Identifying Decision Useful Information
With the Matrix Format Income Statement

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ABSTRACT

The aim of this study is to investigate the decision usefulness of an alternative format for the income statement, called the matrix format, which was developed as part of the International Accounting Standards Board’s (IASB) 2001-2003 performance reporting project. To date one hundred and fifty financial statement users (analysts, accountants and business people) have completed a financial analysis exercise using a set of financial statements that included an income statement based on either the matrix format or on the current format as per IAS 1. We found that the matrix format improved the accuracy with which users extracted financial information, particularly in relation to ‘below-the-line’ items (those currently not shown on the IAS 1 income statement). Despite lack of familiarity with the matrix format, its use did not appear to increase the time taken or difficulty of financial analysis, or to decrease users’ confidence in their analysis. These findings may assist standard setters in their evaluation of alternative formats for the income statement and provide support for initiatives to show remeasurement information and all items of income on a single income statement.