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## WU International Taxation Research Paper Series

No. 2014 - 07

# The Relevance of Tax Information in Other Comprehensive Income

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Editors:

Eva Eberhartinger, Michael Lang, Rupert Sausgruber and Martin Zagler (Vienna University of Economics and Business), and Erich Kirchler (University of Vienna)

Electronic copy available at: <http://ssrn.com/abstract=2442817>

Research Papers

# **The Relevance of Tax Information in Other Comprehensive Income**

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The authors thank Caren Sureth, the participants of WU Accounting Research Seminar, and two anonymous reviewers of VHB Jahrestagung 2014.

Financial support by the Austrian Science Fund (FWF): W 1235-G16 is gratefully acknowledged.

## The Relevance of Tax Information in Other Comprehensive Income

### Abstract

Given the general notion that more transparency, i.e. additional disclosure in financial accounting is beneficial per se on the one hand, and on the other hand given increasing scepticism about an information overload in financial statements, this study investigates the relevance of specific tax accounting information. For other comprehensive income (OCI), disclosure regarding deferred taxes on OCI items is required. We focus on whether the tax information given is relevant to the financial statement reader by using an experimental design, which allows us to manipulate the existence of tax information only, *ceteris paribus*. Participants, expert users and students make judgments regarding the financial performance, investment condition and tax position of the firm. The results do not support the notion that such deferred tax information in OCI is relevant. The (non-)existence of tax information made no difference in these judgments. This result is in contrast with perceptions of standard setters and should be borne in mind when considering further development of IAS 1 and IAS 12. Previous research on tax disclosure and on OCI disclosure does not cover deferred tax in OCI. Our results are novel and the method used allows for the isolation of the effects that we search for.

Key words: deferred taxes, other comprehensive income, income tax disclosure, experimental study, information processing

# The Relevance of Tax Information in Other Comprehensive Income

## 1. Introduction

One of the main purposes of financial statements is to provide outsiders with information and insight into the financial and economic state of a firm, enhancing transparency is one of the main drivers of financial reporting. Its role can be ascertained by performing a simple word search. Even though reference to transparency is not explicit in the framework<sup>1</sup> itself, searching the IASB website for the term yields approximately 3,000 results (as compared to the four qualitative characteristics: understandability, 1,100; relevance, 3,100; reliability, 2,100; and comparability, 5,300).<sup>2</sup> A closer look at the usage reveals that reference is mostly about “enhancing” transparency, “improving”, “ensuring”, “promoting”, “increasing”, “strengthening” and the like.

The means that providing transparency to users of financial statement involves additional disclosure, in order to reduce information asymmetry, reduce transaction costs and thus reduce the cost of capital and enhance market value and firm value. As a result, disclosure requirements in general have increased considerably in recent years. As a reaction to ever increasing disclosure requirements, complaints of an information overload arise, claiming that too much disclosure may obscure true transparency (EFRAG 2011; PwC 2011; KPMG 2011; ESSEC 2013; Raedy, Seidman and Shackelford 2011; Groves 1994). Simply adding more contents to the financial statements does not necessarily increase value-relevance or decision usefulness to the users of such information. In fact, research results regarding the benefits of further disclosure are mixed, also with regard to OCI disclosure on the one hand and tax disclosure on the other.

In the field of tax accounting, a particular need for additional information disclosure led to the amendment of IAS 12. The Standard now requires, among other additional information, that an entity separately disclose (deferred) taxes on OCI items, either on the face of the OCI statement or in the notes for annual periods beginning on or after 1 July 2012. This new

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<sup>1</sup> Nor in the Discussion Paper, “A Review of the Conceptual Framework for Financial Reporting”, DP/2013/1.

<sup>2</sup> Search in November 2013.

disclosure requirement can be seen as measures that follow the recent agenda of IASB<sup>3</sup> which address prevalent doubts on usefulness of OCI and users' little confidence in the relevance of OCI. With a particular concern on related tax effects, IASB takes the view that disaggregating taxes on OCI items would improve the clarity and transparency of OCI (IAS 1, BC66). *"Users of financial statements often requested further information on tax amounts relating to components of other comprehensive income, because tax rates often differed from those applied to profit or loss."* (IAS 1, BC 68).

However, there are opposing views asserting that allocating taxes to each OCI components can be arbitrary and involve a high degree of subjectivity due to undefined tax rates (IAS 1, BC67). If tax information in OCI is perceived to be irrelevant and thus does not influence users' assessment process, the intended benefits of the new disclosure requirement by IASB would not be realized.

Consequently, this paper focuses on one specific aspect of disclosure: we attempt to determine whether tax information in OCI matters; whether actual users' behaviour meets regulatory bodies' expectation. More precisely, the question is: Is the tax information given in OCI relevant?

According to the IFRS conceptual framework, financial information is relevant when it makes a difference in users' decision making<sup>4</sup> (IASB 2010). In order to make a difference in decision making, the information must make a difference in the judgment that results from such information. We therefore assume the tax information to be relevant if it influences the financial statement reader's judgment of the firm. To this end, we test the reader's judgment in an experimental setting. In this regard, our study differs materially from other studies on the value relevance of disclosure.

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<sup>3</sup> "I do not think it is right to regard OCI as a largely irrelevant number which should preferably be buried in the notes. True, Other Comprehensive Income is often of a less certain nature than Profit or Loss. But that does not make OCI meaningless. Especially for financial institutions with large balance sheets, OCI can contain very important information. It can give indications of the quality of the balance sheet". Hans Hoogervorst, chairman of the International Accounting Standards Board at the KASB/Korea Accounting Institute Seminar in Seoul, Korea (IASB 2011).

<sup>4</sup> IFRS conceptual framework QC 6: Relevant financial information is capable of making a difference in the decisions made by users. Information may be capable of making a difference in a decision even if some users choose not to take advantage of it or are already aware of it from other sources. See also DP/2013/1 4.9.

The topic of our paper is *not* whether presentation of tax details should rather be included on the face of the statement or in the notes; research results indicate quite clearly that information given on the face of the balance sheet or income statement is better received. We focus rather on whether the information given (in the best available format: on the face of the income statement) is relevant as such.

To our knowledge, this is the first paper that focuses on tax in OCI. There are several studies that test either the decision usefulness of OCI, or the decision usefulness of (deferred) tax accounting. These studies focus less on information processing of the actual readers and perceptions of income tax disclosures. To be more specific, what has been missing in prior research is a focus on the effect of additional tax disclosure specifically induced by OCI. Our study differs from the prior works in that it investigates whether the information on deferred taxes generated by OCI items (certain fair value measurements, pension accounting and currency conversion) would change the users' understanding of the firm's income tax position and overall financial condition.

To this end, we focus on the recent amendments of IAS 12 and IAS 1, demanding separate disclosure of tax on OCI items for the sake of “clarity and transparency” (IAS 1, BC65). To test the effect of such tax information, we use an experiment which allows us to manipulate the existence of tax information only, *ceteris paribus*. As opposed to the dominating empirical-archival research on the relevance of tax information, the strength of an experimental setting lies in its internal validity. On the one hand, the experiment allows controlling for all information and data that participants receive. Their response can therefore be directly attributed to the treatment (i.e. the non-/availability of tax disclosure). On the other hand, the relevance of tax information is assessed by directly inquiring participant's judgement, instead of relying on proxies which are inevitably flawed, and which are required for an empirical-archival setting.

Participants were expert users and students. They received a set of statements and gave their judgment on the financial performance, investment conditions and tax position of the firm. One group received tax details on OCI items, while the other group read the OCI items on a net-of-tax basis. The results are, in short, that the tax information made no difference – which is in contrast to the persistent proposals of extensive disclosure requirements in financial reporting.

This paper proceeds as follows: section 2. studies the background in literature, section 3. presents the hypothesis and the research design, section 4. analyses the results and controls and section 5. presents our conclusions.

## **2. Research Background and Prior Literature**

The focus of our research, the relevance of deferred tax information in OCI, is based on two lines of literature: relevance of tax disclosure on the one hand, and relevance of OCI on the other.

### **2.1. The usefulness of tax information in financial statements**

Our study testing the effect of specific tax information draws on the literature of tax accounting discussing the usefulness of tax disclosure. The underlying assumption is that accounting information in general, and tax disclosure specifically, is considered to be value relevant to equity investors (Barth, Beaver and Landsman 2001). For instance McAnally, McGuire and Weaver (2010) and Atwood et al. (2011) find that tax items of stock options provide value relevant information in terms of predictive-ability for future cash flow. This future-oriented aspect of tax information is highly utilized by equity investors in security valuation and thus reflects current earnings power. In this respect, Lev and Nissim (2004) empirically test the contemporary earnings impacts by showing a stronger association between the tax-to-book income ratio with current earnings-price ratios. With a particular concern for deferred taxes, empirical studies find a positive association of deferred tax accounts with firm value (Ayers 1998) and the value of the equity in terms of stock returns (Givoly and Hayn 1992). A negative relationship between deferred taxes and common stock value is also documented (Chandra and Ro 1997; Chaney and Jeter 1992). Although the directions of the correlations differ, past studies support the informative attributes of deferred tax accounts which are taken into account by investors through the market's perception of deferred tax assets and liabilities as real assets and liabilities (Chang, Herbohn and Tutticci 2009).

On the other hand, there is a stream of research severely doubting the value-relevance of tax disclosure. Taking example cases of bond raters' judgments, the studies of Huss and Zhao

(1991) and Chattopadhyay, Arcelus and Srinivasan (1997) investigate whether the existence of deferred taxes would influence the corporate bond rating. Both studies show no difference in bond ratings resulting from different treatment of deferred taxes. Such a negligible impact is arguably attributed to the non-discounting features of deferred taxes (Huss and Zhao 1991) or the cost exceeding the benefits provided by an incremental improvement for deferred tax contents (Chattopadhyay, Arcelus and Srinivasan 1997). With respect to the detailed book-tax difference, Raedy, Seidman and Shackelford (2011) find little evidence that the equity market prices differently and conclude that such detailed tax disclosures matter less to the equity market. Such observations demonstrate that investors do not perceive the deferred tax as decision-relevant information and thus less likely incorporate deferred taxes in assessing the firm value (Chludek 2011).

Another notable research area concerns whether earnings management results from subjective judgments involved in tax accounting, such as estimating deferred taxes and deferred tax valuation allowances. A majority of empirical studies draw the conclusion that managers' earnings management (Schrand and Wong 2003; Phillips, Pincus and Rego 2003; Phillips et al. 2004; Christensen, Paik and Stice 2008) and a firm's opportunistic tendency (Gordon and Joos 2004; Poterba, Rao and Seidman 2010) are indicated by deferred tax expense and its valuation allowance. These particular tax accounts are in this sense decision-relevant to users who need to distinguish genuine operating earnings effects from artificial earnings driven by manipulation with deferred tax accruals (Kumar and Visvanathan 2003).

Equally importantly, tax disclosure can also include misleading contents which undermine the value-relevance. Overesch and Schreiber (2006) show that the relevance of tax information under IAS 12 depends on the respective type of tax planning in which a firm engages. The effective tax rate (ETR) would be another good example. Despite the increasing disclosure of ETR in the notes of the financial statements, the limitation of ETR is well documented (Wilkie and Limberg 1993; Dunbar and Sansing 2002), suggesting that ETR is not so much related to a firm's performance or tax preferences and thus ETR is not able to explain a firm's tax planning practices. Deficiency in financial reporting of income taxes is also identified by C. Bauman, M. Bauman and Halsey (2001), who examine the financial statement income tax footnotes of Fortune 500 firms with a contextual approach. They find that earnings management effects of the deferred tax assets allowance cannot be determined solely from the financial disclosure, and suggest that financial disclosures still need to



improve.

The unfavourable views on the usefulness of tax disclosure in terms of value-relevance and misleading contents are somewhat understood as a reaction to the information complexity. Plumlee (2003) investigates how information complexity affects financial analysts' use of financial information by differentiating complexity of six tax law changes. The results indicate that the more the information adds tax complexity, the less the financial analysts integrate such information into their forecast of effective tax rates. It can also be seen that observed analyst misinterpretation is mainly caused by the implications of the deferred taxes which require subsequent tax adjustments when tax rates change. Along the same line, implementing new income tax accounting standards, such as Financial Interpretation No. 48<sup>5</sup> in the United States, can even further increase the complexity of tax accounting, for the sake of enhancing financial transparency (Blouin and Robinson 2012), although it would reveal corporate tax shelter activities (Lisowsky, Robinson and Schmidt 2013). This inevitable increased complexity might consequently produce confusion and unfamiliarity to users (Chen, Danielson and Schoderbek 2003; Chludek 2011) and thus undermines decision-usefulness.

In summary, the findings from prior literature indicate that the relevance of tax information and its usefulness are evaluated differently in different settings. Although the theoretical aim of value-relevance of (deferred) taxes is set out by principle, its practical effects appear to be rather mixed, as shown in the findings from empirical studies. These findings demonstrate that the contents of tax disclosure are not necessarily meaningful and relevant to the users. Some favourable views on tax-relevance seem to be undermined by information overload and complexity that users have to deal with.

## **2.2. Disclosure in other comprehensive income**

In practice, OCI is often criticized by financial experts, and business media perceive OCI to obscure a firm's real performance (Rapoport 2011). It is critically regarded as "the accounting dustbin" (Guthrie 2011) or a way of accounting that "hides unwanted clutter" (Financial Times 2011). For instance when analysing the credit quality of companies,

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<sup>5</sup> FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109.

financial analysts rarely take OCI as it is; they usually sort out components in OCI when implementing their valuation models (Emrick, Wasden and Young 2006). The prior empirical research demonstrates mixed results and inconclusive views on the value relevance of OCI through the lens of the capital market reaction as well as its influence on investors' perspectives of a firm.

Kubota, Suda and Takehara (2011) find significant information in the OCI items which associate with stock returns. A need for disclosing more disaggregated and itemized information is supported by testing some particular items of OCI, foreign currency translation adjustments (Pinto 2005) and pension transition adjustments (Mitra and Hossain 2009), which demonstrate the significant relation to firm value and stock returns. In contrast, Cahan et al. (2000) argue that it is unnecessary to disclose such OCI items separately based on their evidence showing no incremental value relevance of two selective OCI items, namely fixed asset revaluation and foreign currency translation reserve adjustments.

In line with sceptical views on the informative role of OCI, further analyses suggest little value-relevant and decision-useful content in OCI. For example Dhaliwal, Subramanyam and Trezevant (1999) test whether comprehensive income has a better correlation with future operating cash flows, future income stock returns and stock price, as compared to net income. They find a weak function of comprehensive income in predicting future cash flows and future earnings. Similar results of low value-relevance are documented by testing the correlation between the components of OCI and a firm's value (O'Hanlon and Pope 1999; Kanagaretnam, Mathieu and Shehata 2009; Cheng, Cheung and Gopalakrishnan 1993), which indicates no significant explanatory power for OCI items in their results.

Although the market reactions relating to the contents of OCI are rather uncertain, OCI can also be utilized as a firm's performance indicator, such as return on equity (ROE). Fernández and Arana (2010) evaluate whether the impact of comprehensive income on ROE is greater than that of traditional net income. By analysing the 2004-2008 data of Spanish public companies, they show a statistically significant finding that the impact on ROE is greater when comprehensive income is applied, as opposed to the net income, particularly during the 2008 financial crisis. Given the fact that OCI is incremental to traditional net income, these results imply that OCI contains relevant information which adds validity to an indicator of corporate performance, such as ROE.

Other studies focus on presentation of OCI information, providing that users' perceptions and utilization may differ by income definitions (Biddle and Choi 2006), categories of contents of such information and locations of the contents, i.e. types of financial statements (Maines and McDaniel 2000). For instance Chambers et al. (2008) explain that, in the context of the comprehensive income disclosure, investors pay greater attention to the statement of change in equity than to the financial performance (i.e. income statement), considering the fact that the components of OCI affect the firms' equity and retained earnings. On the other hand, Hirst and Hopkins (1998) suggest that a clear presentation of OCI items in the income statement, rather than the equity section, would better assist expert users in analysing accounting transactions that are associated with the earnings management conditions. In short, there are mixed findings regarding the informative role of OCI contents and the role thereof in influencing the market and investors. Some highlight its positive role in financial reporting, whereas substantive parts of the literature cast doubt on its relevance. Considering these mixed results on the relevance of deferred tax information on the one hand and on OCI on the other, one can conclude that the relevance of deferred tax information in OCI is at least questionable.

### **3. Research Design**

#### **3.1. Hypotheses**

IAS 1 allows several ways of disclosure of deferred tax on OCI items.<sup>6</sup> Three ways of disclosure can be found in practice: (i) all details on the face of the OCI statement (gross amounts of income/expense, with deferred tax as separate line-items beneath the respective

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<sup>6</sup> IAS 1.90: An entity shall disclose the amount of income tax relating to each item of other comprehensive income, including reclassification adjustments, either in the statement of profit or loss and other comprehensive income or in the notes.

IAS 1.91: An entity may present items of other comprehensive income either:

(a) net of related tax effects, or

(b) before related tax effects with one amount shown for the aggregate amount of income tax relating to those items.

If an entity elects alternative (b), it shall allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section.

OCI items), (ii) gross amounts of income/expense, with one aggregated deferred tax line-item on the face of the OCI statement, and with details in the notes and (iii) net amounts of income/expense, with details on deferred tax per OCI item in the notes. In any case, an entity is required to disclose the allocation of income tax expense or benefit to each individual component of OCI. In its basis of conclusions, the IASB explicitly refers to the clarity and transparency that is sought, noting that these requirements (IAS 1, BC65): "... help to improve the clarity and transparency of such information, particularly when components of OCI are taxed at rates different from those applied to profit or loss".

We can conclude that deferred tax disclosure in OCI is meant to provide relevant and useful information to users and thus be appreciated by the stock market. The aim of this study is to evaluate the relevance of incremental information on deferred taxes disclosed in OCI.

Relevance is afforded when such information affects users' perceptions of the firm's financial and tax position. The resulting null hypotheses therefore are:

H0a. Financial statement user's perception of the firm's overall financial performance does not differ when detailed deferred tax information is presented in other comprehensive income.

H0b. Financial statement user's perception of the firm's investment conditions does not differ when detailed deferred tax information is presented in other comprehensive income.

H0c. Financial statement user's perception of the firm's tax position does not differ when detailed deferred tax information is presented in other comprehensive income.

Little can be said on the expected results or the expected sign of an effect. As previous studies do not strongly support one or view the other, the results are open.

### **3.2. Experimental setup**

To test the hypotheses, we use an experiment. We model the experiment and the testing of the results along the lines of Anandarajan et al. (2008), who use a similar approach for the question as to whether the presentation format of stock-option reporting matters. Our main testing instruments are two different versions of OCI in the consolidated comprehensive income statements which we manipulate regarding the manner of disclosing deferred taxes in OCI. As the focus of our paper is not on the location of the tax information (OCI or notes), we distinguish only between providing all deferred tax details in OCI or not providing such

details, instead showing net-of-tax amounts only. To illustrate, Figure 1 below summarizes our research design.

<Insert Fig. 1 about here >

### **3.3. Participants**

We choose our participants at two levels: expert users and students. The experts are financial professionals and practitioners in the field of accounting, auditing or tax. They mostly include tax advisors and certified public accountants (71% of the participants are qualified tax advisors<sup>7</sup> and/or auditors; 90% are employed in a tax consulting/audit firm). Not all of them have IFRS experience, but all have a strong accounting background. During a tax and accounting conference which was held at the WU Vienna University of Economics and Business in April 2013 (Wiener Bilanzrechtstage 2013) participants were invited to stay after the end of the conference and participate in a research project which is related to IFRS reporting.

The students are participants in the Master Program in Tax and Accounting (Steuern und Rechnungslegung) at WU Vienna University of Economics and Business. The student data were collected in May 2013, during a class in international taxation.<sup>8</sup> As previous education includes financial reporting and international accounting, students are assumed to have considerable knowledge and a good understanding of the field. Half of these students also work part-time in tax/accounting practice (50% of the student participants are employed by a tax consulting/audit firm), and usually seek a professional career in accounting, auditing or tax.

<Insert Table 1 about here>

### **3.4. Test instrument and questionnaire**

We design our test instrument, after thorough screening, based on the financial statement of a multinational corporation. The criteria for choosing the respective MNC are listing on the

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<sup>7</sup> In Austria, certified tax advisors possess a university degree, at least three years of practice and they must have passed an extensive examen on tax and accounting (financial, managerial). They can be considered expert not only in tax but also in financial reporting. The reason lies in the close tax link in Austria.

<sup>8</sup> Neither of the authors was involved in teaching the class as professor or similar.

German prime market (DAX), IFRS reporting, detailed reporting of deferred tax on OCI on a per-item basis. Further, we chose an MNC with comparatively high amounts of deferred taxes in OCI, to make sure that, within a realistic setting (i.e. not exaggerating), tax information may matter (i.e. not understating). Such procedure allows identifying a statement of supposedly high quality, generally in line with IFRS, with realistic amounts and adequate relative importance of deferred tax on OCI. The original model statement presents OCI items net of tax, with deferred tax on OCI items in sufficient detail in the notes. For the manipulation, we amend the OCI section by inserting these exact tax details. The only difference between two versions of the financial statements is the OCI section in the comprehensive income statement, to the extent of disclosure of deferred taxes.

To eliminate the possibility that participants may be able to identify the model company and thus might be biased in their judgment, we divide the amounts of the model financial statements by two, maintaining the internal consistency of the statements. The statements are distributed in a neutral format to participants. We do not provide any company-specific information except clarifying that it is a multinational public company named “ABC Group”. The experiment materials are labelled neutrally as “A” for the case “Net of Tax” and “B” for the case “Tax Detail”.

For the questionnaire, we mostly refer to the list of questions used in the study of Anandarajan et al. (2008) which we modify moderately according to our focus on tax. The questionnaire is composed of three parts: judgment questions, demographic data and manipulation check. The judgment questions enquire as to the participants’ perceptions of the firm’s overall financial performance, investment conditions and tax position, generally using a nine-point Likert scale, with 1 being “the most favourable and positive opinion” and 9 being “the most unfavourable and pessimistic opinion”. Only regarding profitability (Question 5), we ask respondents to rate the future profitability of the company by using a three-point scale, where 1 is “decrease”, 2 is “remain” and 3 is “increase”. By requesting demographic data and professional background information, we collect, among other things, the participants’ occupations, the field of profession, education levels and experience with IFRS. Finally, one last question tests the participants’ acknowledgement of the (non-)disclosure of deferred tax information in the comprehensive income statement. This particular question is a manipulation check which allows us to determine whether the participants recall correctly the presence or absence of deferred tax information. Given that

the mother tongue of all participants is German, all questions and financial statements are prepared in the German language so as to eliminate any possibility of misinterpretation or misunderstanding. Before executing the experiment, the questionnaires and financial statements are cross-checked by other two independent German native speakers.

### **3.5. Test procedures**

The experiment first underwent a pilot with participants with knowledge of IFRS reporting. Their timing, feedback and comments are reflected in improving our experiment structures. In the actual setting, we carry out test procedures in three steps. First, we randomly allocate participants to one of the two groups, *A* or *B*, with identification numbers (maintaining anonymity). Second, we distribute instructions and explain that there is no right or wrong answer for this experiment, while not revealing our intentions. After verifying their understanding of the instructions, we distribute the two sets of questionnaires for demographic data and judgment questions, and provide the financial statements to the respective group. Group *A* receives financial statements ‘*A*’ which do not contain detailed deferred tax information in OCI; the financial statements with detailed tax closures in OCI, version ‘*B*’, are provided to Group *B*. Participants are allowed to use as much time as they think necessary to complete the questionnaires, which is generally around 15 minutes. Third, after having collected questionnaires and financial statements from the participants, we distribute the final manipulation check.

Given that there is no “better” or “more successful” way to answer the questionnaire, and given that, in particular for practitioners, any kind of compensation can be only symbolic, compensation is not offered to participants.

In brief, Figure 2 below presents the framework and process of our experiment.

<Insert Figure 2 about here>

To determine financial performance, three questions on the financial condition (Q1), on the ability of the group to meet its payment obligations in a timely manner (Q3) and on its profitability (Q5) are used. Investment condition is tested by asking about the riskiness of

investing in shares of the firm (Q2), on future growth perspective (Q4) and on the attractiveness of the investment in shares of the firm (Q6). Finally, the perception of the tax burden of the firm (very low to very high) is tested (Q7).

## 4. Results

### 4.1. Analysis

Table 2 illustrates the demographic variables. The results do not hint to insufficient randomization.

<Insert Table 2 about here>

For the manipulation check, which asks whether the OCI statement contained detailed tax information, the correct answer for Case “Net-of-Tax” (marked as “A” in the materials) should be "no", as they see only net of deferred tax account information; whereas subjects of the Case “Tax Detail” (indicated as “B” in the materials) should answer "yes", as they see the gross amounts and the subsequent deferred taxes. The test results confirm the validity of the test for the Case B “Tax Detail”, as most of the participants passed the test (93%); however for the Case A “Net-of-Tax”, only 57% of participants answered correctly. This low percentage of correct answers is mainly due to the results of student group with Case A "Net of Tax". In the next section 4.2, we analyze this result when we control the subjects for further investigation. In short, we interpret this result to mean that the extent of deferred tax disclosure in the OCI may be not distinguishable to users. The results are summarized in Table 3 below.

<Insert Table 3 about here>

Due to the non-normal distribution of the data, we use the Wilcoxon Rank-Sum test (Mann-Whitney  $U$ ). The result for all participants, shown in table 4, reveals that for none of our seven questions can the null hypothesis be rejected; none of the p-values is even close to significance. In other words, the assumption that detailed disclosure of tax makes *no*



difference cannot be rejected. At an aggregated level,<sup>9</sup> table 4.1 illustrates the results of two judgment categories (financial performance, investment conditions) where individual questions fall into categories as shown in Figure 2. The results by category again have high p-values and support our results, as previously stated.

<Insert Table 4 about here>

<Insert Table 4.1 about here>

In addition to the non-parametric analysis, confirmation and further information can be given by ordered Logit and Tobit regressions,<sup>10</sup> which include demographic variables. Most importantly, the treatment (with or without detailed tax information) does not lead to significant results, for none of the seven questions, nor for the aggregate investment condition and financial performance. The results above are thus supported.

The other control variables tested are: passing of manipulation check (yes/no); subject (expert vs. student); years of experience; education; IFRS experience; number of consolidated annual statements of listed corporations reviewed during the past three years; age; and gender.

Of these, one specific aspect of prior professional experience shows some significance: the number of consolidated annual statements of listed corporations reviewed during the past three years.<sup>11</sup> Other measures for professional experience (years of experience; IFRS experience) are insignificant. Only for question 5 (on future development of the firm's net income) is participant qualification (expert vs. student) highly significant ( $p = 0.000$ ). For all other questions, it is not significant. Other than that, independent variables do not provide any significant results. In particular, the judgment does not differ significantly depending on the passing of the manipulation check. Testing the aggregate judgments on financial performance, again participant qualification (expert vs. student,  $p = 0.003$ ) and three-year experience

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<sup>9</sup> The data was aggregated by calculating the mean answers for each category. The profitability judgment from question 5 (1: decrease, 2: remain, 3: increase) was translated to the 9-point Likert scale as 8: decrease, 5: remain, 2: increase, in order to form valid means and in order not to overemphasize extreme values. Question 7 on the tax position was not included in the aggregation as it represents a category in its own.

<sup>10</sup> Further supported by ordered Probit; tables available upon request.

<sup>11</sup> For questions Q1, Q2, Q3 on the 10% level, for Q6 on a 5% level; further, gender is significant for Q4 and age is significant for Q7, both on a 10% level.

( $p=0.068$ ) are significant.<sup>12</sup> For the aggregate judgments on investment conditions, none of the variables prove significant. To summarize: the results from the non-parametric test (that detailed disclosure of tax makes *no* difference cannot be rejected) are strongly confirmed. Other variables that may have an influence on the judgment of participants are, in some cases, participant qualification and the number of consolidated annual statements of listed corporations reviewed during the past three years. However, these results do not prove to be robust and should not be over-interpreted.

## 4.2. Controls

Even though not significant in the regression analysis, the weak results of the manipulation check call for further exploration. Table 5 shows that most of the expert participants answered correctly, but students' results are mixed. Only 33% of the Case A "Net-of-Tax" student group answered correctly, whereas all students in the Case B "Tax Detail" group answered the manipulation check correctly. Regardless of the treatment, 83% of the students (33 students out of 40 in total) perceived that there is tax information.

<Insert Table 5 about here>

The reasons for the weak manipulation check results for students are unclear. On the one hand, the insufficient expertise (lack of knowledge about OCI or deferred taxes in OCI) or perceived demand effects (students were from a tax class and might infer that somehow tax must have been in the questionnaire) may play a role. On the other hand, one may conclude that deferred tax information in OCI is so irrelevant that its (non-)existence is not even noticed by students. Whatever the reason, further analysis is called for.

When including only those subjects (experts and students) who passed the manipulation check, the results in Table 6 confirm that the different treatment leads to no significantly different judgment. Likewise insignificant results by aggregated judgment categories (financial performance, investment conditions) are summarized in Table 6.1. We enhance the validity of the results by excluding subjects who failed manipulation check - still the

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<sup>12</sup> Tobit regression.

outcomes of all questions are quite similar to the results of *all* participants as shown in the Table 4 and 4.1. This observation appears to carry weight toward a doubtful view that visibility or notice-ability of deferred tax information in OCI to the users would be weak.

<Insert Table 6 about here>

<Insert Table 6.1 about here>

As mentioned, one could assume some demand effects from the manipulation check for students leading to a strong inclination to answer the manipulation check in the affirmative. In this case, a “yes” does not necessarily mean that students really took notice of tax in OCI, and all student results are to be regarded with scepticism. As a consequence, when disregarding the student group and focusing only on experts, Table 7 and Table 7.1 illustrate the results by each question and by judgment category. Again, the results do not allow for the rejection of H<sub>0</sub>, there is not a significant difference in judgment by treatment among experts.

<Insert Table 7 about here>

<Insert Table 7.1 about here>

Further, the question arises as to whether such insignificant results may stem from the lack of IFRS experience. Subsample 1 addresses IFRS experience by sorting out the data having IFRS experience and passed manipulation test. It shows very insignificant results as well, i.e. the (non-)existence of deferred tax in OCI is irrelevant. The same result is seen for all other controls, without any exception for all judgment questions. Table 8 illustrates further three subsamples.

<Insert Table 8 about here>

The findings for all these subsamples show that there is no statistically significant difference even after we enhance the test validity with regard to manipulation check and professional background.

Thus, the overall results given in Table 4 hold under all conditions. Given such a

homogeneous outcome, we cannot reject any of the three null hypotheses. (H0a, H0b or H0c). Questions 1, 3 and 5, and their aggregate measure test the users' perception of firm's financial performance (H0a). Questions 2, 5 and 6 and their aggregate measure test the users' perception of the firm's investment condition (H0b). For both cases, the respective null-hypothesis cannot be rejected. Not even the results on the straightforward final question 7 on the tax position (H0c) support the relevance of our manipulation. In short, our results cannot confirm that additional disclosure of deferred taxes on OCI items is relevant to the users of financial statements.

### **4.3. Limitations**

This study is subject to some limitations. First, the test design does not allow conclusions as to whether the irrelevance of the information is due to the fact that the deferred tax on OCI items is irrelevant or due to the fact that OCI in itself is considered irrelevant. The literature lends support to both possible causes, and we cannot identify which of them prevails. Indeed, perhaps both are equally true.

Second, there may be a self-selection bias among the experts. They were invited to participate after having attended a full-day conference. They were informed that the research project concerns IFRS accounting. However, given these facts, we believe that those individuals who are interested in IFRS and/or scholarly research were those who stayed, which should not interfere with the results.

Third, the external validity of data from students is questionable, as is often the case. Our controls show, on the one hand, that the students' results do not differ from experts' results (which support external validity), while on the other hand, the manipulation check for students was weak (which reduces external validity). However, the experts' results speak for themselves and confirm the overall results.

Further, the sample size is – even though quite large for experiments – limited. Greater sample size generally decreases type II error and a larger sample size would increase confidence in the null hypothesis. Greater sample size however meets practical constraints of availability of participants, in particular experts.

Finally, the question arises as to whether the lack of compensation to subjects reduces external validity, as subjects may not put the same effort into the task when not being rewarded. At least for the experts group, this assumption is weak, given that the selection procedure ensured the intrinsic motivation of subjects. Furthermore, adequate compensation for experts (opportunity cost) is precluded by budgetary constraints. For the students group, in addition to the weakness of the manipulation check, as mentioned, in fact validity may be limited. Nevertheless, we believe that the tests of experts only suffice to confirm the results and provide external validity.

## **5. Conclusions**

Disclosure in financial reporting in general and in tax accounting in particular has become more comprehensive, and is justified with the need for transparency, as well as the need for relevant information. These are also the main reasons for recent amendments of IAS 12 and IAS 1 which increase the requirements for disaggregated disclosure on tax in the financial statements. This study attempts to evaluate whether doubts as to the benefits of additional disclosure are well founded. We investigate whether one specific issue of tax disclosure, deferred taxes in OCI, is relevant to users. To the best of our knowledge, this is the first paper that focuses on tax in OCI. Other studies, in particular on the decision usefulness of OCI or on the decision usefulness of (deferred) tax accounting, do not focus on information processing of the actual readers and perceptions of income tax disclosures.

Our results demonstrate that there is no significant difference between two treatments of (deferred) tax information in OCI; we therefore cannot confirm that detailed information on deferred tax on a per-item basis was relevant to the judgment of financial statement readers regarding the financial performance, investment condition and tax position of the model firm. Tax information in our test setting made no significant impact on the judgment of test participants.

The IASB has put some emphasis on the disclosure of tax information in OCI, and has given only little importance to doubts that were brought forward during the due process, such as possible arbitrary tax allocation, lack of availability of data, and subjectivity of tax allocation. The trust that the IASB has put in the relevance of such information however cannot be supported. Our results cast doubt on the IASB agenda of proposing extensive (tax) disclosure

requirements in financial reporting.

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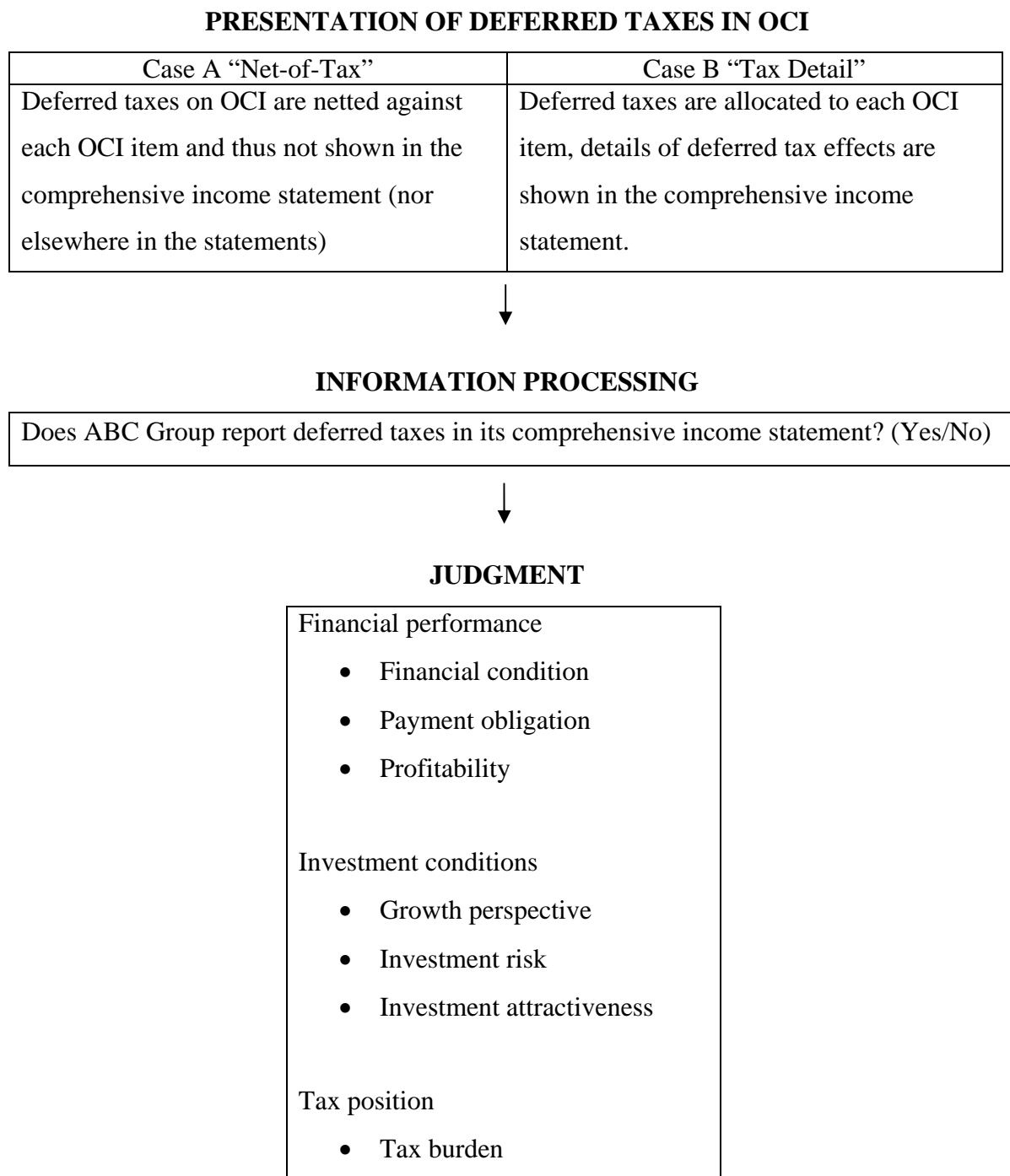
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## Figures

Fig. 1. Experimental design

	Case A “Net-of-Tax” (OCI without detailed disclosure of deferred taxes)	Case B “Tax Detail” (OCI with detailed disclosure of deferred taxes)
Instrument	Testing materials are a set of financial statements excluding the notes, for the fiscal years 2011 and 2012: <ul style="list-style-type: none"> <li>· Statement of Financial Position</li> <li>· Comprehensive Income Statement</li> <li>· Cash Flow Statement</li> <li>· Statement of Changes in Equity</li> </ul>	
Treatment	Individual OCI items are recognized net of deferred tax on the face of the comprehensive income statement (i.e. there is no broken-down detailed deferred tax information in OCI)	Individual OCI items are recognized at gross amounts; deferred taxes are allocated to each line item of OCI on the face of the comprehensive income statement.

Fig. 2. Framework for the effects of the presence of deferred tax details in OCI



## Tables

Table 1: Composition of participants

	Experts	Students	Total
Case A “Net-of-Tax”	25	21	46
Case B “Tax Detail”	24	19	43
Total	49	40	89

Table 2: Statistics on demographic variables

	Case	N	Mean	Std. dev.	t	P value
No. of years experience	Case A "Net-of-Tax"	45	8.31	9.6	0.0075	0.994
	Case B "Tax Detail"	40	8.29	10.07		
Education level <sup>1</sup>	Case A "Net-of-Tax"	46	2.43	0.58	-0.23	0.8204
	Case B "Tax Detail"	43	2.46	0.67		
Age	Case A "Net-of-Tax"	46	33.96	11.94	0.27	0.7875
	Case B "Tax Detail"	43	33.27	11.68		
Experience with IFRS	Case A "Net-of-Tax"	46	(Yes) 28%	(No) 72%	0.44	0.6642
	Case B "Tax Detail"	43	33%	67%		
No. of financial statements under IFRS reviewed in the past 3 years	Case A "Net-of-Tax"	44	3.79	5.94	-1.05	0.2973
	Case B "Tax Detail"	43	6.55	16.1		
Gender	Case A "Net-of-Tax"	46	(Male) 52%	(Female) 48%	0.78	0.4362
	Case B "Tax Detail"	43	60%	40%		

<sup>1</sup>Education: Doctor=1    Master =2    Bachelor=3    High school=4

Table 3: Statistics on manipulation questions

Treatment	N	Yes	No	Manipulation check passed
Case A “Net-of-Tax”	46	43% (n=20)	57% (n=26)	57% (n=26)
Case B “Tax Detail”	43	93% (n=40)	7% (n=3)	93% (n=40)
Total	89			



Table 4: Statistics on judgment questions

Questions	Treatment	N	Median	Mean	Std. dev.	Wilcoxon (p-value)
1. Financial condition (1: very good, 9: very poor)	Case A “Net-of-Tax”	46	3	3.65	1.4176	0.6106
	Case B “Tax Detail”	43	3	3.51	1.3161	
2. Investment risk (1: low risk, 9: high risk)	Case A “Net-of-Tax”	46	3	3.80	1.3270	0.4865
	Case B “Tax Detail”	43	4	3.91	1.1509	
3. Payment obligation (1: very good, 9: very bad)	Case A “Net-of-Tax”	46	3	3.37	1.6514	0.9530
	Case B “Tax Detail”	43	3	3.40	1.6056	
4. Growth perspective (1: very good, 9: very bad)	Case A “Net-of-Tax”	44	3	3.48	1.2102	0.6088
	Case B “Tax Detail”	42	3	3.67	1.4595	
5. Profitability (1: decrease, 2: remain, 3: Increase)	Case A “Net-of-Tax”	44	2	2.11	0.9205	0.7606
	Case B “Tax Detail”	42	2	2.07	0.8083	
6. Investment attractiveness (1: very attractive, 9: very unattractive)	Case A “Net-of-Tax”	45	3	3.78	1.2772	0.7516
	Case B “Tax Detail”	43	4	3.88	1.4834	
7. Tax burden (1: very low, 9: very high)	Case A “Net-of-Tax”	46	6	5.93	1.4205	0.7936
	Case B “Tax Detail”	43	6	5.84	1.5876	

Table 4.1: Statistics on judgment categories: all participants

Questions	Treatment	N	Median	Mean	Std. dev.	Wilcoxon (p-value)
Financial performance (1: very good, 9: very poor)	Case A “Net-of-Tax”	46	4.17	3.91	1.1209	0.9572
	Case B “Tax Detail”	43	3.67	3.88	1.1997	
Investment conditions (1: low risk, 9: high risk)	Case A “Net-of-Tax”	46	3.33	3.66	1.0429	0.3035
	Case B “Tax Detail”	43	3.67	3.83	1.0319	

The category of financial performance is composed of Q1 Financial condition, Q3 Payment obligation and Q5 Profitability. The category of investment conditions is composed of Q2 Growth perspective, Q4 Investment risk and Q6 Investment attractiveness. The data was aggregated by calculating the mean answers for each category. The profitability judgment from question 5 (1: decrease, 2: remain, 3: increase) was translated to the 9-point Likert scale as 8: decrease, 5: remain, 2: increase, in order to form valid means and in order not to overemphasize extreme values. Question 7 on the tax position was not included in the aggregation as it represents a category in its own.

Table 5: Statistics on manipulation questions by group and treatment

Group	Treatment	N	Yes	No	Passed
Experts	Case A “Net-of-Tax”	25	24% (n=6)	76% (n=19)	76% (n=19)
	Case B “Tax Detail”	24	88% (n=21)	13% (n=3)	88% (n=21)
Students	Case A “Net-of-Tax”	21	67% (n=14)	33% (n=7)	33% (n=7)
	Case B “Tax Detail”	19	100% (n=19)	0% (n=0)	100% (n=19)
	Total	89			

Table 6: Statistics on judgments of participants who passed the manipulation test

Questions	Treatment	N	Median	Mean	Std. dev.	Wilcoxon (p-value)
1. Financial condition (1: very good, 9: very poor)	Case A “Net-of-Tax”	26	3	3.50	1.3928	0.9142
	Case B “Tax Detail”	40	3	3.55	1.3578	
2. Investment risk (1: low risk, 9: high risk)	Case A “Net-of-Tax”	26	3	3.88	1.5831	0.6708
	Case B “Tax Detail”	40	4	3.83	1.0834	
3. Payment obligation (1: very good, 9: very bad)	Case A “Net-of-Tax”	26	3	3.42	1.9010	0.9252
	Case B “Tax Detail”	40	3	3.35	1.6101	
4. Growth perspective (1: very good, 9: very bad)	Case A “Net-of-Tax”	24	3	3.46	1.2847	0.4404
	Case B “Tax Detail”	39	3	3.74	1.4818	
5. Profitability (1: decrease, 2: remain, 3: increase)	Case A “Net-of-Tax”	24	3	2.50	0.7802	0.6721
	Case B “Tax Detail”	39	3	2.49	0.6437	
6. Investment attractiveness (1: very attractive, 9: very unattractive)	Case A “Net-of-Tax”	26	3	3.88	1.5317	1.0000
	Case B “Tax Detail”	39	3	3.87	1.5075	
7. Tax burden (1: very low, 9: very high)	Case A “Net-of-Tax”	26	7	6.00	1.6492	0.7257
	Case B “Tax Detail”	40	6	5.88	1.6043	

Table 6.1: Statistics on judgment categories: all participants who passed manipulation check

Questions	Treatment	N	Median	Mean	Std. dev.	Wilcoxon (p-value)
Financial performance (1: very good, 9: very poor)	Case A “Net-of-Tax”	26	4.33	4.07	1.1037	0.3010
	Case B “Tax Detail”	40	3.67	3.82	1.2240	
Investment conditions (1: low risk, 9: high risk)	Case A “Net-of-Tax”	26	3.33	3.71	1.2161	0.4515
	Case B “Tax Detail”	40	3.67	3.83	1.0374	

The category of financial performance is composed of Q1 Financial condition, Q3 Payment obligation and Q5 Profitability. The category of investment conditions is composed of Q2 Growth perspective, Q4 Investment risk and Q6 Investment attractiveness. The data was aggregated by calculating the mean answers for each category. The profitability judgment from question 5 (1: decrease, 2: remain, 3: increase) was translated to the 9-point Likert scale as 8: decrease, 5: remain, 2: increase, in order to form valid means and in order not to overemphasize extreme values. Question 7 on the tax position was not included in the aggregation as it represents a category in its own.

Table 7: Statistics on judgments of experts by treatment

Questions	Treatment	N	Median	Mean	Std. dev.	Wilcoxon (p-value)
1. Financial condition (1: very good, 9: very poor)	Case A “Net-of-Tax”	25	3	3.76	1.7388	0.8770
	Case B “Tax Detail”	24	3	3.54	1.2151	
2. Investment risk (1: low risk, 9: high risk)	Case A “Net-of-Tax”	25	3	3.84	1.3748	0.4170
	Case B “Tax Detail”	24	4	4.00	1.2158	
3. Payment obligation (1: very good, 9: very bad)	Case A “Net-of-Tax”	25	3	3.48	1.8735	0.9918
	Case B “Tax Detail”	24	3	3.50	1.7693	
4. Growth perspective (1: very good, 9: very bad)	Case A “Net-of-Tax”	23	3	3.48	1.3774	0.5730
	Case B “Tax Detail”	24	3	3.71	1.4885	
5. Profitability (1: decrease, 2: remain, 3: Increase)	Case A “Net-of-Tax”	23	1	1.52	0.7305	0.4458
	Case B “Tax Detail”	23	2	1.62	0.5830	
6. Investment attractiveness (1: very attractive, 9: very unattractive)	Case A “Net-of-Tax”	25	4	4.16	1.5727	0.9587
	Case B “Tax Detail”	24	4	4.17	1.6330	
7. Tax burden (1: very low, 9: very high)	Case A “Net-of-Tax”	25	6	5.88	1.5895	0.8775
	Case B “Tax Detail”	24	6	6.00	1.5604	

Table 7.1: Statistics on judgment categories: Experts

Questions	Treatment	N	Median	Mean	Std. dev.	Wilcoxon (p-value)
Financial performance (1: very good, 9: very poor)	Case A “Net-of-Tax”	25	4.67	4.54	1.0815	0.3959
	Case B “Tax Detail”	24	4.33	4.35	0.9853	
Investment conditions (1: low risk, 9: high risk)	Case A “Net-of-Tax”	25	3.33	3.79	1.1259	0.3981
	Case B “Tax Detail”	24	3.67	3.96	1.0182	

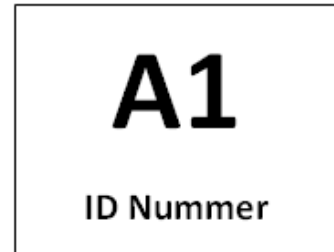
Table 8: Rearrangement of dataset

	Subsample 1	Subsample 2	Subsample 3	Subsample 4
Experts	X	X	X	
Students	X	X		X
Manipulation check passed	X			X
IFRS experience	X	X		
Public accountant or auditor			X	
Case A “Net-of-Tax” (n <sub>A</sub> )	8	13	10	7
Case B “Tax Detail” (n <sub>B</sub> )	12	13	6	19
Total subjects (n)	20	26	16	26



## Annex [Not intended for publication.]

### <Instruction>



#### **ABC Konzern**

#### **Anleitung**

Diese Befragung ist Teil eines Forschungsprojekts der Abteilung für Betriebswirtschaftliche Steuerlehre der WU Wirtschaftsuniversität Wien. Es geht um die Verwendung der Informationen eines IFRS Konzernabschlusses durch fach einschlägig gebildete Personen aus der Praxis.

Zu diesem Zweck verteilen wir einen modellhaften IFRS Konzernabschluß (Bilanz, Gewinn- und Verlustrechnung, Gesamtergebnisrechnung, Kapitalflussrechnung, Eigenkapitalveränderungsrechnung). Der Fragebogen bittet Sie um Ihre professionelle Meinung zu bestimmten Aspekten der Vermögens-, Finanz- und Ertragslage des Konzerns. Der Fragebogen wird ausschließlich für diese Studie verwendet.

Für die fragliche Gesellschaft wird folgendes angenommen:

- es handelt sich weder um ein Finanzinstitut noch um eine Versicherungsgesellschaft
- es handelt sich um eine börsennotierte Gesellschaft

Das Ausfüllen des Fragebogens nimmt ca. 20 – 30 min. in Anspruch.

#### **Vertraulichkeit**

Die Befragung erfolgt anonym. Die Ergebnisse werden ausschließlich für unser Forschungsprojekt verwendet. Ihre Antworten werden daher vertraulich behandelt. Jegliche Information, welche Sie uns über die Interpretation des Konzernabschlusses und über Ihr professionelles Urteil geben:

- wird in keiner Weise verwendet, die nicht in Zusammenhang mit dem Forschungsprojekt steht
- wird Ihnen persönlich oder der Organisation, für welche Sie beruflich tätig sind, nicht zugerechnet.

Falls Sie am Ergebnis des Forschungsprojekts interessiert sind, sind Sie eingeladen, Ihre Visitenkarte in einem Gefäß zu hinterlassen. Es ist dabei sichergestellt, dass kein Zusammenhang zu ihrem Fragebogen hergestellt werden kann. Wir senden Ihnen die Forschungsergebnisse dann gerne zu.

## <Questionnaire>

### Fragen zu Ihrer Einschätzung des ABC - Konzerns

Bitte geben Sie Ihre ID-Nummer an, die Sie auf der Anleitung finden: ID-Nummer \_\_\_\_\_

Bitte tragen Sie ein 'X' in das jeweilige Feld der Skalierung ein.

Auf Basis der mir vorliegenden Unterlagen zum Konzernabschluss des ABC-Konzerns

1. ist nach meiner Einschätzung insgesamt die Finanzlage des ABC-Konzerns:

Sehr gut	1	2	3	4	5	6	7	8	9	Sehr schlecht

2. ist nach meiner Einschätzung eine Investition in Anteile des ABC-Konzerns:

mit sehr niedrigem Risiko behaftet	1	2	3	4	5	6	7	8	9	mit sehr hohem Risiko behaftet

3. ist nach meiner Einschätzung die Fähigkeit des ABC-Konzerns, seinen Zahlungsverpflichtungen zeitgerecht nachzukommen:

Sehr gut	1	2	3	4	5	6	7	8	9	Sehr schlecht

4. ist nach meiner Einschätzung die Perspektive für weiteres Wachstum des ABC-Konzerns:

Sehr gut	1	2	3	4	5	6	7	8	9	Sehr schlecht

5. wird sich der Jahresüberschuss des ABC-Konzerns nach meiner Einschätzung wie folgt entwickeln:

sinken                     
  unverändert bleiben                     
  steigen

6. ist nach meiner Einschätzung die Investition in Anteile des ABC-Konzerns:

sehr attraktiv	1	2	3	4	5	6	7	8	9	sehr unattraktiv

7. ist nach meiner Einschätzung die Steuerbelastung des ABC-Konzerns:

sehr niedrig	1	2	3	4	5	6	7	8	9	sehr hoch

## <Demographic Data>

### Persönlicher und beruflicher Hintergrund

Wir ersuchen Sie, einige Fragen zu ihrem persönlichen und beruflichen Hintergrund zu beantworten. Dies ist für die Interpretation der Antworten erforderlich. Die Angaben werden für keinen anderen Zweck als die Auswertung verwendet. Bitte geben Sie nicht Ihren Namen oder den Namen der Organisation an, für welche Sie beruflich tätig sind.

1. Ihr Beruf

- Student/in (Diplom, Bachelor, Master)
- wissenschaftliche/r Mitarbeiter/in an der Universität/FH
- Berufsanwärter/in
- Steuerberater/in
- Wirtschaftsprüfer/in
- Rechtsanwalt/-anwältin
- Unternehmensberater/-in
- Unternehmer/-in
- Mitarbeiter/in im Finanz-/Steuer-/Rechnungswesen eines Unternehmens
- Mitarbeiter/in in der Finanzverwaltung
- Sonstiges – bitte angeben

2. Organisation bzw. Unternehmen, für welches Sie arbeiten:

- Steuerberatungs- und/oder Wirtschaftsprüfungsgesellschaft
- Bank oder Finanzinstitution
- Unternehmen
- öffentlicher Dienst
- Sonstiges – bitte angeben

3. Über wie viele Jahre einschlägige Berufserfahrung verfügen Sie? \_\_\_\_\_ Jahre

4. Höchster Bildungsabschluss

- Matura
- Bachelorstudium
- Diplomstudium, Masterstudium
- Doktorat

5. Sie sind  Männlich  Weiblich

6. Sie sind \_\_\_\_\_ Jahre alt

7. Haben Sie Erfahrung in der Durchsicht von Jahres- oder Konzernabschlüssen nach IFRS?

- Ja  Nein

8. Wie viele Konzernabschlüsse von börsennotierten Konzernen haben Sie in den letzten 3 Jahren ungefähr durchgesehen? ca. \_\_\_\_\_ Konzernabschlüsse

## <Manipulation Check>

### Abschließende Frage

Bitte geben Sie Ihre ID-Nummer an, die Sie auf der Anleitung finden: ID-Nummer \_\_\_\_\_

1. Hat der ABC Konzern latente Steuern in seiner Gesamtergebnisrechnung ausdrücklich angegeben?

Ja

Nein

Treatment A “Net of Tax”

ABC Konzern Gewinn- und Verlustrechnung des Konzerns			ABC Konzern Gesamtergebnisrechnung des Konzerns			<b>A</b>
	2012	2011		2012	2011	
in Mio. €			in Mio. €			
Umsatzerlöse	34,412	30,239	<b>Jahresüberschuss</b>	<b>2,455</b>	<b>1,622</b>	
Umsatzkosten	-27,138	-24,773	Zur Veräußerung verfügbare Wertpapiere	-35	-6	
<b>Bruttoergebnis vom Umsatz</b>	<b>7,274</b>	<b>5,466</b>	Zu Sicherungszwecken eingesetzte Finanzinstrumente	-275	-170	
Vertriebskosten und allgemeine Verwaltungskosten	-3,089	-2,764	Währungsumrechnung ausländischer Tochterunternehmen	84	333	
Sonstige betriebliche Erträge	392	383	Versicherungsmathematische Gewinne / Verluste aus leistungsorientierten Pensionszusagen, ähnlichen Verpflichtungen und Planvermögen	-210	-101	
Sonstige betriebliche Aufwendungen	-566	-529	Sonstiges Ergebnis nach Steuern aus At-Equity bewerteten Beteiligungen	-21	10	
<b>Ergebnis vor Finanzergebnis</b>	<b>4,011</b>	<b>2,556</b>	<b>Sonstiges Ergebnis nach Steuern</b>	<b>-457</b>	<b>66</b>	
Ergebnis aus Equity-Bewertung	81	49	<b>Gesamtergebnis</b>	<b>1,998</b>	<b>1,688</b>	
Zinsen und ähnliche Erträge	382	343	Gesamtergebnisanteil fremder Gesellschafter	13	8	
Zinsen und ähnliche Aufwendungen	-472	-483	Gesamtergebnisanteil der Aktionäre der ABC AG	1,985	1,680	
Übriges Finanzergebnis	-309	-38				
<b>Finanzergebnis</b>	<b>-318</b>	<b>-129</b>				
<b>Ergebnis vor Steuern</b>	<b>3,693</b>	<b>2,427</b>				
Ertragsteuern	-1,238	-805				
<b>Jahresüberschuss</b>	<b>2,455</b>	<b>1,622</b>				
Ergebnisanteil fremder Gesellschafter	13	8				
<b>Ergebnisanteil der Aktionäre der ABC AG</b>	<b>2,442</b>	<b>1,614</b>				
<b>Ergebnis je Stammaktie</b> in Euro	3.73	2.47				
<b>Ergebnis je Vorzugsaktie</b> in Euro	3.74	2.48				
Verwässerungseffekte	-	-				
<b>Verwässertes Ergebnis je Stammaktie</b> in Euro	3.73	2.47				
<b>Verwässertes Ergebnis je Vorzugsaktie</b> in Euro	3.74	2.48				

## Treatment B “Tax Detail”

<b>ABC Konzern</b>			<b>ABC Konzern</b>			<b>B</b>
<b>Gewinn- und Verlustrechnung des Konzerns</b>			<b>Gesamtergebnisrechnung des Konzerns</b>			
in Mio. €	2012	2011	in Mio. €	2012	2011	
			<b>Jahresüberschuss</b>	<b>2,455</b>	<b>1,622</b>	
Umsatzerlöse	34,412	30,239	Zur Veräußerung verfügbare Wertpapiere	-36	-8	
Umsatzkosten	-27,138	-24,773	Latente Steuern	1	2	
<b>Bruttoergebnis vom Umsatz</b>	<b>7,274</b>	<b>5,466</b>	Nach Steuern	-35	-6	
Vertriebskosten und allgemeine Verwaltungskosten	-3,089	-2,764				
Sonstige betriebliche Erträge	392	383	Zu Sicherungszwecken eingesetzte			
Sonstige betriebliche Aufwendungen	-566	-529	Finanzinstrumente	-401	-263	
<b>Ergebnis vor Finanzergebnis</b>	<b>4,011</b>	<b>2,556</b>	Latente Steuern	126	93	
			Nach Steuern	-275	-170	
Ergebnis aus Equity-Bewertung	81	49				
Zinsen und ähnliche Erträge	382	343	Währungsumrechnung ausländischer	84	333	
Zinsen und ähnliche Aufwendungen	-472	-483	Tochterunternehmen			
Übriges Finanzergebnis	-309	-38	Latente Steuern	0	0	
<b>Finanzergebnis</b>	<b>-318</b>	<b>-129</b>	Nach Steuern	84	333	
<b>Ergebnis vor Steuern</b>	<b>3,693</b>	<b>2,427</b>	Versicherungsmathematische Gewinne /			
			Verluste aus leistungsorientierten Pensionszusagen,			
Ertragsteuern	-1,238	-805	ähnlichen Verpflichtungen und Planvermögen	-293	-138	
<b>Jahresüberschuss</b>	<b>2,455</b>	<b>1,622</b>	Latente Steuern	83	37	
			Nach Steuern	-210	-101	
Ergebnisanteil fremder Gesellschafter	13	8				
<b>Ergebnisanteil der Aktionäre der ABC AG</b>	<b>2,442</b>	<b>1,614</b>	Sonstiges Ergebnis nach Steuern aus At-Equity	-33	11	
			bewerteten Beteiligungen			
<b>Ergebnis je Stammaktie</b> in Euro	<b>3.73</b>	<b>2.47</b>	Latente Steuern	12	-1	
<b>Ergebnis je Vorzugsaktie</b> in Euro	<b>3.74</b>	<b>2.48</b>	<b>Nach Steuern</b>	<b>-21</b>	<b>10</b>	
Verwässerungseffekte	-	-				
<b>Verwässertes Ergebnis je Stammaktie</b> in Euro	<b>3.73</b>	<b>2.47</b>	<b>Sonstiges Ergebnis nach Steuern</b>	<b>-457</b>	<b>66</b>	
<b>Verwässertes Ergebnis je Vorzugsaktie</b> in Euro	<b>3.74</b>	<b>2.48</b>				
			<b>Gesamtergebnis</b>	<b>1,998</b>	<b>1,688</b>	
			Gesamtergebnisanteil fremder Gesellschafter	13	8	
			Gesamtergebnisanteil der Aktionäre der ABC AG	1,985	1,680	

## Commonly supplied financial statements

<b>ABC Konzern</b>			<b>Passiva</b>		
<b>Konzernbilanz zum 31. Dezember</b>					
			in Mio. €	2012	2011
<b>Aktiva</b>					
in Mio. €	2012	2011			
			Gezeichnetes Kapital	328	328
			Kapitalrücklage	977	970
			Gewinnrücklagen	13,051	11,245
Immaterielle Vermögenswerte	2,619	2,516	Kumuliertes übriges Eigenkapital	-838	-591
Sachanlagen	5,843	5,713	<b>Eigenkapital der Aktionäre der ABC AG</b>	<b>13,518</b>	<b>11,952</b>
Vermietete Gegenstände	11,557	9,544			
At-Equity bewertete Beteiligungen	151	106	Anteile anderer Gesellschafter	33	13
Sonstige Finanzanlagen	281	89	<b>Eigenkapital</b>	<b>13,551</b>	<b>11,965</b>
Forderungen aus Finanzdienstleistungen	14,664	13,563			
Finanzforderungen	851	933	Rückstellungen für Pensionen	1,092	781
Latente Ertragsteuern	963	697	Sonstige Rückstellungen	1,575	1,361
Sonstige Vermögenswerte	284	346	Latente Ertragsteuern	1,637	1,700
<b>Langfristige Vermögenswerte</b>	<b>37,213</b>	<b>33,507</b>	Finanzverbindlichkeiten	18,798	17,917
			Sonstige Verbindlichkeiten	1,456	1,292
Vorräte	4,819	3,883	<b>Langfristige Rückstellungen und Verbindlichkeiten</b>	<b>24,558</b>	<b>23,051</b>
Forderungen aus Lieferungen und Leistungen	1,643	1,165			
Forderungen aus Finanzdienstleistungen	10,007	9,119	Sonstige Rückstellungen	1,551	1,413
Finanzforderungen	1,876	1,631	Laufende Ertragsteuern	682	599
Laufende Ertragsteuern	597	583	Finanzverbindlichkeiten	15,190	13,260
Sonstige Vermögenswerte	1,672	1,479	Verbindlichkeiten aus Lieferungen und Leistungen	2,670	2,175
Zahlungsmittel und Zahlungsmitteläquivalente	3,888	3,716	Sonstige Verbindlichkeiten	3,513	2,620
<b>Kurzfristige Vermögenswerte</b>	<b>24,502</b>	<b>21,576</b>	<b>Kurzfristige Rückstellungen und Verbindlichkeiten</b>	<b>23,606</b>	<b>20,067</b>
<b>Bilanzsumme</b>	<b>61,715</b>	<b>55,083</b>	<b>Bilanzsumme</b>	<b>61,715</b>	<b>55,083</b>

## Commonly supplied financial statements

<b>ABC Konzern</b>										
<b>Entwicklung des Konzerneigenkapitals</b>										
in Mio. €	Gezeichnetes Kapital	Kapital rücklage	Gewinnrücklagen		Kumuliertes übriges Eigenkapital			Eigenkapital der Aktionäre der ABC AG	Anteile anderer Gesellschafter	Gesamt
			Pensions-zusagen	Sonstige Gewinnrücklagen	Unterschiede aus Währungs-umrechnung	Wertpapier e	Derivative Finanz-instrumente			
<b>1 Januar 2011</b>	<b>328</b>	<b>961</b>	<b>-792</b>	<b>10,623</b>	<b>-874</b>	<b>10</b>	<b>106</b>	<b>10,362</b>	<b>7</b>	<b>10,369</b>
Jahresüberschuss	0	0	0	1,614	0	0	0	1,614	8	1,622
Sonstiges Ergebnis nach Steuern	0	0	-101	0	343	-6	-170	66	0	66
<b>Gesamtergebnis 2011</b>	<b>0</b>	<b>0</b>	<b>-101</b>	<b>1,614</b>	<b>343</b>	<b>-6</b>	<b>-170</b>	<b>1,680</b>	<b>8</b>	<b>1,688</b>
Agio aus Kapitalerhöhung für Vorzugsaktien	0	9	0	0	0	0	0	9	0	9
Dividendenzahlungen	0	0	0	-99	0	0	0	-99	0	-99
Übrige Veränderungen	0	0	0	0	0	0	0	0	-2	-2
<b>31 December 2011</b>	<b>328</b>	<b>970</b>	<b>-893</b>	<b>12,138</b>	<b>-531</b>	<b>4</b>	<b>-64</b>	<b>11,952</b>	<b>13</b>	<b>11,965</b>

in Mio. €	Gezeichnetes Kapital	Kapital rücklage	Gewinnrücklagen		Kumuliertes übriges Eigenkapital			Eigenkapital der Aktionäre der ABC AG	Anteile anderer Gesellschafter	Gesamt
			Pensions-zusagen	Sonstige Gewinnrücklagen	Unterschiede aus Währungs-umrechnung	Wertpapier e	Derivative Finanz-instrumente			
<b>1 January 2012</b>	<b>328</b>	<b>970</b>	<b>-893</b>	<b>12,138</b>	<b>-531</b>	<b>4</b>	<b>-64</b>	<b>11,952</b>	<b>13</b>	<b>11,965</b>
Jahresüberschuss	0	0	0	2,442	0	0	0	2,442	13	2,455
Sonstiges Ergebnis nach Steuern	0	0	-210	0	63	-35	-275	-457	0	-457
<b>Gesamtergebnis 2012</b>	<b>0</b>	<b>0</b>	<b>-210</b>	<b>2,442</b>	<b>63</b>	<b>-35</b>	<b>-275</b>	<b>1,985</b>	<b>13</b>	<b>1,998</b>
Kapitalerhöhung aus Genehmigtem Kapital	0	7	0	0	0	0	0	7	0	7
Dividendenzahlungen	0	0	0	-426	0	0	0	-426	0	-426
Übrige Veränderungen	0	0	0	0	0	0	0	0	7	7
<b>31 Dezember 2012</b>	<b>328</b>	<b>977</b>	<b>-1,103</b>	<b>14,154</b>	<b>-468</b>	<b>-31</b>	<b>-339</b>	<b>13,518</b>	<b>33</b>	<b>13,551</b>



## Commonly supplied financial statements

<b>ABC Konzern</b>		
<b>Kapitalflussrechnung des Konzerns</b>		
in Mio. €	2012	2011
<b>Jahresüberschuss</b>	<b>2,455</b>	<b>1,622</b>
<b>Überleitung zwischen Jahresüberschuss und Mittelzufluss/-abfluss aus der betrieblichen Tätigkeit</b>		
Laufende Ertragsteuern	1,433	715
Sonstige Zinsen und ähnliche Erträge/Aufwendungen	1	21
Abschreibungen auf das übrige Anlagevermögen	1,827	1,931
Veränderung der Rückstellungen	389	455
Veränderung der Vermieteten Gegenstände	-190	444
Veränderung der Forderungen aus Finanzdienstleistungen	-1,418	-2,308
Veränderung der Latenten Steuern	-169	174
Sonstige zahlungsunwirksame Erträge und Aufwendungen	74	-347
Ergebnis aus dem Verkauf von Anlagevermögen und Wertpapieren	-	3
Ergebnis aus Equity-Bewertung	-81	-49
Veränderung des Working Capital		
Veränderung der Vorräte	-858	-585
Veränderung der Forderungen aus Lieferungen und Leistungen	-400	-214
Veränderung der Verbindlichkeiten aus Lieferungen und Leistungen	450	597
Veränderung der sonstigen betrieblichen Aktiva und Passiva	588	286
Gezahlte Ertragsteuern	-1,351	-659
Erhaltene Zinsen	107	74
<b>Mittelzufluss/-abfluss aus der betrieblichen Tätigkeit</b>	<b>2,857</b>	<b>2,160</b>
Investitionen in Immaterielle Vermögenswerte und Sachanlagen	-1,839	-1,631
Erlöse aus Abgängen von Immateriellen Vermögenswerten und Sachanlagen	26	28
Investitionen in Finanzanlagen	-271	-40
Nettoauszahlung aus dem Kauf der ICL-Gruppe	-298	-
Erlöse aus dem Abgang von Finanzanlagen	11	11
Zahlungsausgänge durch den Kauf von Wertpapieren	-1,037	-1,362
Zahlungseingänge aus dem Verkauf von Wertpapieren	659	399
<b>Mittelzufluss/-abfluss aus der Investitionstätigkeit</b>	<b>-2,749</b>	<b>-2,595</b>
Einzahlungen in das Eigenkapital	7	9
Zahlung von Dividenden für das Vorjahr	-426	-99
Gezahlte Zinsen	-41	-111
Aufnahme von Anleihen	2,949	2,289
Rückzahlung von Anleihen	-2,667	-1,703
Konzerninterne Finanzierungen	-	-
Veränderung der Sonstigen Finanzverbindlichkeiten	96	-146
Veränderung der Commercial Paper	124	16
<b>Mittelzufluss/-abfluss aus der Finanzierungstätigkeit</b>	<b>42</b>	<b>255</b>
<b>Wechselkursbedingte Veränderung der Zahlungsmittel und Zahlungsmitteläquivalente</b>	<b>-6</b>	<b>10</b>
<b>Konsolidierungskreisbedingte Veränderung der Zahlungsmittel und Zahlungsmitteläquivalente</b>	<b>28</b>	<b>2</b>
<b>Veränderung der Zahlungsmittel und Zahlungsmitteläquivalente</b>	<b>172</b>	<b>-168</b>
Zahlungsmittel und Zahlungsmitteläquivalente am 1 Januar	3,716	3,884
<b>Zahlungsmittel und Zahlungsmitteläquivalente am 31 Dezember</b>	<b>3,888</b>	<b>3,716</b>