCI.
High values of overall OCI compared to net income are evidence for the importance of OCI and suggest that investors should reflect these earnings in their decision making process. Further analysis therefore may investigate how OCI should be presented. Moreover capital markets research should investigate if the extreme impact of the financial crisis on overall OCI was reflected in investor's decision making.

***Keywords**: IFRS, Comprehensive Income, Other Comprehensive Income, IAS 1, OCI components*

Introduction

Regulations for income statements in international accounting are becoming increasingly complex, but also increasingly important. The question as to the best possible way to present results (which is known as "performance reporting") has been discussed for a long time now within the framework of the Financial Statement Presentation Project. This is being jointly carried out by the IASB and the FASB (for an overview of the current FSP projects, see project page IASB, 2014).

Phase A of the FSP Project concluded with the publication of IAS 1 in 2007 (revised 2007).[1] It determined which items of an annual performance report have to be included in a complete financial statement. It also revised the rules for the presentation of other comprehensive income (OCI) and expanded the scope of the disclosure requirements to make it correspond to that of US-GAAP (for a discussion of the existing differences between IFRS and US-GAAP see Haller and

Schloßgangl, 2003, p. 317; Lachnit and Müller, 2005, p. 1637). This goal was, however, not attained by an alteration of the accounting and valuation methods, but merely by a change in the performance report.[2] IAS 1 (revised 2007) requires that all of the items in the annual performance report have to be included in a statement of comprehensive income (CI). It has been and still is possible to choose between a single statement (the terms one statement approach and single statement approach are synonyms – they are used as such in the literature and in this article as well) and a two statement approach.[3]

To sum it up, IAS 1 (revised 2007) made it obligatory to reveal additional information in order to enhance the transparency of the annual performance reports. That constituted an important step towards the international unification of financial reporting.

Within the framework of Phase B the questions of the disclosure of financial information and the manner in which it is to be presented were discussed in depth. In Phase B the major focus was on (for project updates see IASB, 2014):

- the development of principles for the aggregation and disaggregation of information in all sections of the annual performance report,
- the definition of the total amounts and subtotals that have to be disclosed in the various sections of the annual performance reports,
- the decision as to whether the direct or indirect presentation method should be required in the cash flow statement.

The first results were revealed in the discussion paper "Preliminary Views on Financial Statement Presentation", which was published on 16th October 2008 (IASB, 2008). After that it was possible to complete one aspect of Phase B earlier than had been foreseen. It concluded with the publication of the IAS 1 amended 2011.[4]

Phase C is the last phase of the project, but the work on it has not yet begun. It focusses on the extent and the form of presentation of interim financial statements. The FASB has firmly anchored this project phase in its agenda, but the IASB has not yet decided whether it will revise IAS 34.

The current article intends to demonstrate the increasing significance of OCI by highlighting how OCI has changed over the course of time since 2008. Its aim is to emphasize the importance of uniform and consistent regulations for statements of comprehensive income (CI) and for the analyses of annual performance reports. Before presenting the empirical results of the conducted study a theoretical overview shall be presented to the further understanding of the underlying issue and to provide a theoretical foundation for the empirical investigation.

Financial statement presentation according to IFRS

According to international accounting standards it is possible to list certain results (expenses and income) as equity; consequently they are not included in the profit or loss statement. This is due to the manner in which results are regarded in the current operating performance concept (Coenenberg *et al.*, 2012, p. 506). According to this concept the accounting results are only based upon the normal operating items. That means, in the ideal case only the components of the usual business activity are included in net income (NI). All of the components which are not typical for the enterprise or are irregular in respect to the amounts involved, their frequency or their occurrence is included in other comprehensive income (OCI). They thereby have no effect on net income (NI), and therefore are regarded as income-neutral reporting. The central argument of the proponents of this system is that only regularly recurring components of success, which are quantifiable in the long term, should be included in net income (NI). This makes net income (NI) more predictable and easier to study (Holzer and Ernst, 1999, p. 356).

This advantage, however, contains a significant disadvantage. Distinguishing between recurring and non-recurring components can be problematic. It is generally difficult to decide whether a profit component should be listed as net income (NI) or other comprehensive income (OCI). It has not yet been possible to construct a universally valid system to determine which revenues and expenses should be recognized in net income (NI) and which should be allocated to other comprehensive income (OCI).[5] As a result OCI remains unaltered in its previous form. An effort is, however, being made to alleviate this problem by making changes in reporting techniques. Since 1st January 2009 it has been mandatory to report OCI in the profit or loss statement.

Net income (NI)

At the end of the income statement the net income is shown (Holzer and Ernst, 1999, p. 358). The NI is therefore the sum of the results in the income statement. Together with the changes that do not affect the income, which are listed under OCI, it yields the total comprehensive income (CI). The OCI cannot, however, directly be regarded as "profit" (Coenenberg *et al.*, 2012, p. 1044). This and other particularities will be discussed in the following section.

Other comprehensive income (OCI)

The designation OCI shows the different nature of the profits and losses, but gives no indication of the nature of the partial performance data items. This imperfect terminology might have originated from the unclear definition of OCI, since there is no unitary conceptual basis for determining which profits and losses are to be included in that category (Thinggaard *et al.*, 2006, p. 40). IASB has not yet succeeded in defining clear and unambiguous criteria for the differentiation between income and expenses reported in profit or loss (NI) versus income and expense recognized in other comprehensive income (OCI) (Haller and Schloßgangl, 2005, p 284). Such criteria would specify what kind of changes in the net value of a company would be attributed in OCI and which would be included in NI (Haller and Schloßgangl, 2003, p. 319; EFRAG, 2006, p. 11). One possibility for differentiating income components currently discussed by the scientific accounting community would be to differentiate results according to the degree to which they have been realized (for the discussion compare for example Cearns, 1999; Holzer and Ernst, 1999, p. 358; Haller and Schloßgangl, 2003, p. 319; Kerkhoff and Diehm, 2005, p. 346; Antonakopoulos, 2010, p. 121). However this distinction is, neither consistently applied in IFRS nor US-GAAP, since in both accounting systems partial results that are derived from unrealized changes in profits and losses are included in net income (NI) (for example according to IAS 39, IAS 40 or IAS 41, some profits and losses resulting from changes in fair value are included in the statement of net income independently of the extent to which they have been realized).

The following list shows items which are currently reported in OCI (IAS 1.7):

- Profits and losses resulting from the revaluation of tangible assets used for business operations (IAS 16) and intangible assets (IAS 38)
- Actuarial profits and losses resulting from defined benefit pension plans (IAS 19)
- Profits and losses resulting from the conversion of foreign currency in the consolidated financial statement (IAS 21)
- Profits and losses resulting from the revaluation of financial assets that are available for sale (IAS 39)
- The effective portion of the profits and losses resulting from cash flow hedges (IAS 39)

In addition, OCI profits and losses of companies that are accounted for by means of the equity method are included in OCI. In respect to the tax effects of OCI items, it is possible to present the items according to their taxes or to list them as separate items, in which the sum of the taxes on profits is listed as a consolidated sum (IAS 1.90).

One statement approach versus two statement approach

Currently two alternative methods for reporting the performance indicators CI, NI and OCI are permitted. One of them is the single statement approach, in which all the revenues and expenditures are shown in a single income statement. The second possibility is the two statement approach, which retains the traditional income statement, but at the same time sets up a second kind of statement of profits and losses. It starts with NI and proceeds adding or subtracting components of OCI to finally conclude in CI (IAS 1.81A). In the following sections both of these presentation alternatives will be discussed in more detail.

The two statement approach is more frequently used by enterprises than the single statement approach (in literature sources it is explicitly advised to refrain from resorting to a single statement approach*;* for example, Küting and Reuter, 2009, p. 49). A major reason for the selection of this presentation format is the reporting of net income (NI) in the form of a traditional income statement, accompanied by a subsequent transition from NI to CI by considering the components of OCI. By employing this concept the so-called bottom line, the net income (NI) is retained. This bottom line always gives rise to discussions, because a large proportion of the companies which report, as well as the interest groups to whom these reports are addressed, insists on retaining the net income as a concluding figure (some examples of the discussion are Holzer and Ernst, 1999, p. 365; Kerkhoff and Diehm, 2005, p. 344; Antonakopoulos, 2007, p. 29). This manner of reporting, however, also has disadvantages. The inclusion of certain income components that are outside the scope of the “normal” income statement can appear confusing and contradictory and make the credibility of the entire income statement seem dubious (Antonakopoulos, 2007, p. 29).

If the statement of consolidated income is presented according to the single statement approach, that leads to a degradation of NI to an intermediate result. That is, as already mentioned, the primary criticisms of the single statement approach. Critics should, however, remember that the traditional income statement is oriented towards a system of accounting which employs the ratio of the amortized acquisition costs to the production costs as valuation basis. The complexity of the business transaction is increased by the enhanced time assessment, which makes the completion of the statement of profit and loss more challenging. Additional classification principles and intermediate sums have to be considered (Cearns, 1999, p. ii). However, this disadvantage is associated with an important advantage. By presenting the overall

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corporate success in one statement all of the components of that success experience equal treatment. All of the interrelated and comparable constituent parts are thereby reported together (Cearns, 1999, p. 19). When all of the sources of profit and loss are summed up in one single figure the integrity of the performance report is enhanced, since this value represents the entire change in equity for the period in question, except for transactions with shareholders. That means that there is a clear connection between the account of profits and losses and the balance sheet (AAA, 1997, p. 122).

In summary, both forms of presentation have advantages and disadvantages. Using two profit and loss accounts in the sense of a two statement approach bears the risk to attribute greater importance to one performance indicator than justified (in most cases the traditional income statement achieves more attention compared to the statement of comprehensive income). That could lead to problems in interpretation (Cearns, 1999, p. 19). Therefore it is clear that an obligatory statement of consolidated income on the basis of a single statement approach can yield results of higher quality (Antonakopoulos, 2007, p. 29). If this kind of statement contains reasonable intermediate sums and offers a proper disaggregation of the results, the various interest groups it is addressed to can independently estimate the significance of the individual profit and loss items according to their own needs (Bogajewskaja, 2006, p. 1157; Antonakopoulos, 2007, p. 30).

Empirical study

All data was gathered manually, as an evaluation of the notes was partly necessary. In particular, the elicitation of the tax effects of the individual OCI-items exposed as challenging as they can be optionally classified in the statement of comprehensive income or in the notes (IAS 1.90). Due to the different classification possibilities a detailed analysis of the notes was necessary in order to identify the tax effects and correct the declared OCI-components, if a company does not depict the tax effects in the statement of comprehensive income (net result). Since comparing enterprises with different disclosures of tax effects would not be possible, as values inclusive tax effects and values exclusive tax effects would have been opposed. As a result of these circumstances a smaller sample of enterprises were chosen for the present investigation.

The companies examined in the study

The following empirical analysis includes all enterprises that were listed in EuroStoxx 50 and which prepared their consolidated financial statements on the basis of IFRS between 2008 and 2013 (two companies have different business years than the others: Inditex und Siemens). This is dealt with by allocating a business year to the calendar year with which it coincides to the greatest extent (> 6 months). It therefore comprises 50 companies, 49 of which presented their statements in euros and one of which did so in USD.[6] Because of missing disclosures concerning tax-effects, four companies (Air Liquide, Axa, ING GRP, Unibail-Rodamco) were excluded from data set. In addition, another five companies (ASML Holding, Danone, Enel, Intesa, Unicredit) were excluded due to missing notes in 2008. The following tables show the distribution of the companies according to the industries (for the classification of the examined the same categories as those used by the Vienna Stock Exchange (2014) were employed) in which they are involved and the countries in which the companies are located:

Table 1: Distribution of EuroStoxx 50 companies according to industry

Branch	2008	2009	2010	2011	2012	2013
Basic industries	8	8	8	8	8	8
Industrial goods and services	4	4	4	4	4	4
Consumer goods	8	8	9	9	9	9
Consumer services	3	3	3	3	3	3
Health sector	2	2	2	2	2	2
Utility sector	4	5	5	5	5	5
Financial sector	8	10	10	10	10	10
Technology and telecommunications	4	5	5	5	5	5
Sum	*41*	*45*	*46*	*46*	*46*	*46*

Table 2: Distribution of EuroStoxx 50 companies according to country

Country	2008	2009	2010	2011	2012	2013
Belgium	1	1	1	1	1	1
Germany	14	14	14	14	14	14
France	15	15	16	16	16	16
Ireland	1	1	1	1	1	1
Italy	2	5	5	5	5	5
Netherlands	2	3	3	3	3	3
Spain	6	6	6	6	6	6
Sum	*41*	*45*	*46*	*46*	*46*	*46*

Presentation of NI, OCI and CI

First of all, it was ascertained whether the enterprise reported its net income (NI), other comprehensive income (OCI) and comprehensive income (CI) according to the one statement or two statement approach. This is especially interesting because of the suggested changes of the IASB in 2010 (IASB, 2010b). At that time there was already great resistance within the accounting community to making single statement reporting obligatory. Due to the submission of a large number of comment letters about this proposal, the IASB decided to retain the old system of allowing each company to choose its reporting form (see IAS 1.BC49ff and IAS1.BC54A-I). Table 3 makes it clear how unpopular the single statement approach was in the years from 2008 to 2013. As can be seen, no company of EuroStoxx 50 used the one statement approach.

Table 3: Employment of single statement or two statement approach

	2008	2009	2010	2011	2012	2013
Employment of single statement approach	0	0	0	0	0	0
Employment of two statement approach	50	50	50	50	50	50

Frequency of the individual OCI items

The next step was the evaluation of the frequency of the individual OCI items. In 2008 the enterprises that were studied reported between three and seven of them – on average 4.16. That number remains stable over the course of time; the average was 4.82 in 2011 and about 5.22 in 2012 and 2013. In addition, it can be seen that the revaluation reserve (according to IAS 16 and IAS 38) was seldomly employed (usually one time). This can be generally attributed to the subordinate importance of the revaluation reserves (as far as the practical significance of the revaluation method is concerned, Küting *et al.*, 2007, p. 505).

Table 4: OCI items in the years 2008 to 2013

	2008		2009		2010		2011		2012		2013	
	absolute	relative	absolute	relative	absolute	relative	absolute	relative	absolute	relative	absolute	relative
AfS	36	72%	40	80%	41	82%	41	82%	41	82%	41	82%
Cash flow hedges	39	78%	44	88%	45	90%	45	90%	44	88%	44	88%
Revaluation	2	4%	1	2%	1	2%	1	2%	1	2%	1	2%
Actuarial results	21	42%	24	48%	25	50%	24	48%	44	88%	44	88%
Currency conversion	41	82%	45	90%	46	92%	46	92%	46	92%	46	92%
Effects of taxes	41	82%	44	88%	46	92%	46	92%	46	92%	46	92%
at equity	11	22%	20	40%	22	44%	22	44%	27	54%	26	52%
Other	17	34%	15	30%	15	30%	16	32%	12	24%	12	24%
Sum	208		233		241		241		261		260	
Average/Company	4,16		4,66		4,82		4,82		5,22		5,20	

In a following step the OCI items for the individual years were presented in a more detailed manner in order to determine their positive or negative effects on the CI. In this regard it can be reported that the number of negative OCI items was much larger in 2008 than in 2009. That was primarily due to the influence of the financial crisis. This positive development in 2009 was reduced in the following years.

Table 5: Number of OCI items in 2008 and 2009

	AfS		Cash flow hedges		Revaluation		Actuarial results		Foreign exchange		Tax effects		At equity		Other	
	2008	2009	2008	2009	2008	2009	20 08	2009	2008	2009	2008	2009	2008	2009	2008	2009
Number of items	*35*	*40*	*39*	*44*	*2*	*1*	*21*	*24*	*41*	*45*	*41*	*41*	*11*	*11*	*17*	*23*
Positive ones	3	38	17	20	2	0	2	4	8	27	36	36	1	1	7	7
Negative ones	32	2	22	24	0	1	19	20	33	18	5	5	10	10	10	10

For the years 2010 and 2011 a downward movement can be seen. However, in 2012 this downward movement is reducing again.

Table 6: Number of OCI items in 2010 and 2011

	AfS		Cash flow hedges		Revaluation		Actuarial results		Foreign exchange		Tax effects		At equity		Other	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Number of items	*41*	*41*	*45*	*45*	*1*	*1*	*25*	*24*	*46*	*46*	*46*	*46*	*22*	*22*	*14*	*15*
Positive ones	18	10	18	14	1	1	2	1	45	26	37	35	11	6	9	6
Negative ones	23	31	27	31	0	0	23	23	1	20	9	11	11	16	5	9

This development continues, thus an increase of the negative OCI-items can be identified again for 2013.

Table 7: Number of OCI items in 2012 and 2013

	AfS		Cash flow hedges		Revaluation		Actuarial results		Foreign exchange		Tax effects		At equity		Other	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Number of items	*41*	*41*	*44*	*43*	*1*	*1*	*44*	*44*	*46*	*46*	*45*	*45*	*27*	*26*	*10*	*11*
Positive ones	32	26	22	30	1	1	0	35	14	0	30	7	13	8	5	5
Negative ones	9	15	22	13	0	0	44	9	32	46	15	38	14	18	5	6

All these developments show a cyclical progression of the OCI-items. For example, if we regard the currency conversion item more detailed an up- and downward movement can be identified over the course of time (2008-2013 positive: 8-27-45-26-14-0 and 2008-2013 negative: 33-18-1-20-32-46). Hence, in 2008 there were only eight positive positions. This number increased significantly in 2009 and 2010, however tumbled again in 2011. The development of the years 2012 and 2013 must be emphasized. There a reduction of the positive positions to zero in 2013 took place.

Ratio of OCI to NI, CI and equity

The effects of OCI, which were often considerable, were revealed by the following analysis. It shows that the isolated consideration of net income (NI) can lead to a distorted view of the profit situation of an enterprise. For example, in 2008 Philips Electronics reported an OCI with an absolute value (these are absolute values; that means that it is not indicated whether they are positive or negative) equivalent to 2,402.00% of the net income (NI). By considering the fact that this was a negative OCI, the significance of the problem becomes even clearer. The finance service firm BCO Santander has an exorbitantly high negative OCI that is equivalent to 71,721.00% of its CI (the largest proportion of it came from the currency conversion item, which changed from negative in 2008 to positive in 2009). For that reason the evaluation is also presented without this extreme value. A comparison with the year 2009 shows the influence of the financial crisis, since the extreme values which are relevant for the CI are then significantly lower.

Table 8: OCI in relation to NI and CI in 2008 and 2009

	2008		2009	
	Ratio OCI to NI (absolute)	Ratio OCI to CI (absolute)	Ratio OCI to NI (absolute)	Ratio OCI to CI (absolute)
Average	157.00%	1,916.00%	38.00%	38.00%
Median	55.00%	80.00%	22.00%	20.00%
Min.	3.00%	3.00%	0.00%	0.00%
Max.	**2,402.00%**	**71,721.00%**	**192.00%**	**236.00%**
Standard deviation	378.00%	11,041.00%	45.00%	55.00%

Table 9: OCI in relation to NI and CI in 2008 without BCO Santander

Average	167.00%
Median	68.00%
Min.	3.00%
Max.	1,676.00%
Standard deviation	280.00%

In 2010 and 2011 a general reduction in maximum values (ratio OCI to NI) can be seen.

Table 10: OCI in relation to NI and CI in 2010 and 2011

	2010		2011	
	Ratio OCI to NI (absolute)	Ratio OCI to CI (absolute)	Ratio OCI to NI (absolute)	Ratio OCI to CI (absolute)
Average	39.00%	26.00%	33.00%	62.00%
Median	22.00%	20.00%	21.00%	23.00%
Min.	1.00%	1.00%	2.00%	2.00%
Max.	**392.00%**	**134.00%**	**191.00%**	**531.00%**
Standard deviation	64.00%	27.00%	38.00%	125.00%

When we consider the years 2012 and 2013, we see a general increase in the maximum values again. For the maximum value regarding the ratio OCI to NI Assucurazioni was responsible (1,184%) as well as ENI when comparing OCI to CI (1,617%) in 2012. In 2013 BCO Santander listed the highest OCI to CI ratio (1,524%). Through this general rise the average, median and standard deviation grew as well.

Table 11: OCI in relation to NI and CI in 2012 and 2013

	2012		2013	
	Ratio OCI to NI (absolute)	Ratio OCI to CI (absolute)	Ratio OCI to NI (absolute)	Ratio OCI to CI (absolute)
Average	83.00%	124.00%	43.00%	190.00%
Median	32.00%	35.00%	27.00%	37.00%
Min.	0.00%	0.00%	1.00%	1.00%
Max.	**1,184.00%**	**1,617.00%**	**268.00%**	**1,524.00%**
Standard deviation	194.00%	281.00%	47.00%	376.00%

We can sum up the development and the influence of OCI in the following manner: In 2008 the OCI exceeds the NI in 14 cases, whereby the difference is sometimes considerable. Besides, the OCI is negative in 36 cases. In 2009, in contrast, the OCI is positive in 30 cases and it only exceeds the NI in four cases. This trend continues in 2010; the OCI is positive in 36 cases and it is only greater than the NI in four instances. In 2011 the OCI is 14 times positive and it is only three times greater than the NI. In 2012 there is slight trend upward to seven times and in 2013 it is only greater than the NI in three instances.

The next step involved the determination of the ratio of OCI to equity. To do so the individual items of which OCI is comprised of were added together, irrespective of whether they

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were positive or negative. This was done so that the positive and negative items would not cancel each other out. Regarded in this manner, the cumulated OCI items were seen to constitute a considerable proportion of the equity. The tendency to underestimate their importance is enhanced when cumulated sums with different signs (plus and minus) are presented (Haller *et al.*, 2008, p. 322). In both of the preceding evaluations (the ratio of the OCI to the NI and to the CI) the reported values were taken from the annual performance reports and were used as absolute values.

Table 12: OCI items in relation to equity

	2008	2009	2010	2011	2012	2013
Average	15.41%	6.32%	7.56%	7.87%	9.06%	8.84%
Median	9.05%	4.87%	6.18%	4.24%	5.87%	6.98%
Min.	1.09%	0.73%	1.17%	0.34%	0.30%	1.72%
Max.	71.11%	27.39%	52.59%	101.07%	39.11%	29.15%
Standard deviation	14.35%	5.23%	7.83%	14.85%	8.80%	6.19%

The ratio of OCI to equity decreased over the course of time. In 2008 large maximum values were still being reported; for example 71.11% by Allianz, 56.82% by Unilever NV and 35.95% by Telefonica. In 2009 and 2010, in contrast, the maximum values were 52.59% by Allianz and 20.67% by Phillips-Electronics. In 2011 there is only one really high value of 101.07% by ASML Holding. In 2012 and 2013 a further decrease of the maximum values can be regarded.

Composition of the OCI from 2008 to 2013

The following table shows the absolute dimensions of the individual items included in OCI over the course of time; it is not indicated whether they are positive or negative.

Table 13: Composition of OCI from 2008 to 2013

In millions of euros	AfS	Cash flow hedges	Revaluations	Actuarial results	Foreign exchange	Effect of taxes	At equity	Other
2008	**54.656,97**	**20.266,97**	**513,00**	14.428,08	38.392,30	14.763,20	1.976,56	**1.353,89**
2009	23.216,12	11.528,21	53,00	10.594,65	20.992,77	9.341,48	1.516,64	2.884,12
2010	16.325,39	11.734,64	206,00	10.623,53	48.386,70	9.039,92	2.211,11	1.024,94
2011	22.725,86	12.222,09	25,00	12.021,18	19.342,30	11.177,66	2.168,24	1.976,08
2012	42.943,77	14.810,10	85,00	**44.689,95**	15.485,00	**19.162,78**	2.518,07	231,21
2013	17.701,89	14.564,20	369,00	19.867,61	**57.759,89**	12.583,23	**4.653,81**	128,43

In four of the eight cases considered here the maximum values were attained in 2008. That is not surprising, since the financial crisis played an important part. This can be clearly seen in the changes in AfS reserves; 32 of the 35 companies reported negative AfS reserves, since the crisis led to significant losses in the financial instruments sector.

The following diagrams (absolute values were employed to prevent individual positive and negative values from cancelling each another out) show the development of the individual OCI items over the course of time. That of the item “changes in foreign exchange rates” is particularly striking: It increased from 26% in 2008 to 49% in 2010, and then fell back down to 11% in 2012 and increased again in 2013 to 45%. The development of the item “AfS” also deserves to be mentioned. While 37% were reported in 2008, the ratio decreased to 29% in 2009 and then fell back to 16% in 2010, increased in 2011 to 28% and 31% in 2013 and decreased again to 14% in 2013. At the item „actuarial results“ a relative constant development can be observed from 2008 to 2011. Then in 2012 the share climbed up to 32%, whereas it declined to 16% in 2013.

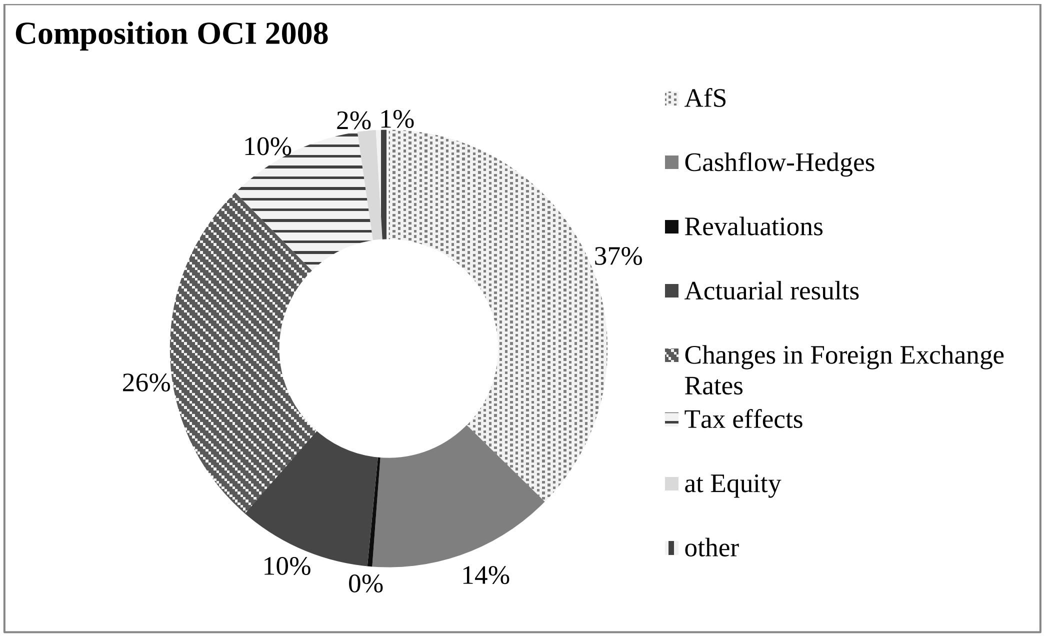

Fig. 1: Composition of OCI in 2008

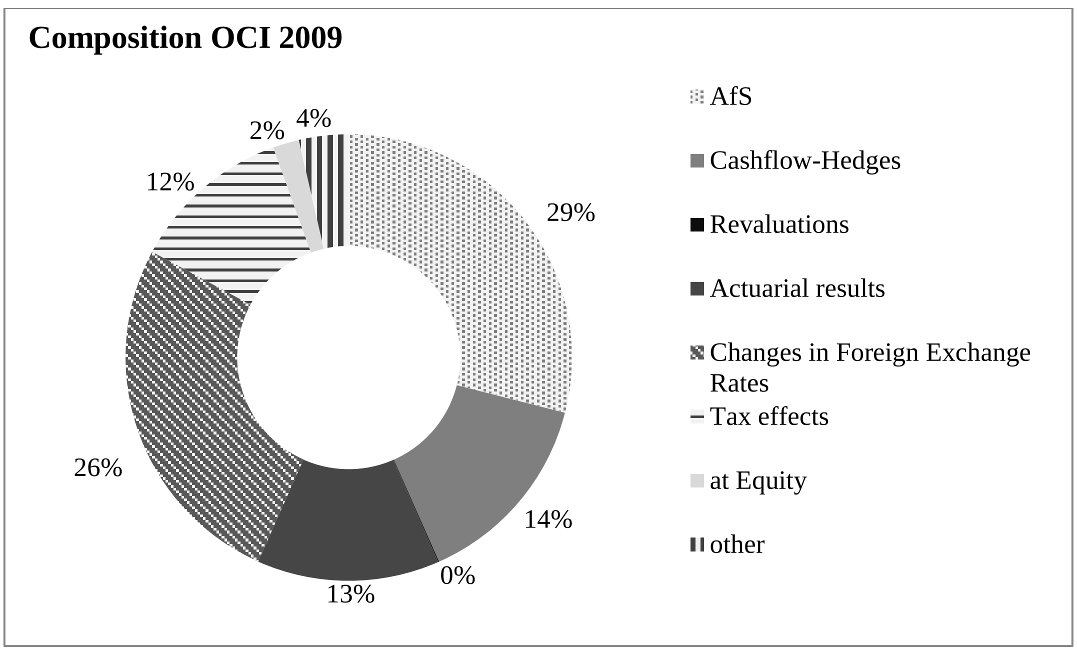

Fig. 2: Composition of OCI in 2009

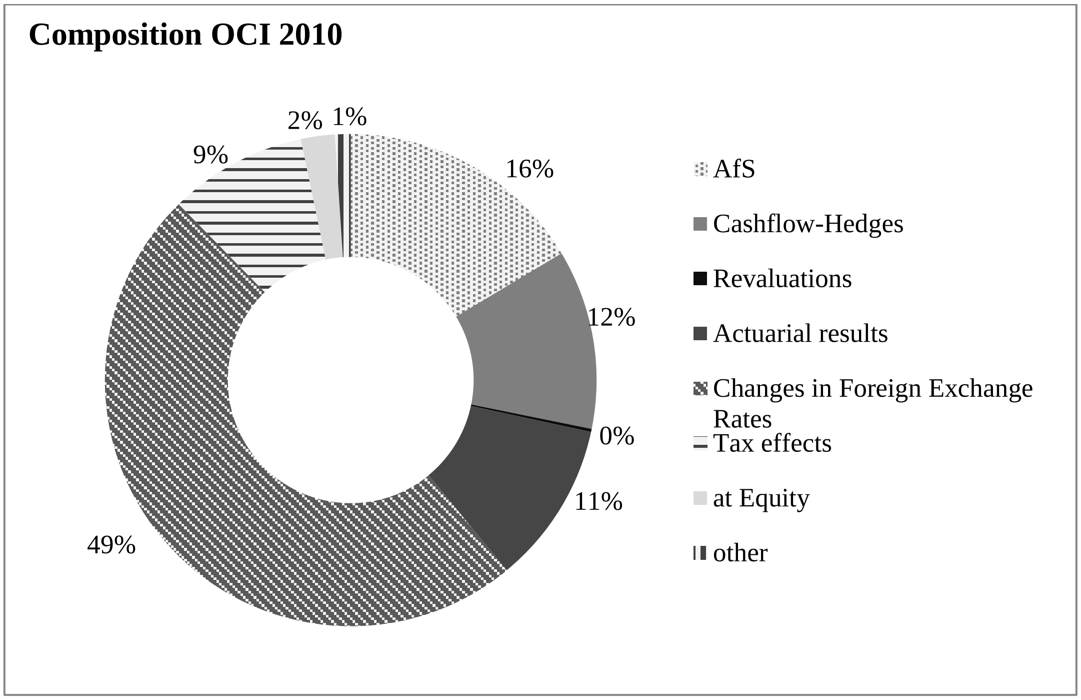

Fig. 3: Composition of OCI in 2010

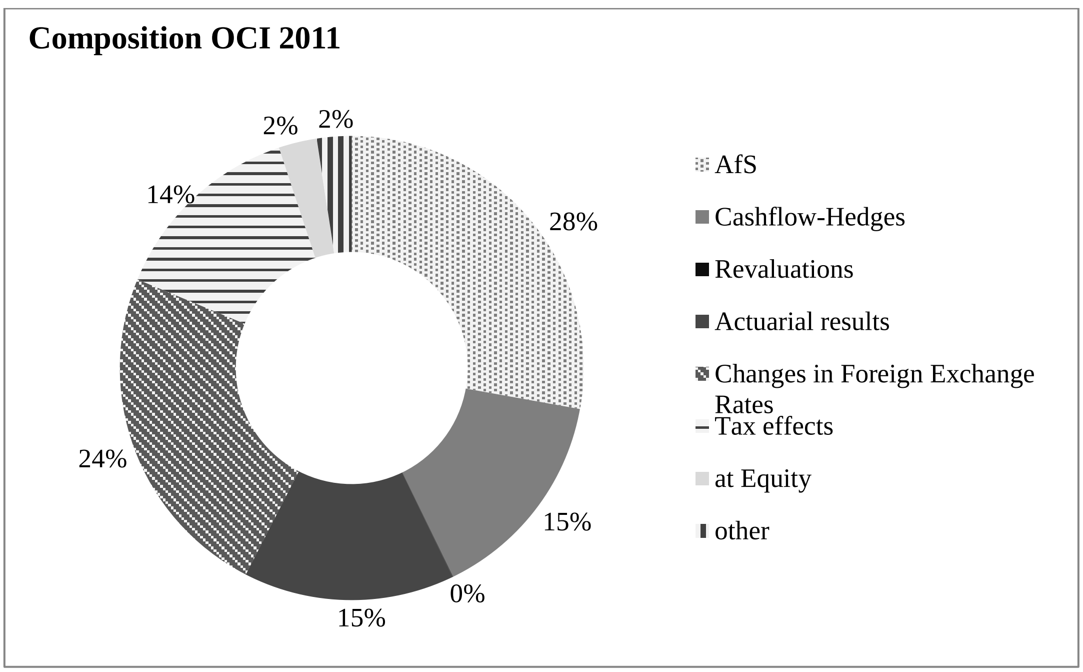

Fig. 4: Composition of OCI in 2011

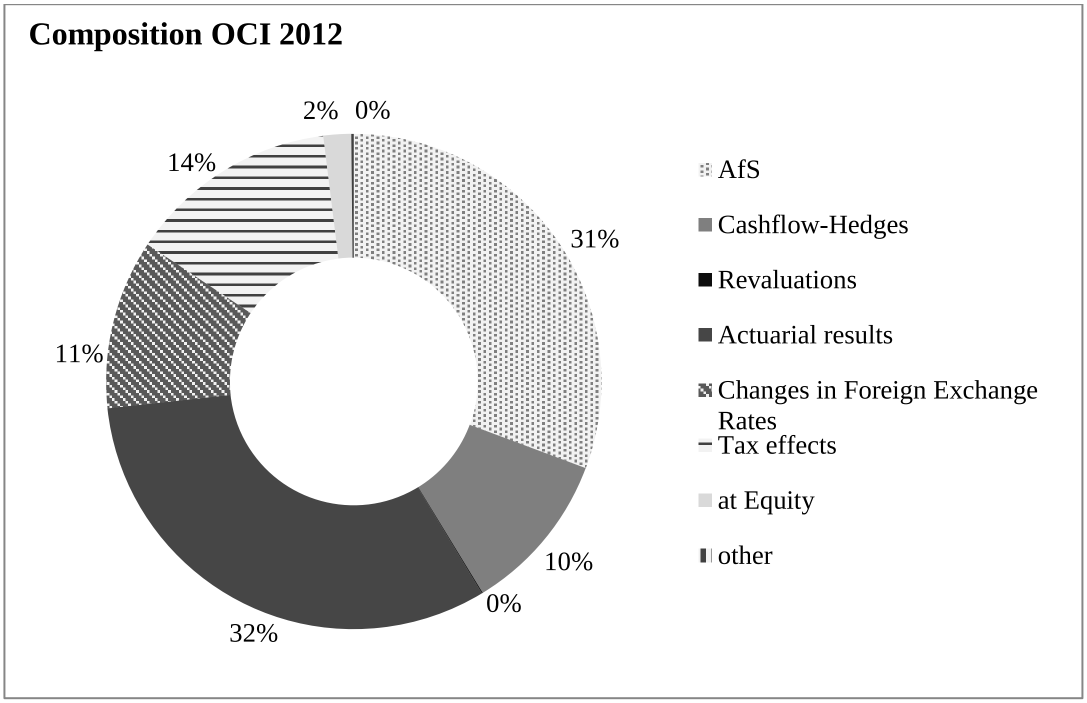

Fig. 5: Composition of OCI in 2012

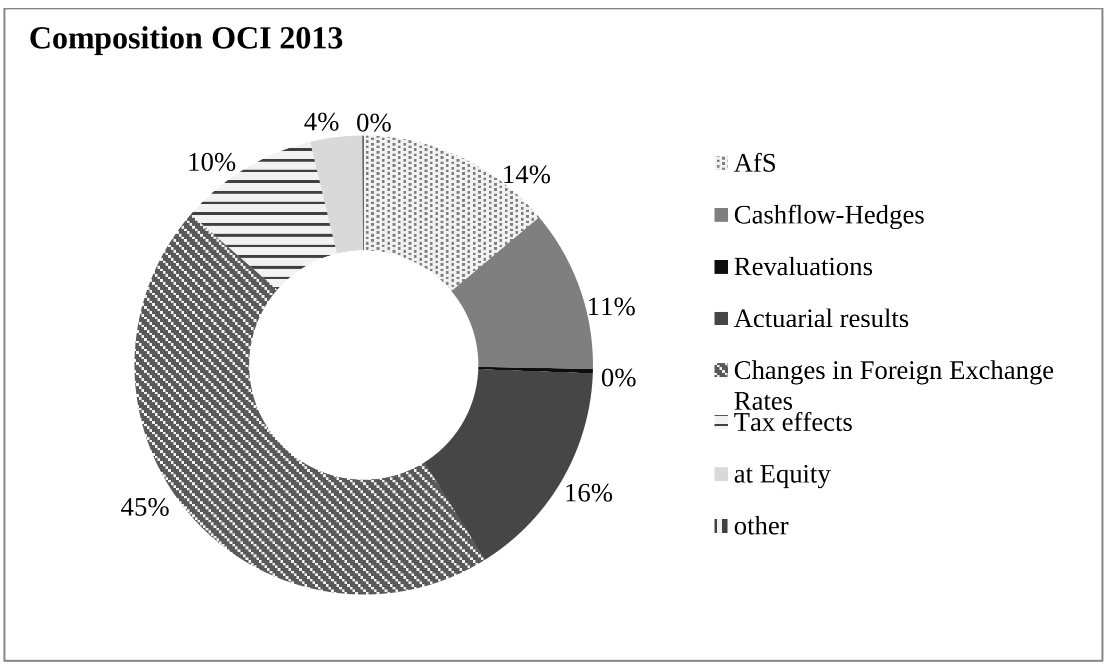

Fig. 6: Composition of OCI in 2013

Evaluation of the AfS reserves and changes in foreign exchange rates

In this concluding section the two most significant OCI items for the years from 2008 to 2013, changes in foreign exchange rate (FX) and AfS reserves, will be deliberated in detail. This will make the considerable influence they have on the success of an enterprise more readily recognizable.

Table 14: AfS reserves and changes in foreign exchange rate items in EuroStoxx 50 for the years 2008 to 2013

	2008		2009		2010		2011		2012		2013	
in millions of euros	AfS	FX	AfS	FX	AfS	FX	AfS	FX	AfS	FX	AfS	FX
Airbus Group NV	0	417	136	-279	12	119	-536	-25	189	-47	-19	-146
Allianz	-9,528	-322	**4,801**	407	-282	1,297	-554	349	**8,103**	-73	**-4,805**	-1,283
Anheuser-Busch INBEV	0	-2,877	0	1,543	0	457	0	-910	0	-594	0	-2,637
ASML HLDG	-	-	0	-9	0	27	-2,818	28	0	6	0	**-122**
Assicurazioni	-3,366	-110	1,275	7	-951	781	0	-14	6,340	102	-283	-364
BASF	-12	-142	32	83	315	756	-1,014	186	7	-211	-1	-1,098
Bayer	-31	-413	11	284	6	630	3	11	30	-17	-24	-737
BCO Bilbao	-3,787	-661	1,502	68	-2,166	1,384	-1,240	-960	576	601	**1,794**	-2,045
BCO Santander	-2,044	**-8,423**	1,254	**5,915**	-2,719	**5,704**	344	**-2,824**	1,171	**-2,170**	-99	**-7,027**
BMW	-7	-807	4	318	-16	666	-72	168	214	-123	8	-635
BNP Paribas	-5,893	-343	3,824	-605	**-3,460**	1,172	**-3,103**	-474	6,726	-482	377	-1,242
Carrefour	0	-828	9	540	1	651	-2	-324	12	-193	2	-455
CRH	0	-97	0	-96	0	519	0	107	0	-51	0	-373
Daimler	-287	-32	255	267	-128	1,200	-75	153	164	-502	34	-1,531
Danone	-	-	-	-	-284	919	-1	-89	-2	-101	67	-1,464
Deutsche Bank	-5,182	-1,147	1,079	51	122	914	-708	1,291	1,710	-532	-249	-949
Deutsche Post	-263	-502	110	196	-10	542	-7	167	-12	3	77	-462
Deutsche Telekom	1	-352	-4	-211	-3	3,698	242	10	-194	322	-4	-901
E,ON	**-10,186**	-1,922	772	129	-1,658	469	-1,028	344	14	461	368	-1,296
Enel	-	-	199	1,288	**386**	2,323	-76	-731	**-472**	73	-75	-3,197
Eni	3	**1,077**	1	**-869**	-9	2,169	-6	1,031	16	-718	-1	-1,871
Essilor Int,	-2	-8	3	20	0	174	-1	36	2	-56	-1	-256
GDF Suez	-684	-922	**-23**	497	-126	1,147	-495	115	309	-372	-51	-2,043
GRP Societe Generale	-3,335	-708	1,512	-74	78	925	-722	-14	2,143	40	-104	-962
Iberdrola	-1,111	-1,625	108	485	-197	580	-11	450	-29	-159	77	-823
Inditex	0	-92	0	35	0	61	0	47	0	-130	0	-155
Intesa SanPaolo	-	-	1,424	-120	-789	**-81**	-2,410	-141	3,321	-33	621	-158
L'Oreal	-2,084	-125	1,143	7	-852	463	1,052	115	1,731	-134	677	-457
LVMH Moet Hennessy	-186	257	114	-128	294	701	**1,634**	190	-41	-99	947	-398
Munchener Rueck	-2,798	-39	824	-51	112	645	1,421	390	3,076	-67	-3,821	-714
Orange	-54	-2,009	32	175	-16	1,712	-10	-1,053	7	264	8	-453
Philips-Electronics	-1,208	139	145	-65	19	531	-113	74	11	-100	1	-441
Repsol	-76	331	21	-428	5	639	-14	530	65	53	608	-787
RWE	-201	-70	392	8	-32	218	-95	-344	127	318	32	-711

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	2008		2009		2010		2011		2012		2013	
in millions of euros	AfS	FX	AfS	FX	AfS	FX	AfS	FX	AfS	FX	AfS	FX
Saint Gobain	0	-1,212	0	424	0	989	0	-108	0	-65	0	-1,018
Sanofi	-132	948	110	-298	141	2,654	250	-95	1,451	-532	1,208	-1,804
SAP	-2	-63	15	74	3	193	-7	106	13	-214	60	-576
Schneider Electric	-116	18	24	-2	-32	944	-60	159	-25	-220	54	-798
Siemens	-134	-313	90	-506	17	1,220	-71	129	219	**855**	185	-1,062
Telefonica	-1,309	-4,051	634	1,982	141	820	-10	-1,265	-3	-1,862	83	-6,454
Total	-254	-722	38	-244	-100	2,231	337	**1,498**	-338	-702	25	-2,199
Unicredit	-	-	902	-472	-800	716	-2,431	-1,197	3,483	666	623	-732
Unilever NV	-57	-1,688	101	396	2	460	-23	-713	16	-307	31	-980
Vinci	**10**	-100	14	39	6	113	-20	-7	18	37	-33	-129
Vivendi	-85	1,035	8	-325	2	1,794	15	182	103	-605	58	-1,429
Volkswagen	-230	-1,445	271	974	-34	1,978	211	-189	460	-212	107	-2,387
Sum of losses	*-54,643*	*-34,170*	*-27*	*-4,781*	*-14,664*	*-81*	*-17,733*	*-11,477*	*-1,116*	*-11,684*	*-9,570*	*-57,760*
Sum of profits	*14*	*4,222*	*23,189*	*16,212*	*1,662*	*48,306*	*5,509*	*7,865*	*41,827*	*3,801*	*8,132*	*0*

In 2008 the losses in AfS securities amounted to -54,643 million euros (the earnings were 14 million euros). These were reported under OCI, so that they did not affect the net income. In 2009, in contrast, there were earnings amounting to 23,189 million euros (the losses were -27 million euros). Again in 2010 the losses were high: -14,664 million euros (along with earnings of 1,662 million euros). The losses in 2011 were similar: -17,733 million euros (along with earnings of 5,509 million euros). Regarding the period from 2008 to 2013, in 2012 the losses reached their lowest point at -1,116 million euros, whereas the profits peaked at 41,827 million euros. In 2013 the losses grew again to -9,570 million euros and the profits decreased to 8,132 million euros. In the first case some of the losses, which were recorded in a manner so as not to affect the results, exceed the annual result (NI) by far. In ten cases the AfS reserves exceed the reported NI. For example, Philips Electronics reports an AfS reserve which (in absolute terms) amounts to 1,313% of the NI (followed by EON with 628% and Allianz with 436%). These examples serve to show the relevance of these items. At the same time the development elucidates the problem of volatility, with which it is associated.

This one item alone (the changes in the AfS reserve) varies from -54,629 million euros in 2008 to 23,162 million euros (2009) and then -13,002 million euros (2010), -12.224 in 2011, 40,711 in 2012 and finally attains -1,438 million euros in 2013.The item "changes in foreign exchange rate" presents a similar picture. These reserves also show an oscillation of similar intensity: between -29,948 million euros in 2008 and 48,225 million euros in 2010, -7,883 in 2012 and finally a maximum value of -57,760 in 2013.

Conclusion

The results presented above show that the OCI is a relevant indicator of success, and therefore of great importance for readers of international financial reports.

The study of the EuroStoxx 50 companies from 2008 to 2013 makes it clear that primarily the item "currency conversion (FX)" is decisive for the level of the OCI; "AfS reserves" thereby comes in second place. The results, however, do show a great deal of fluctuation over the course of time, and they vary considerably in different companies in the same business year as well as between the same firms in different business years. A detailed analysis shows the significance of income components which do not affect the net income (NI). Their absolute values can (either positively or negatively) be much greater than the NI. Due to this result a complete evaluation of the performance of a company is not possible without considering the income components which are reported in an (net)income-neutral approach. These suggest that investors should reflect these earnings in their decision making process. Nevertheless, it is essential that readers of financial statements clearly understand the difference between realized and realizable income too and they must also be aware of the distinctive nature of the various OCI items.

In summary, it can be concluded, that the changes resulting from IAS 1 (revised 2007) have not been able to fully realize their intended purpose: increasing the awareness of OCI and CI. The net income (NI) is still employed as the central determinant of success, since those who prepare the financial statements have not yet overcome their aversion to the single statement.

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1 [FASB did not present an exposure draft on Phase A, since it stated that the reporting had not been improved in comparison with SFAS 130. This deficiency was in its opinion due to the fact that it was possible to choose between options for reporting comprehensive income; the possibility to do so had been pushed through by IASB (FASB and IASB, 2005).]

2 [The IASB was therefore not able to establish generally valid criteria to distinguish between NI and OCI. Instead, that item was completely removed from the agenda and postponed indefinitely. That can be seen on p. 4 of Snapshot OCI 2010: "The lack of distinction between different items in OCI is the result of an underlying general lack of agreement among users and preparers about which items should be presented in OCI and which should be part of the profit or loss section. For instance, a common misunderstanding is that the split between profit or loss and OCI is on the basis of realized versus unrealized gains. This is not, and has never been, the case. This lack of a consistent basis for determining how items should be presented has led to the somewhat inconsistent use of OCI in IFRSs. To address this issue, the IASB attempted to find a common conceptual basis but feedback suggests that it would be very difficult to do [so] in the short term" (IASB, 2010a).]

3 [See IAS 1.81A. Allowing companies to choose between both options was a compromise. It was adopted and maintained by IASB because of the numerous comment letters that were submitted to ED/2010/5. See IAS 1 BC49ff and IAS BC54A-I.]

4 [The part of the IASB project dealing with the presentation of OCI completed in summer 2011 (IASB, 2014). The alerted accounting requirements have to be applied in business years starting on or after 1st July 2012.]

5 [See Haller and Schloßgangl, 2005, p. 284; Thinggaard *et al.*, 2006, p. 40. For example until 1st January 2013 it was possible to report actuarial gains and losses under IAS 19 in either of two different manners; either so that they had or so that they did not have an effect on net income (NI). A further inconsistency resulted from this method, in addition to the one caused by the right to choose between two options. It was due to the fact that it was not possible to correlate profits and losses with an evaluation at a certain point in time (except in the case of planned assets). Since 1st January 2013 all actuarial gains and losses have to be included in OCI. Eliminating the second option can be regarded as a step in the right direction, but it has not altered the problem that we previously discussed. As a result of this change not only fair value measurement profits and losses but also other kinds of profit and loss components are included in OCI. For an overview of the current alterations of IAS 19 see Scharr *et al*, 2012, p. 9.]

6 [This company is Anheuser-Busch INBEV. It was not excluded from the study. Instead, values with a cut-off date (balance sheet total and equity) were calculated according to their value on that day and for all of the other items (flow data) the average value in the given business year was determined. The historical exchange rates were taken from the website OANDA, whereby the average value between the bid and ask prices was used (Oanda, 2014).]