



# ANALYSES OF INFORMATION LOADING OF THE INCOME STATEMENT (OF THE STATEMENT OF COMPREHENSIVE INCOME) OF ENTERPRISES

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- A** The article deals with the question of information loading, compositional patterns and analytical capabilities of the income statement (statement of comprehensive income) of enterprises, updated in the process of modernization of the national accounting system.
- K** Analysis, report, financial results, comprehensive income, enterprises, algorithm, method.

## АНАЛІЗ ІНФОРМАЦІЙНОГО НАВАНТАЖЕННЯ ЗВІТУ ПРО ФІНАНСОВІ РЕЗУЛЬТАТИ (ЗВІТУ ПРО СУКУПНИЙ ДОХІД) ПІДПРИЄМСТВ

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- A** У статті досліджуються питання інформаційного навантаження, композиційної структури та аналітичних можливостей звіту про фінансові результати (звіту про сукупний дохід) підприємств, оновленого у процесі модернізації вітчизняної облікової системи.
- K** Аналіз, звіт, фінансові результати, сукупний дохід, підприємство, алгоритм, методика.

## АНАЛИЗ ИНФОРМАЦИОННОЙ НАГРУЗКИ ОТЧЕТА О ФИНАНСОВЫХ РЕЗУЛЬТАТАХ (ОТЧЕТА О СОВОКУПНОМ ДОХОДЕ) ПРЕДПРИЯТИЙ

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- A** В статье исследуются вопросы информационной нагрузки, композиционной структуры и аналитических возможностей отчета о финансовых результатах (отчета о совокупном доходе) предприятий, обновленного в процессе модернизации отечественной учетной системы.
- K** Анализ, отчет, финансовые результаты, совокупный доход, предприятие, алгоритм, методика.

### Problem definition and its connection to important scientific and practical tasks

The Strategy for Sustainable Development “Ukraine – 2020” is intended to ensure the development of the state, conduction of structural reforms and, consequently, improvement of living standards, provides resumption of macroeconomic stability, creation of favorable conditions for economic activities and foundation of transparent tax system [12]. These vectors of the development of the national economy necessitate the reorganization of information sphere basing on the improvement of functioning of specialized information systems, because the effectiveness of management decisions depends on the quality and timeliness of receipt and usage of information. The system of accounting continuously generates infobase, which is organizationally and methodically structured. Information resources of this infobase are fully disclosed in the financial statements. Analysis of financial statements allows to evaluate the financial condition, results

of operations and cash flows of the enterprise. Information about incomes and losses of enterprises is disclosed in the income statement (the statement of comprehensive income). Analysis of this statement allows to figure out the overall performance of the enterprise.

Reformation of the national accounting system towards harmonization with international standards causes changes in the content and the manner of preparation of the income statement (statement of comprehensive income). Therefore, there is a necessity of investigation of compositional structure, information loading and analytical capacities of this report, taking into consideration the importance of ensuring the trustworthiness of the results of the analysis of profitability of the enterprise using the data of financial statements and the scientific justification of the choice of optimal management decisions basing on systematized criteria of analytical understanding of the essence of the information, which is provided in the financial statements.

**Analysis of recent research and publications discussing this issue, on which the author relies upon**

Theoretical and practical issues of preparation of financial reporting of domestic enterprises were investigated in numerous professional publications of scholars and practitioners. In particular, the issue of the importance of financial reporting of enterprises for making decisions were disclosed in articles of H.V. Bakurova and O.I. Trokhymets [1], O.V. Budko [3], V.V. Malikov ta T.V Kovalova [8]; the issue of the accordance of financial reporting with the needs of users were investigated in publications I.O. Dzemishkevych [6] Ya. D. Krupka [7]; issues of the analysis of the impact of changes in legislation on the formation of the income statement (statement of comprehensive income) of enterprises were investigated in works of K. V. Bezverkhyi and T. V. Bochuli [2], V. O. Hanusych [4], I. Holoshevych [5]. However, the issues of compositional structure, informational loading and analytical capabilities of the income statement (statement of comprehensive income) were not investigated in scientific professional sources at the appropriate level.

**Unsolved aspects of the problem, which are the subject matter of the paper**

Thematic analysis of information of professional sources revealed that many theoretical and practical issues of using the income statement (statement of comprehensive income) as a source of analysis of economic activity of enterprises remain unresolved. Issues of compositional structure, information loading and analytical capabilities of the income statement (statement of comprehensive income), taking into account renovation of the form of this report in the process of modernization of domestic accounting system, need substantial investigation. Immediate components of other comprehensive income of enterprises and the order of calculation of profitability of ordinary shares also need clarification.

**Formulation of the objectives of the manuscript.**  
The goal of the article is to develop structural and logical

scheme of preparation of income statement (statement of comprehensive income) of enterprises, to specify the list of indicators of other comprehensive income, to formulate recommendations for further development of the methodology of calculation of profitability of ordinary shares of enterprises taking into account statements of national and international accounting standards.

**Presentation of the basic material with full justification of scientific results**

As a result of economic activity, the enterprise during the reporting period can secure income that is determined in accounting as exceeding of revenues over expenses, or it can incur losses that is determined in accounting as exceeding of expenses over revenues. The income, gained by the enterprise according to Conceptual Framework of International Financial Reporting Standards (hereinafter IFRS), provides the ability to respect the concept of preserving of financial capital over the reporting period [9 p.4.60]. Information on financial results and other comprehensive income of the enterprise is important for considering the feasibility of potential changes in its resource base and also for prediction of the ability of the enterprise to generate cash and cash equivalents.

Net income or loss of the enterprise, as the financial result of its activity, is the main indicator of the efficiency of functioning of the enterprise; financial result is a key factor of influence on profitability of the enterprise, return on assets, return on product and return on equity.

Compositionally income statement (statement of comprehensive income) consists of four sections:

- 1. Financial results;
- 2. Comprehensive income;
- 3. Elements of operating expenses;
- 4. Calculation of profitability of shares.

The first section of the income statement (statement of comprehensive income) discloses accounting information for all items of income and expenses that are grouped according to their nature (Fig. 1).

I. FINANCIAL RESULTS					
Net revenue from sales of products (goods, works and services)			– Net cost of products (goods, works and services)		
= Gross income (loss)					
+ Other operating income		– Administrative expenses		– Selling expenses	– Other operating expenses
Financial result from operating activities: income (loss)					
+ Income from equity	+ Other financial income	+ Other income	– Financial expenses	– Losses from equity	– Other expenses
= Financial result before taxation: income (loss)					
– (+) Expenses (income) from the income tax			+(–) Income (loss) from discontinued operations after taxation		
= Net financial result: income (loss)					

**FIG.1. ALGORITHM OF CALCULATION OF NET FINANCIAL RESULT OF THE ENTERPRISE IN THE STATEMENT OF COMPREHENSIVE INCOME**

The structure of other comprehensive income includes items of revenues and expenses, which are not recognized in the structure of income or loss. Among them one should name: revaluation of fixed assets and intangible assets, accumulated exchange rate difference from conversion of financial statements of business unit outside of Ukraine, results of revaluation of financial assets intended for sale, the share of other comprehensive income of associate (joint) company, other comprehensive income. It should be noted that the composition of the item “Other comprehensive income” in the form of the report is not detailed. According to the Regulation (Standard) of Accounting 1 “General Requirements for Financial Reporting” (hereinafter – R(S)A 1) other comprehensive income is revenues and expenses, which are not included in financial results of the enterprise [11]. Conceptual framework of IFRS contains general recommendations for disclosure of information on revenues, expenses and financial results [9]. V.O. Hanusych proposes to disclose in the item “Other

comprehensive income” the information on the cost of fixed assets received free of charge, which relates to additional capital and is charged to income during the period of useful life of these objects [4, p.170]. The author rightly observes that this cost may be included in other comprehensive income only in case of making of adjustment of sums (namely – exclusion from other comprehensive income), which are attributed to income of reporting period during free usage of objects, which were received free of charge. Also V.O. Hanusych proposes to disclose in the item “Other comprehensive income” the information on the capital in the sum of value of fixed assets, acquired under the lease agreement of integral property complexes, with further adjustment in case of leaving of this kind of capital [4, c.171]. In addition to the mentioned components, one should disclose information on the revaluation of transactions of hedging cash flows of the enterprise in the item “Other comprehensive income”. Fig. 2. illustrates algorithm of calculation of comprehensive income of the enterprise.

II. COMPREHENSIVE INCOME				
+(-) Revaluation (discount) of fixed assets	+(-) Revaluation (discount) of financial instruments	+(-) Accumulated exchange rate difference	+(-) Share of other comprehensive income of associates and joint enterprises	+ Other comprehensive income
= Other comprehensive income before taxation				
– Income tax related to other comprehensive income				
= Other comprehensive income after taxation				
Comprehensive income = Net financial result + Other comprehensive income after taxation				

FIG.2. ALGORITHM OF CALCULATION OF COMPREHENSIVE INCOME OF THE ENTERPRISE IN THE INCOME STATEMENT

Section III “Elements of operating expenses” of the Income Statement discloses the information on economically homogeneous expenses of the enterprise as a whole regardless of their origin and role in the process of manufacturing in the next view:

- Material expenses;
- Labor expenses;
- Allocations for social measures;
- Amortization;
- Other operating expenses.

Nature of production (depending on the proportion of individual elements in total amount: labor-intensive, materials-output ratio, capital-output ratio) is defined with the help of expenditure analysis by economic elements. Analysis of the structure of expenses by elements allows to calculate reserves of possible decreasing of operating expenses of the enterprise.

Section IV “Calculation of profitability of shares” discloses reporting information on the following items:

- Average annual number of ordinary shares;
- Adjusted average annual number of ordinary shares;
- Net income (loss) per one ordinary share;
- Adjusted net income (loss) per one ordinary share;
- Dividends per one ordinary share.

It should be noted that the order of calculation of profitability of shares of the enterprise is not disclosed in the notes to financial statements.

Studying of information from professional sources revealed that information on the net income (loss) per one ordinary share (ordinary shares profitability) is disclosed in the income statement (statement of comprehensive income) of the enterprise, registered in the organizational and legal form of a public company. Net income per one ordinary share is used by users of the information for the evaluation of results of operating activity in order to form an opinion on his potential and making decision on the appropriateness of investment. The economic content of income per share is in disclosure of efficiency (profitability) of using resources of the enterprise provided by the owners of its common shares.

Net income per one ordinary share is calculated as a share of net income of the period (less dividends on preferred shares) of the average annual number of outstanding ordinary shares during this period.

The annual average number of ordinary shares is the average weighted number of ordinary outstanding shares during the reporting year. The average annual number of ordinary outstanding shares is calculated

as the sum of products of the number of ordinary outstanding shares during some periods in days (months) and corresponding time weighted factors.

The number of ordinary shares is determined according to the data of the register of shareholders.

Time weighted coefficient is calculated as the part of the division of total number of days (months), during which the shares were in circulation, on the total number of days (months) of the reporting year.

Adjusted net income (loss) per one ordinary share of the enterprise is calculated by the division of the adjusted net income (loss) on the adjusted average annual quantity of ordinary outstanding shares. The value of adjusted net income (loss) is a measure of the maximum possible level of decreasing of income (increasing of loss) per one ordinary share in case of conversion of dilutive potential ordinary shares without a corresponding increase of assets.

Adjusted net income (loss) of the enterprise is calculated with the help of adjustment of net income (loss) (after deduction of dividends on preferred shares) on the impact of dilutive ordinary shares. Namely, net income is added to expenditures on interests, connected with dilutive potential ordinary shares, which were recognized in the reporting year, minus current and deferred income tax, which is connected with expenses on interest, minus dividends on dilutive potential ordinary shares recognized in reporting year.

As a part of potential ordinary shares (financial instruments or other agreements that give the right to receive ordinary shares in the future) one can name the following:

- Bonds that can be converted into ordinary shares;
- Preferred shares that can be converted into ordinary shares;
- Options per share;
- Shares, that may be purchased on special programs for employees;
- Contracts, which participants are entitled to receive ordinary shares in the future.

Potential ordinary share is recognized as dilutive in that case, when conversion of the financial instrument or other transaction in ordinary shares would reduce net income (increase net loss) per one ordinary share in the future.

Adjusted average annual number of ordinary shares – is the average annual number of common outstanding shares, which is adjusted for the number of dilutive potential ordinary shares.

For the calculation of the adjusted income per one ordinary share, the impact of potential ordinary shares for income per share must be dilutive, in other words the amount of diluted income per share should be lower than the amount of net income per share, calculated for one and the same reporting period. Potential ordinary shares with anti-dilution influence are not included in the calculation of income per share.

Profitability of shares is specified in UAH in the income statement (the statement of comprehensive income).

Information on the amount of net income per one share and adjusted net income per one share is appropriate to disclose in the notes to the financial statements in the separate table. The layout of its construction is given in the table 1.

CALCULATION OF PROFITABILITY OF ORDINARY SHARES OF THE ENTERPRISE

Table 1

1.1. Calculation of the average annual number of outstanding shares

PERIOD (NUMBER OF DAYS)	ITEM	RELEASED	REDEEMED	SOLD	NUMBER OF ORDINARY OUTSTANDING SHARES	TIME WEIGHTED COEFFICIENT	AVERAGE WEIGHTED NUMBER OF OUTSTANDING SHARES
1	2	3	4	5	6=3–4+5	7=1/365	8=6x7
Average annual number of out- standing shares							

1.2. Profitability of ordinary shares of the enterprise

NAME OF THE ITEM	REPORTING YEAR	PREVIOUS YEAR
Income / (loss) that belongs to shareholders - owners of ordinary shares		
Income / (loss) that belongs to shareholders - owners of preferred shares		
Income / (loss) per year		
The average annual number of outstanding ordinary shares (thousand units)		
The average annual number of outstanding preferred shares (thousand units)		
Net income / (loss) per ordinary share		
Adjusted net income / (loss) per one ordinary share		
Net income / (loss) per one preferred share		
Adjusted net income / (loss) per one preferred share		



Disclosure of information on the order of calculation of profitability of ordinary shares of the enterprise in notes will provide users of financial statements with information about the efficiency of the usage by the management of the enterprise, registered in organizational and legal form of a public company, of the funds contributed by its shareholders.

#### Findings in this study and recommendations for further research in this area

As a result of the research of compositional structure, information loading and analytical capabilities of the income statement (statement of comprehensive income), algorithms of calculation of net financial result and comprehensive income of the enterprise were developed. They may serve as a basis of renewal of the program of analysis of efficiency of its activity. Analysis of substantial loading of the item "Other comprehensive income" of the investigated report demonstrated the

appropriateness of disclosure of its data concerning results of the revaluation of operations of hedging cash flows of enterprises. The appropriateness of disclosure of information about calculation of profitability of shares was proved. It will help to improve analytical possibilities of financial reporting. Expanding of the information in notes concerning the profitability of ordinary shares of public company will increase the quality characteristics of the package of annual financial statements of the enterprise. Further research must continue investigation of analytical capabilities of financial reporting of enterprises. In particular, issues on compositional structure and information loading of the statement of cash flows, of the statement of changes in equity and of the notes to the financial statements in terms of innovative development of national economy must be solved.

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Submitted: 25.03.2015 p.