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USEFULNESS OF COMPREHENSIVE INCOME REPORTING FOR DIVIDEND POLICY IN THE POLISH LISTED COMPANIES

This study examines the strength and character of relationship between dividend policy and comprehensive income in Polish manufacturing companies. We focused on comprehensive income because of two reasons: 1) it is still a relatively new, little recognized and researched accounting and economic category; 2) in the literature, the relationship between comprehensive income and dividend policy has been generally ignored. Therefore, we formulated two research questions: 1) does comprehensive income determine the ability to pay out a dividend? 2) what is the key role of comprehensive income in shaping a dividend policy? To receive the answers to these questions, we put a research hypothesis stating that in the Polish listed companies a positive relationship between comprehensive income and dividend policy can be observed.

The discussed research problem was realized in three parts. The first part illustrates mainly theoretical reflections on the usefulness of comprehensive income reporting in accounting theory and practice of listed companies. The second part includes the evaluation of possible links between the dividend policy and their consequences for shareholder's wealth creation. The third part uses the empirical data to examine relationships between comprehensive income (in comparison to net income) and future dividend ratio on an example of Polish listed manufacturing companies.

The research was conducted among the companies operating in the manufacturing sector (4xx of the Warsaw Stock Exchange (the WSE) classification). This sector was chosen for investigation for two reasons: 1) due to the greatest number of companies listed on the WSE; 2) because that type of limitation enabled us to avoid the issue of sample heterogeneity when assessing the dividend policy. Among 110 companies qualified to this sector on 01/06/2018, for further research we selected only these companies that presented their financial statements in accordance with International Financial Reporting Standards (IFRS). The analytical period is between 2009–2017 and reflects the current legal status of the financial reporting of public companies in Poland. Finally, our analysis comprised 83 manufacturing companies and 664 observations. An empirical data was obtained from the Thomson Reuters or Notoria Serwis database, as well as from the websites of analysed companies.

The study procedure was carried out in two stages. The first stage was to show the results of empirical research conducted among the analysed companies and regarding the variability of comprehensive income in comparison to net income (consequently other comprehensive income). In the second stage, we presented the results of investigation on the strength and character of an impact of comprehensive income on dividends. For that purpose, two research methods were used. Firstly, we calculated the Pearson's correlation coefficients between comprehensive income (and net income) and future dividend ratios, as well as the other company's performance and tested for significance using the t-

Student test. Secondly, we used regression analysis and two one-equation models built for comprehensive income and net income. These models were applied to determine the effect of both types of impact: comprehensive income in current accounting period on dividend ratio in the accounting period $t+1$ and net income in current period on dividend ratio in the period $t+1$. Moreover, our research was supplemented with descriptive statistics, t- Student test, and F-test.

The conducted research allowed us to draw two main conclusions, i.e.: 1) there was a positive character of dependence between comprehensive income and future dividend, however, the correlation between them was very weak, 2) the impact of comprehensive income on future dividend ratio was positive, but we noted no statistical significance. Therefore, it must be indicated that the presented assessment of dependence between comprehensive income and future dividend ratios did not support our research hypothesis. Additionally, on the basis of the examined period it can be supposed that both comprehensive income and net income do not determine the dividend policy, which is expressed in the value of future dividends. In turn, a future dividend is positively determined by company's size, and negatively determined by book to market value ratio and company's debt.

This paper fill in the research gap concerning an examination of the strength and character of relationship between dividend policy and comprehensive income in Polish companies. Its value added is to use comprehensive income as a determinant of the future dividend payout. However, there are some limitations, i.e. the study was carried out basing only on the Polish manufacturing results. Therefore, the presented results can only serve as a basis for a more comprehensive study on the long-term changes in dividend strategies based on the accounting firm performances or their impact on the market value of companies listed on the stock exchange. In the future, the thoroughly analysis of the relationship between the fluctuation of comprehensive income and dividend policy, e.g. in all Polish stock companies from all sectors, may have a important meaning for the usefulness of comprehensive income reporting.

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