

Strong Impact Of Comprehensive Income On European Groups Listed In American Markets

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ABSTRACT

The aim of this paper is to analyze the impact of Comprehensive Income on Net Income according to SFAS 130 issued by FASB for a sample of 136 corporate groups on the European continent listed in NYSE and NASDAQ for the period 1999-2004, taking as a reference the information contained in the reconciliation with US GAAP when they presented their accounts to the SEC. We have detected noticeable extreme values and outliers and, on average, marked negative effects on the groups considering the analysis detailed by size and industries, essentially motivated by the stock-exchange crisis of the early 2000's and by unfavorable exchange rates, particularly between the Euro and the U.S. dollar. All of this reveals the greater connection of Comprehensive Income with the reality of the markets than Net Income, which presumes that SFAS 130 issued by the FASB contributes to the increase of the relevance of the financial information in the performance area.

Keywords: Impact of Comprehensive Income on Net Income by Size and Industries; SFAS 130; European Groups Listed in NYSE and NASDAQ

INTRODUCTION

As is well known, U.S. companies are obliged to disclose Comprehensive Income in the main body of their periodic financial statements since the adoption of SFAS 130 (1997) issued by FASB. Taking into consideration the requirements of the SEC, companies in the rest of the world that trade in U.S. securities markets must disclose reconciliation of their financial statements to U.S. GAAP in Form 20-F filed with the SEC for foreign issuers,¹ which is why they are obliged to disclose, in addition to other information, Comprehensive Income in accordance with the above-mentioned regulation.

Given the increased interest in the disclosure of Comprehensive Income for the users of financial information in an economy that is more and more internationalized, particularly for CPAs, academics, analysts and investors - even beyond U.S. borders, we have decided to analyze the impact of such disclosure on Net Income according to SFAS 130 for a sample of 136 corporate groups on the European continent listed in NYSE and NASDAQ for the period 1999-2004, taking as a reference the information contained in the reconciliation with U.S. GAAP when they presented their accounts to the SEC.

We have detected noticeable extreme values and outliers and, on average, marked negative effects on the groups considering the analysis detailed by size and industries, essentially motivated by the stock-exchange crisis of the early 2000's and by unfavorable exchange rates, particularly between the Euro and the U.S. dollar.

SAMPLE

We have confined our study to the period 1999-2004 in order to include the largest number of corporate groups in the sample. The problem, on the one hand, is that although SFAS 130 was approved at the end of 1997, certain companies did not trade in these markets in 1997 and 1998. On the other hand, since the first of January of

2005, the listed companies of the European Union, for the formulation of their consolidated financial statements, had to apply the IFRS of the IASB. In this normative body, the disclosure of Comprehensive Income is already considered, specifically in IAS 1 (2003), under "Total Recognized Income and Expense", and certain companies in the reconciliation with U.S. GAAP in 20-F filed with the SEC, decided not to include Comprehensive Income when making it equivalent with that disclosed according to IASB GAAP, although they do not actually agree in all aspects.

Nevertheless, to homogenize the information, we had to apply the corresponding filters, which led us to exclude certain corporate groups from the listed companies on the European continent in NYSE and NASDAQ on 31 December 2004.

The reasons for excluding them were fundamentally: The companies were not listed the entire period from 1999-2004, they did not disclose Comprehensive Income in a clear way, or formulated their financial statements on a date different than the 31 of December (the majority being British companies). We are thus able to make consistent comparisons when linking Comprehensive Income with the prices of the securities and currency markets. Working with information related to different dates would distort the analysis.

After making these considerations, in Table 1 we collected the sample in which 136 corporate groups of 19 European countries are integrated, which represents 56% of the total listed companies on the European continent in NYSE and NASDAQ on 31 December 2004.

Table 1: Corporate Groups of the Sample Divided into Different Countries

COUNTRY	Number of corporate groups	Percentage of corporate groups of the the sample out of the total number of European listed companies in NYSE and NASDAQ on 31 December 2004
Austria	1	100 %
Belgium	2	100 %
Denmark	1	25 %
Finland	3	75 %
France	20	71 %
Germany	10	59 %
Greece	4	67 %
Hungary	1	100 %
Ireland	5	45 %
Italy	9	90 %
Luxemburg	4	67 %
Netherlands	24	73 %
Norway *	4	67 %
Portugal	2	100 %
Spain	7	89 %
Sweden	3	60 %
Switzerland *	12	80 %
Turkey *	1	100 %
United Kingdom	23	30 %
Total.....	136	56 %

* These countries do not belong to the European Union Source: authors' calculations, from the listed companies in NYSE and NASDAQ and Form 20-F of the SEC.

IMPACT OF COMPREHENSIVE INCOME ON NET INCOME FOR EUROPEAN GROUPS LISTED IN NYSE AND NASDAQ IN THE PERIOD 1999-2004

Comprehensive Income is defined in SFAC 6 (FASB, 1985, paragraph 70) as “the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners”.

In accordance with SFAS 130 (FASB, 1997), Comprehensive Income is determined aggregating Net Income to “Other Comprehensive Income items”, including Foreign Currency Translation Adjustments, Unrealized Gains/Losses on Securities, Minimum Pension Liability Adjustment, and also the gains and losses associated to certain operations with Derivatives and Cash Flow Hedges included when the corresponding regulations were approved by the FASB.

In order to analyze the impact of Comprehensive Income on Net Income, we must define the variable $IMPACT\ OCI = [OCI / |NI| \cdot 100]$ which expresses the percentage discrepancy of “Other Comprehensive Income” (OCI) compared with Net Income (NI); and since both OCI and NI can display either positive or negative values, we use absolute values in the denominator so that the reality of the discrepancy is shown in all cases, both positive and negative.

As one can infer from the previous expression we are attempting to evaluate the impact of the market on corporate groups limited to items included in “Other Comprehensive Income”, as required by SFAS 130, compared to Net Income.

The first approach we see in Table 2 and in Graphic 1 is that for the mean of the 136 corporate groups included in the sample, belonging to 19 European countries and of all the industries, “Other Comprehensive Income” has affected corporate groups in a negative way since its results have worsened by more than 25%, particularly during the years 2005 and 2006 when noticeable negative percentages were almost -55% and -94% respectively, due to the strong impact of the stock-exchange crisis of the early 2000's and unfavorable exchange rates in international business, particularly between the Euro and the U.S. dollar.²

Table 2: Impact of Means of “Other Comprehensive Income” on Net Income

Consolidated values, expressed in percentage terms and calculated using the expression $IMPACT\ OCI = [OCI / |NI| \cdot 100]$

N	1999	2000	2001	2002	2003	2004	Average 1999-2004
136	15.41	-10.96	-54.87	-93.56	10.09	-18.26	-25.36

Source: authors' calculations, based on the database and SPSS v.15.

Individualized Impact Of The Components Included In “Other Comprehensive Income”

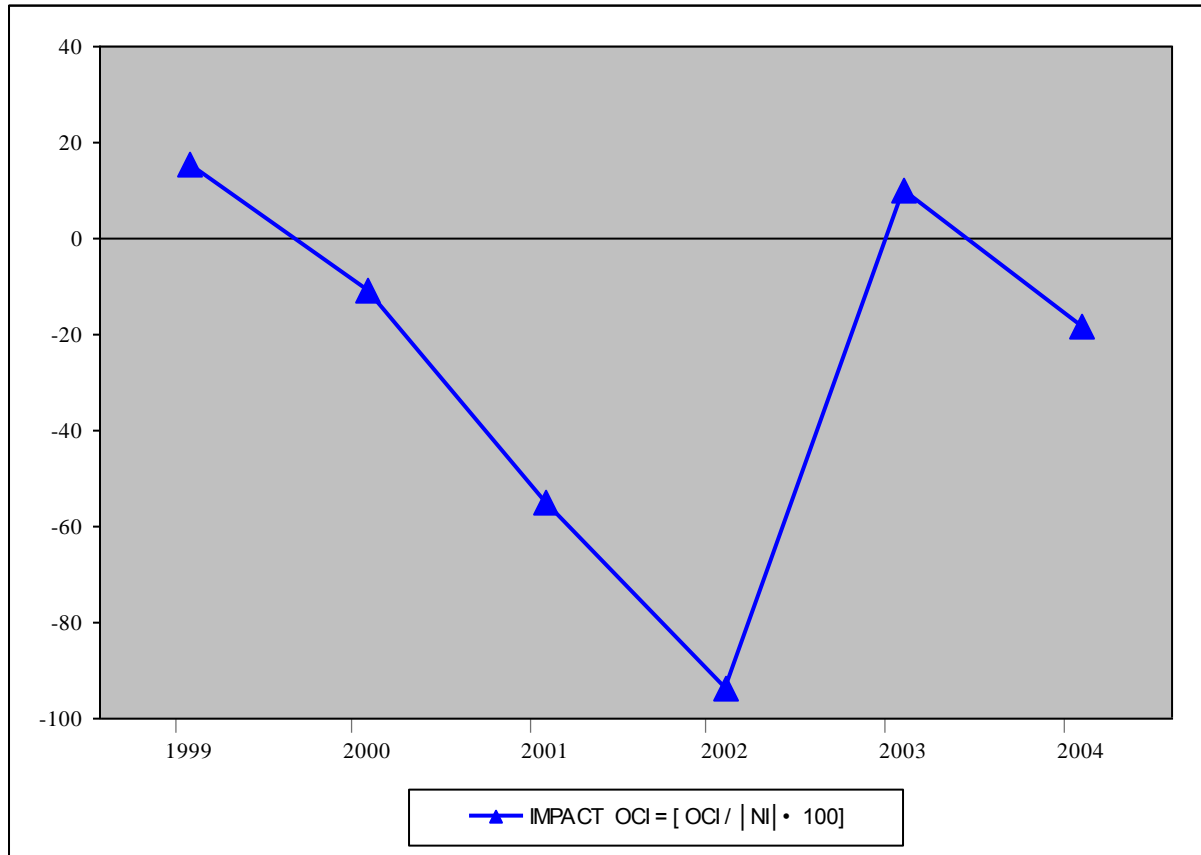
Once the behavior of Comprehensive Income on Net Income has been globally analyzed, we propose to carry out a more detailed study. We will therefore consider the relative importance of each one of the elements that include “Other Comprehensive Income” compared with Net Income.

We can thus observe in Table 3 and in Graphic 2 that the items with, on average, the deepest impact in relative terms compared to Net Income are Foreign Currency Translation Adjustments with a negative effect of around -15%, followed by the Minimum Pension Liability Adjustment item of around -8% and the Unrealized Gains and Losses on Securities close to -5%, whereas the impact of Derivatives and Cash Flow Hedges has registered a positive percentage of less than 1%.

Graphic 1: Profile of the Impact of Means of “Other Comprehensive Income” on Net Income

Consolidated values, expressed in percentage terms and calculated using the expression

$$\text{IMPACT OCI} = [\text{OCI} / |\text{NI}| \cdot 100]$$



Source: authors' calculations, based on the database and SPSS v.15.

Table 3: Impact of Means of “Other Comprehensive Income” Items Considered Individually on Net Income ³

Consolidated values, expressed in percentage terms and calculated using the expression

$$\text{IMPACT OCI} = [\text{OCI} / |\text{NI}| \cdot 100] \text{ } ^4$$

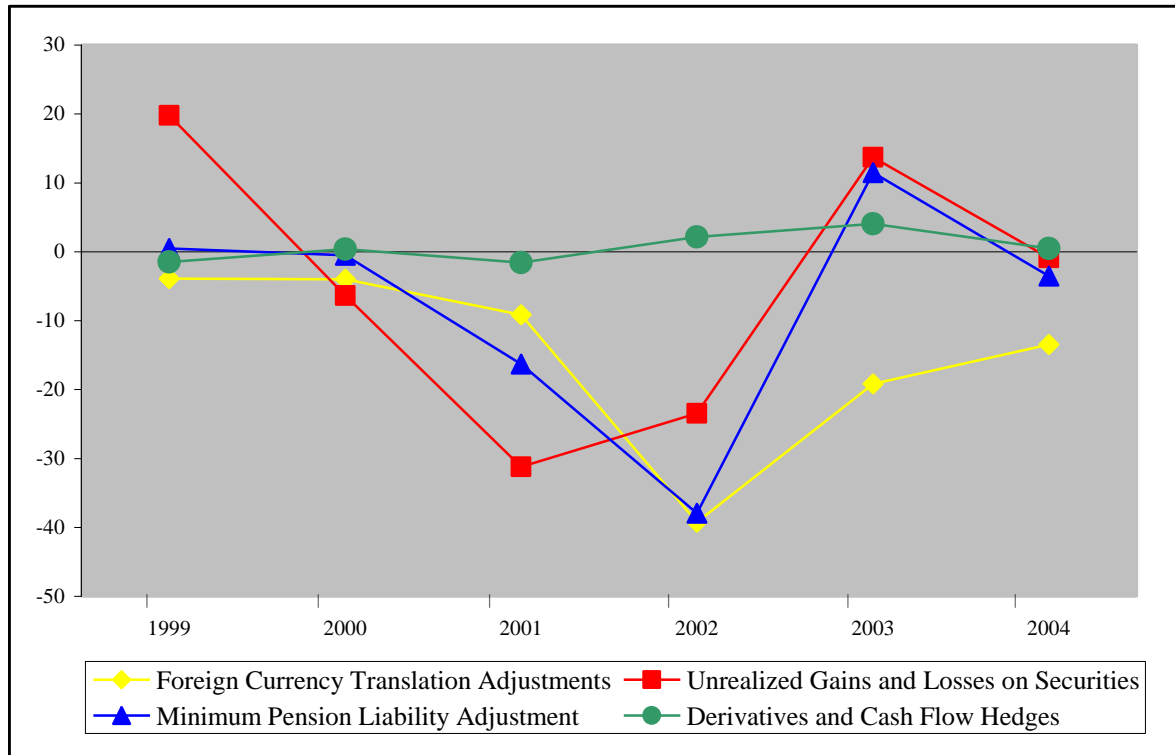
N	Years	Foreign Currency Translation Adjustments	Unrealized Gains and Losses on Securities	Minimum Pension Liability Adjustment	Derivatives and Cash Flow Hedges
136	1999	-3.90	19.77	0.45	-1.49
136	2000	-4.00	-6.36	-0.50	0.38
136	2001	-9.15	-31.25	-16.34	-1.58
136	2002	-39.27	-23.48	-37.99	2.12
136	2003	-19.22	13.68	11.48	4.01
136	2004	-13.47	-0.90	-3.54	0.43
	Mean 1999-2004	-14.84	-4.76	-7.74	0.65

Source: authors' calculations, based on the database and SPSS v.15.

Graphic 2: Profile of the Impact of Means of “Other Comprehensive Income” Items considered Individually on Net Income

Consolidated values, expressed in percentage terms and calculated using the expression

$$\text{IMPACT OCI} = [\text{OCI} / |\text{NI}| \cdot 100]$$



Source: authors' calculations, based on the database and SPSS v.15.

On the other hand, it is clearly shown that the most noticeable negative discrepancies for the group of items were registered on 2001 and 2002, a fact that, given the stock-exchange crisis of the early 2000's and the unfavorable exchange rates for the sample group of listed companies in their international operations, particularly between the Euro and the U.S. dollar, demonstrates the sensitivity of Comprehensive Income compared with market reality.

Impact By Size

Now we would like to analyze the impact of "Other Comprehensive Income" elements on Net Income, keeping in mind the size of the corporate groups for which we used the mean of employees of each corporate group in the period 1999-2004 as a reference, as shown in Table 4, even though similar statistical results were obtained when taking other references of size, such as total assets, turnover or equity.

Table 4: Size of Groups According to the Number of Employees

Levels per size			Number of Corporate Groups
Level 1	Small	0 - 4,267 Employees	45
Level 2	Medium	4,267 - 28,686 Employees	46
Level 3	Large	28,686 - 391,544 Employees	45

Source: authors' calculations, based on the database and SPSS v.15.

Table 5 and Graphic 3 show the impact by size of "Other Comprehensive Income" elements on Net Income. It can be observed that the small-sized corporate groups have registered a positive effect of more than 8% on average. However, as the corporate groups increase in size, the related impact becomes negative, reaching the point where medium-sized organizations experience declining results of around -26% and large-sized organizations of almost -58%.

Table 5: Impact of Means by Size of "Other Comprehensive Income" on Net Income

Consolidated values, expressed in percentage terms and calculated using the expression

$$\text{IMPACT OCI} = \left[\frac{\text{OCI}}{\text{NI}} \cdot 100 \right]$$

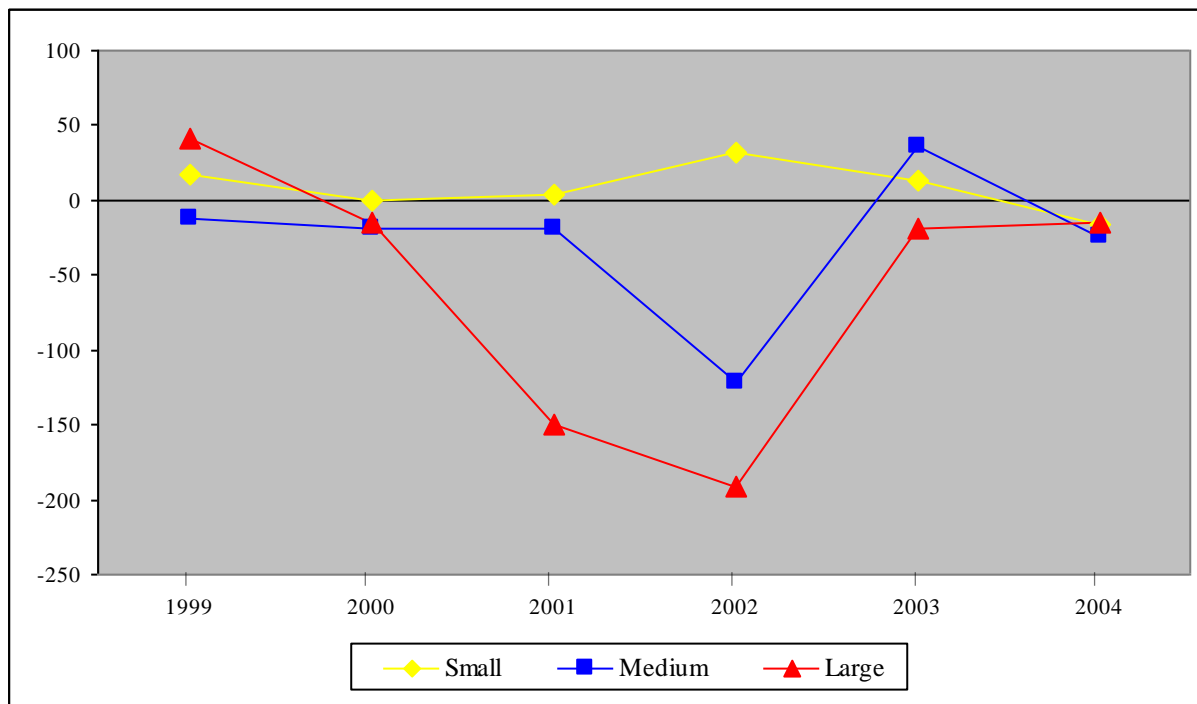
SIZE	N	1999	2000	2001	2002	2003	2004	Average 1999-2004
Small	45	17.62	0.35	3.18	31.91	13.01	-15.59	8.41
Medium	46	-12.09	-18.24	-19.32	-121.31	36.01	-24.40	-26.56
Large	45	41.30	-14.84	-149.26	-190.66	-19.33	-14.64	-57.91
Means by years		15.41	-10.96	-54.87	-93.56	10.09	-18.26	-25.36

Source: authors' calculations, based on the database and SPSS v.15.

Graphic 3: Profile of the Impact of Means by Size of "Other Comprehensive Income" on Net Income

Consolidated values, expressed in percentage terms and calculated using the expression

$$\text{IMPACT OCI} = \left[\frac{\text{OCI}}{\text{NI}} \cdot 100 \right]$$



Source: authors' calculations, based on the database and SPSS v.15.

Furthermore, another fact to emphasize is that, on average, the small-sized corporate groups have been more immune to the stock-exchange crisis and to the unfavorable exchange rates of the early 2000's in the fact that

"Other Comprehensive Income" has impacted them positively on average. Medium and large-sized groups, however, experienced considerable negative effects because of falls in the stock-exchange and unfavorable exchange rates, which is why Comprehensive Income in the context we are studying clearly makes a different impact depending on the size of the corporate group.

On the other hand, in Table 6 appear, marked with an asterisk (*), the extreme scores, which are defined as scores that are greater than 3 box lengths away from the upper or lower edge of the box, and marked with a circle (○), the outliers, which are defined as scores that are between 1.5 and 3 box lengths away from the upper or lower edge of the box.

As it can be seen, a considerable number of groups, representing more than 52% of the sample, have extreme values and outliers, which indicates the marked impact of "Other Comprehensive Income Items" on Net Income for all years and levels per size and also evidences a strong volatility across the period studied.

Table 6: Extreme Scores (*) and Outliers (○) Related to Group Size and Years

Consolidated values, expressed in percentage terms and calculated using the expression

$$\text{IMPACT OCI} = |\text{OCI} / \text{NI}| \cdot 100$$

SIZE	GROUP	COUNTRY	YEARS OF THE PERIOD 1999-2004						Mean 1999-2004
			1999	2000	2001	2002	2003	2004	
Small	BE Semiconductors	Netherlands	300*	11	-12	-35*	-21	-20	37
	Business Objects	France	-42	-27	-22	87*	176○	3	29
	Compagnie Générale de Géophysique	France	6	55○	167*	-267*	-700*	-767*	-251
	Converium Holding	Switzerland	-83○	-48○	-13	49*	110	6	4
	Cronos Group	Luxemburg	50○	-20	0	0	0	0	5
	Dassault Systèmes	France	13	5	11○	-19	-33	-17	-7
	Ducati Motor	Italy	25	14	7	-14	-100○	-50○	-20
	Edap TMS	France	-17	67○	86*	0	-11	0	21
	Elan Corporation	Ireland	15	1	9○	-1	21	-23	4
	Flamel Technologies	France	-29	-10	-50*	67*	300*	78*	59
	Genesys	France	75*	17	0	3	73	10	30
	Head	Netherlands	-15	17	-160*	-900*	183*	33○	160
	Icos Vision System	Belgium	-100*	-13	0	0	-20	-10	-24
	Inficon Holding	Switzerland	-57○	8	-37*	1000*	86	71*	179
	Iona Technologies	Ireland	240*	-80*	0	0	0	0	27
	Millicom International	Luxemburg	606*	-84*	-18○	-12	508*	-68○	155
	Qiagen	Netherlands	-14	19	-23*	68*	53	26	22
	Rank Group	United Kingdom	1	-3	-3	-98	57	58○	2
	SCOR	France	-78○	69○	-3	-11	-40	-38○	-17
	Shire Pharmaceutical	United Kingdom	-7	-22	-84*	21	43	20	-5
	Tele2	Sweden	-3	84*	282*	-70*	-22	-15	43
	Terra Networks	Spain	-1	1	-7	-20	20	117*	18
	Trikon Technologies	United Kingdom	-20	-17	-33*	6	42	10	-2
	Trinity Biotech	Ireland	0	-50○	0	20	-25	0	-9
	Tsakos Energy Navigation	Greece	0	0	0	-25○	-2	2	-4
	Van der Moolen Holding	Netherlands	33	16	22○	-323*	-146○	-100*	-83
	Wavecom	France	0	-7	22○	0	8	-4	3

Table 6 continued

SIZE	GROUP	COUNTRY	YEARS OF THE PERIOD 1999-2004						Mean 1999- 2004
			2001	2002	2003	2004	2005	2006	
Medium	AEGON	Netherlands	52	2	33○	-96	-74	-40	-21
	Allied Irish Banks	Ireland	36	46	60*	-43	-36	-2	10
	Arcadis	Netherlands	26	13	12	-330*	15	-153*	-70
	ASM International	Netherlands	91	-1	83*	-97	-86	-50	-10
	Buhrmann	Netherlands	108○	71○	14	-31	-19	-73	12
	Endesa	Spain	6	-9	-54○	-88	0	-7	-25
	Equant	Netherlands	-97○	-23	-1	3	23	4	-15
	Espirito Santo Financial Group	Luxemburg	26	-76○	-4	14	170*	85○	36
	Gemplus International	Luxemburg	0	-10	-18	2	-7	188*	26
	Havas	France	92	-348*	76*	-15	-32	124○	-59
	Hellenic Telecommunications	Greece	0	-5	7	-12	7	-98○	-17
	ICTS International	Netherlands	-200*	-200*	-7	2	20	5	-63
	Metso Corporation	Finland	35	6	-17	-409*	-9	-700*	-182
	Portugal Telecom	Portugal	-42	-531*	-531*	-574*	-47	-20	-290
	Prudential	United Kingdom	-51	34	83*	-76	-1	-11	-4
	Publicis Groupe	France	86	-106○	5	-1800*	-348*	-33	-336
	Reuters	United Kingdom	94	-51	-90*	-105	-558*	7	-117
	Rhodia	France	41	-13	-37	-761*	-16	-9	-133
	SGL Carbon	Germany	26	600*	3	-315○	-60	-9	41
	Spirent	United Kingdom	-333*	-66	3	-12	2300*	20	319
Big	Syngenta	Switzerland	-627*	-60	-65*	146○	173*	77○	-59
	Telefónica Móviles	Spain	-25	23	-296*	-59	-26	-21	-67
	ABB	Switzerland	-9	-6	-79	-23	16	-208*	-52
	Alcatel	France	126	126○	-5	-11	-17	-62	26
	Astrazeneca	United Kingdom	-10	-287*	-105	123	156	70	-9
	BAYER	Germany	37	101○	152○	-67	-150	-419*	-58
	Banco Bilbao Vizcaya Argentaria	Spain	188	-160*	-196	-171	5	9	-54
	Credit Suisse Group	Switzerland	33	7	-552*	-88	-164	-21	-131
	Daimlerchrysler	Germany	39	10	-58	-175	101	-82○	-28
	Danone	France	75	29	-271○	-79	-49	-29	-54
	Deutsche Bank	Germany	30	-17	-1701*	-1993*	74	-30	-606
	Fiat	Italy	-561*	-22	-97	-40	-8	-6	-122
	Fresenius Medical Care	Germany	-24	-27	-263○	-8	63	26	-39
	Imperial Chemical Industries	United Kingdom	-7	-9	-2057*	-3714*	-124	-5	-986
	Lafarge	France	63	-28	-52	-397○	-100	-7	-87
	Royal & Sun Alliance	United Kingdom	-43	-57	-263○	-125	-71	120○	-73
	Royal KPN	Netherlands	251○	-24	30	0	-8	-7	40
	Santander Central Hispano	Spain	261○	162*	-231	-398○	45	-9	-28
	STMicroelectronics	Switzerland	-58	-12	-75	142	349○	82○	71
	Telefónica	Spain	256○	-106○	-90	-175	-18	18	-19
	Thomson Multimedia	France	532*	-240*	-75	-184	-571*	-21	-93
	TPGH	Netherlands	7	-3	1	-9	-27	-83○	-19
	Vivendi	France	180	129*	-181	-10	-62	49	18
	Volvo	Sweden	-6	-98○	-32	-8	75	-27	-16
	WPP Group	United Kingdom	12	-114○	-42	75	79	41	8

Source: authors' calculations, based on the database and the box plots obtained with SPSS v.15.

Impact By Industries

Finally, we want to study the effects of "Other Comprehensive Income" on Net Income by industries based on the Industry Classification Benchmark (ICB —Dow Jones Indexes and FTSE—), in which, as shown in Table 7,

we integrated each one of the corporate groups listed in NYSE and NASDAQ, paying attention to the nature of the activities they carry out.

Table 7: Groups by Industries According to ICB

INDUSTRY	Number of corporate groups	Percentage of groups of the sample out of the total amount of European listed companies in NYSE and NASDAQ on 31 December 2004 assigned to each industry
Consumer Goods	12	39 %
Financials	16	59 %
Industrials	22	69 %
Health Care	19	61 %
Basic Materials	9	53 %
Oil & Gas	10	67 %
Consumer Services	10	44 %
Technology	17	59 %
Telecommunications	17	61 %
Utilities	4	40 %
Total.....	136	56 %

Source: authors' calculations, based on the database and ICB available at <http://www.icbenchmark.com>.

In Table 8 and in Graphic 4, we can see that, on average, the impact of "Other Comprehensive Income" compared to Net Income has been quite unequal for industries. Thus, the least affected industries are Health Care, Industrials and Telecommunications; the first two with positive impact, whereas the last has registered a positive value. Nevertheless, sufficient sectors have experienced noticeable negative effects, among which it is worth noting Basic Materials, Consumer Services, Financials, Oil & Gas and Utilities.

Table 8: Impact of Means by Industries of "Other Comprehensive Income" on Net Income

Consolidated values, expressed in percentage terms and calculated using the expression

$$\text{IMPACT OCI} = |\text{OCI} / |\text{NI}| \cdot 100|$$

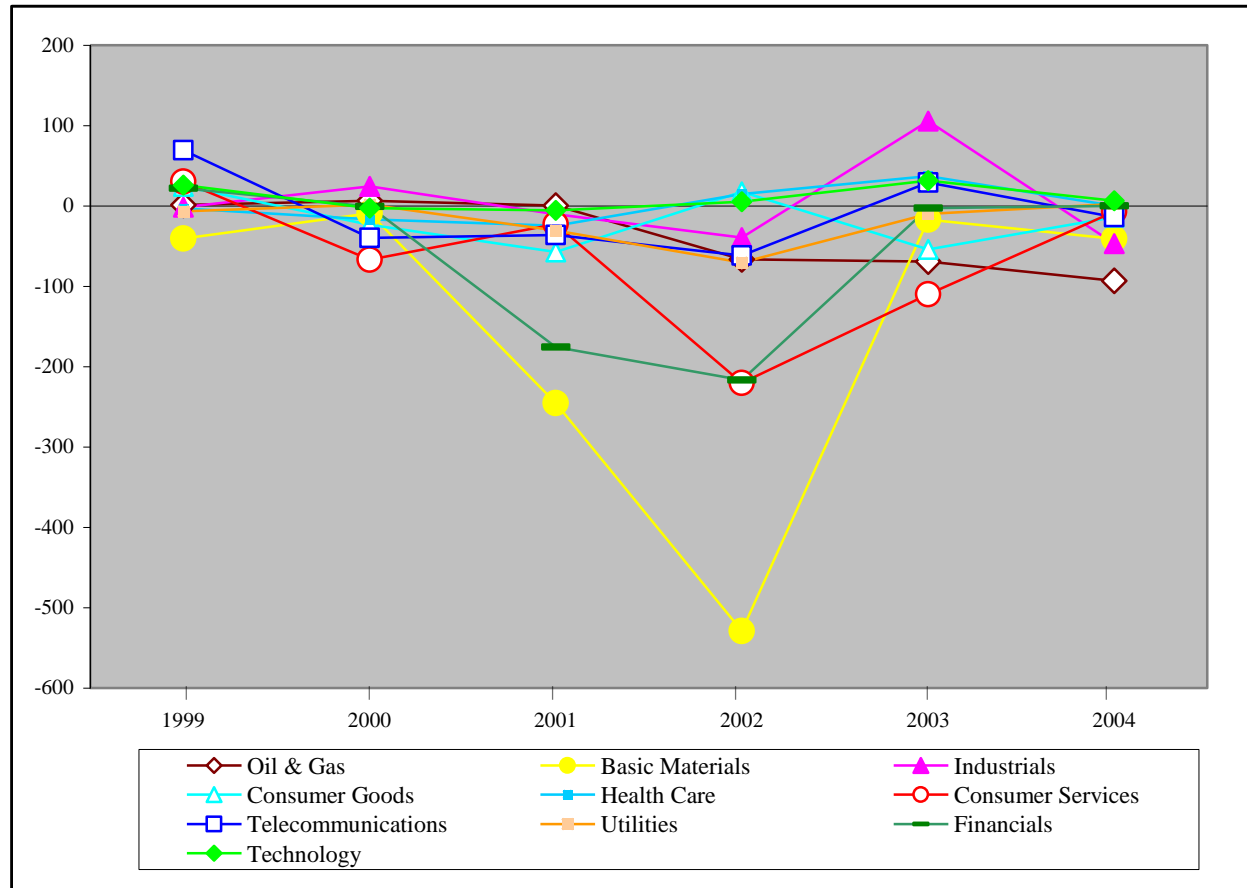
INDUSTRY	1999	2000	2001	2002	2003	2004	Average 1999-2004
Consumer Goods	24.50	-23.59	-57.27	17.42	-54.06	-13.95	-17.83
Financials	21.88	-0.78	-175.82	-216.90	-2.93	-0.13	-62.45
Industrials	-1.65	24.11	-10.28	-39.46	105.63	-47.04	5.22
Health Care	-3.20	-16.67	-24.77	14.748	37.15	11.08	3.06
Basic Materials	-40.55	-9.14	-245.49	-529.23	-17.03	-41.11	-147.09
Oil & Gas	1.28	6.50	0.46	-66.40	-69.36	-93.16	-36.78
Consumer Services	30.38	-66.95	-22.90	-220.42	-109.97	-7.05	-66.15
Technology	26.06	-2.93	-5.39	5.34	31.30	6.56	10.16
Telecommunications	69.49	-39.93	-36.30	-61.84	28.93	-14.01	-8.94
Utilities	-6.89	1.51	-30.60	-70.69	-9.79	2.49	-190.00

Source: authors' calculations, based on the database and SPSS v.15.

Graphic 4: Profile of the Impact of Means by Industries of “Other Comprehensive Income” on Net Income

Consolidated values, expressed in percentage terms and calculated using the expression

$$\text{IMPACT OCI} = [\text{OCI} / |\text{NI}| \cdot 100]$$



Source: authors' calculations, based on the database and SPSS v.15.

Consistent with the results presented in this work, one can see that the stock-exchange crisis of the early 2000's, together with the unfavorable exchange rates experienced by many corporate groups, has caused a marked negative impact on "Other Comprehensive Income" compared to Net Income for many industries. We are faced with a phenomenon that, in the context studied, generally affects corporate groups independently of the nature of the activities they carry out.

On the other hand, we can see in Table 9 that a considerable number of groups for all years and nine industries, representing more than 49% of the sample, have extreme values and outliers. The results taken together with those obtained in Table 6 indicate the marked impact of "Other Comprehensive Income Items" on Net Income and also evidences a strong volatility across the period studied.

Table 9: Extreme Scores (*) and Outliers (o) Related to Industries and Years
Consolidated values, expressed in percentage terms and calculated using the expression

$$\text{IMPACT OCI} = |\text{OCI} / |\text{NI}| \cdot 100|$$

INDUSTRY	GROUP	COUNTRY	YEARS OF THE PERIOD 1999-2004						Mean 1999-2004
			1999	2000	2001	2002	2003	2004	
Consumer Goods	Daimlerchrysler	Germany	39	10	-58	-175o	101	-82o	-28
	Danone	France	75	29	-271o	-79	-49	-29	-54
	Fiat	Italy	-561*	-22	-97	-40	-8	-6	-122
	Gallaher Group	United Kingdom	-7	1	2	-58	8°	50o	-1
	Head	Netherlands	-15	17	-160	900*	183	33	160
	Thomson Multimedia	France	532*	-240*	-75	-184o	-571*	-21	-93
	Volvo	Sweden	-6	-98o	-32	-8	75	-27	-16
Financials	Banco BilbaoVizcaya Argentaria	Spain	188o	-160o	-196	-171	5	9	-54
	Deutsche Bank	Germany	30	-17	-1701*	-1993*	74	-30	-606
	Espirito Santo Financial Group	Luxemburg	26	-76	-4	14	170	85o	36
	Royal & Sun Alliance	United Kingdom	-43	-57	-263	-125	-71	120*	-73
	Santander Central Hispano	Spain	261o	162o	-231	-398o	45	-9	-28
	Van der Moolen Holding	Netherlands	33	16	22	-323	-146	-100o	-83
Industrials	ABB	Sweden	-9	-6	-79o	-23	16	-208o	-52
	Arcadis	Netherlands	26	13	12	-330*	15	-153o	-70
	ASM International	Netherlands	91	-1	83o	-97	-86	-50	-10
	Buhrmann	Netherlands	108o	71o	14	-31	-19	-73	12
	CNH Global	Netherlands	-95o	-35	-75	-44	189o	37	-4
	Gemplus International	Luxemburg	0	-10	-18	2	-7	188o	26
	Inficon Holding	Switzerland	-57	8	-37	1000*	86	71	179
	Lafarge	France	63	-28	-52	-397*	-100	-7	-87
	Metso Corporation	Finland	35	6	-17	-409*	-9	-700*	-182
	SGL Carbon	Germany	26	600*	3	-315o	-60	-9	41
Health Care	Spirent	United Kingdom	-333*	-66	3	-12	2300*	20	319
	Astrazeneca	United Kingdom	-10	-287*	-105*	123*	156o	70o	-9
	Edap TMS	France	-17	67*	86*	0	-11	0	21
	Flamel Technologies	France	-29	-10	-50o	67o	300*	78	59
	Fresenius Medical Care	Germany	-24	-27	-263*	-8	63	26	-39
	Novartis	Switzerland	41o	5	-15	-10	58	36	19
	Qiagen	Netherlands	-14	19	-23	68o	53	26	22
	Schering	Netherlands	47*	16	-12	-31	-36	-20	-6
	Shire Pharmaceutical	United Kingdom	-7	-22	-84*	21	43	20	-5
Basic Materials	Smith & Nephew	United Kingdom	4	-3	-1	-45o	-14	-12	-12
	Trinity Biotech	Ireland	0	-50*	0	20	-25	0	-9
	BAYER	Germany	37	101o	152*	-67	-150o	-419*	-58
	Imperial Chemical Industries	United Kingdom	-7	-9	-2057*	-3714*	-124	-5	-986
Oil & Gas	Rhodia	France	41	-13	-37	-761*	-16	-9	-133
	Syngenta	Switzerland	-627*	-60	-65*	146o	173*	77o	-59
	Compagnie Générale de Géophysique	France	6	55*	167*	-267o	-700*	-767*	-251
	British Petroleum	United Kingdom	-20	-25o	-36	26	53	2	0
Consumer Services	Repsol YPF	Spain	18	16	-116o	-146	-65	-18	-52
	Technip	France	4	1	10	-57	90	-88o	-7
	Havas	France	92	-348o	76	-15	-32	-124	-59
	ICTS International	Netherlands	-200o	-200	-7	2	20	5	-63
Technology	Publicis Groupe	France	88	-106	5	-1800*	-348	-33	-366
	Vivendi	France	180	129	-181o	-10	-62	49	18
	Alcatel	France	126	126o	-5	-11	-17	-62	26
	BE Semiconductors	Netherlands	300*	11	-12	-35o	-21	-20	37
	Business Objects	France	-42o	-27	-22*	87*	176*	3	29
	Dassault Systèmes	France	13	5	11o	-19	-33	-17	-7
	Equant	Netherlands	-97*	-23	-1	3	23	4	-15
	Icos Vision System	Belgium	-100*	-13	0	0	-20	-10	-24
	Iona Technologies	Ireland	240*	-80*	0	0	0	0	27
	SAP	Germany	50o	-28	-2	-60*	-7	-8	-9
Technology	Sapiens International	Netherlands	-8	-2	0	20o	50	20	13
	Terra Networks	Spain	-1	1	-7	-20	20	117*	18
Technology	Wavecom	France	0	-7	22*	0	8	-4	3

Table 9 continued

INDUSTRY	GROUP	COUNTRY	YEARS OF THE PERIOD 1999-2004						Mean 1999- 2004
			1999	2000	2001	2002	2003	2004	
Tele- communications	France Télécom	France	101	-36	6	-16	149*	21	38
	Genesys	France	75	17	0	3	73○	10	30
	Hellenic Telecommunications	Greece	0	-5	7	-12	7	-98*	-17
	Millicom International	Luxemburg	606*	-84	-18	-12	508*	-68○	155
	Portugal Telecom	Portugal	-42	-528*	-531*	-574*	-47	-20	-290
	Royal KPN	Netherlands	251○	-24	30○	0	-8	-7	40
	Telefónica	Spain	256○	-106○	-90	-175○	-18	18	-19
	Telefónica Móviles	Spain	-25	23	-296*	-59	-26	-21	-67
	Telenor	Norway	1	-51	2	-79	49○	-37	-19
	Tele2	Sweden	-3	84○	282*	-70	-22	-15	43

Source: authors' calculations, based on the database and the box plots obtained with SPSS v.15.

CONCLUSIONS

We have studied the impact of "Other Comprehensive Income" on Net Income using a sample of 136 corporate companies on the European continent listed in NYSE and NASDAQ during the period 1999-2004 and, on average, have detected noticeable negative effects on the group considering the analysis detailed by size and industries, essentially motivated by the stock-exchange crisis of the early 2000's and by unfavorable exchange rates, particularly between the Euro and the U.S. dollar.

All of this reveals the greater connection of Comprehensive Income with the reality of the markets than Net Income, which presumes that SFAS 130 issued by the FASB contributes to the increase of the relevance of the financial information in the results area. This is especially true for investors, considered in the Conceptual Framework as reference users, as they can thus improve their decision making for contribution to the most efficient allocation of resources in the markets of international capitals in an economy that is more and more globalized.

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NOTES

- ¹ The SEC has adopted new rules to allow foreign private issuers to use financial statements prepared in accordance with IASB GAAP without the requirement to reconcile those financial statements to U.S. GAAP.
- ² Foster and May (1996); Jones and Wilson (2000); Thomson *et al.* (2002) and Pandit and Phillips (2004); Pandit *et al.* (2006), in regards to the adoption of SFAS 130, describe the problems related to the disclosure of Comprehensive Income, and we counted with references to real data from U.S. companies.
- ³ One will notice that the sum of the averages of these four items (-26.69) does not coincide with the global average of -25.36 for the entire study period, which we collected in Table 2 a difference of 1.33; this corresponds to the "other" item, which we have not considered in the analysis as it obviously does not represent relative importance, in addition to integrating items of a very different nature that certain corporate groups considered suitable to disclose.
- ⁴ In order to determine the relative discrepancy, we have considered the mathematical expression $IMPACT\ OCI = [OCI / |NI| \cdot 100]$ in which each one of the components included in "Other Comprehensive Income" has been considered independently in the numerator.

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