

## ***ADHERENCE TO DISCLOSURE PRACTICES RECOMMENDED FOR PUBLICLY TRADED COMPANIES BY THE BRAZILIAN ACCOUNTING STANDARDS COMMITTEE***

### **Vera Maria Rodrigues Ponte**

*Ph.D. in Controllership, and Accounting at USP*

*Universidade Federal do Ceará – UFC*

*Endereço: Rua Dr. Tomas Pompeu 111/1200, Meireles, CEP 60160-080, Fortaleza/Ce*

*Address: [vponte@fortalnet.com.br](mailto:vponte@fortalnet.com.br)*

### **Márcia Martins Mendes De Luca**

*Ph.D. in Controllership, and Accounting at USP*

*Universidade Federal do Ceará – UFC*

*Endereço: Rua - Cel. Jucá, 1000/1501 - Aldeota, Fortaleza/CE CEP 60.170-320*

*E-mail: [marciadeluca@ufc.br](mailto:marciadeluca@ufc.br)*

### **Marcelle Colares Oliveira**

*Ph.D. in Controllership, and Accounting at USP*

*Universidade de Fortaleza – UNIFOR*

*Endereço: Rua Barão de Aracati, 2715/1301, Joaquim Távora - CEP 60115-082, Fortaleza/CE*

*Address: [marcellecolares@unifor.br](mailto:marcellecolares@unifor.br)*

### **Luiz Damázio Pereira de Aquino**

*A Bachelor's degree in Accounting - UFC*

*Master's Degree Student in Administration and Controllership - UFC*

*Endereço: Rua Altina Maria de Jesus, 88, Horizonte/CE.*

*Address: [luiazio@gmail.com](mailto:luiazio@gmail.com)*

### **Danival Sousa Cavalcante**

*Master's Degree Student in Administration and Controllership - UFC*

*Specialist in Accounting and Tax Planning - UFC*

*A Bachelor's degree in Accounting - UFC*

*Endereço: Rua Moreira Gomes, 448, Vila União, CEP 60.410-720, Fortaleza/CE.*

*Address: [danivalsc@hotmail.com](mailto:danivalsc@hotmail.com)*

---

*Published in Portuguese, English and Spanish. Original Version in Portuguese*

---

Received in 12/10/10. Ask to Revise on 03/10/11. Resubmitted on 09/07/11. Accepted on 09/08/11 by Valcemiro Nossa (Editor). Published on 03/27/12. Organization responsible for the journal: CFC / FBC / ABRACICON.

---

Copyright © 2012 REPEC. All rights, even translation, are reserved. It is allowed to quote part of articles without prior permission if the source is identified.

## Abstract

Based on Laws 11,638/07 and 11,491/09, the Accounting Pronouncements Committee (CAP) issued Technical Pronouncement CPC 13 to ensure that the first financial statements prepared under the new laws represent an appropriate starting point and defined a minimum set of disclosure practices to be adopted by companies when publishing statements for the year ended in December 2008. The current study investigates the degree of compliance with the guidelines defined in CPC 13 by the companies listed on the BM&FBovespa and examines whether there was better compliance by companies listed for trading in that exchange's segments requiring enhanced corporate governance. This descriptive study investigates the explanatory notes to the standard financial statements published for the year ended in 2008 by 334 companies (sample). Descriptive statistical techniques using general analysis and nonparametric tests of differences between means were performed, using the Mann-Whitney model for measuring the research hypotheses. A lower degree of compliance with the CPC 13 disclosure guidelines was observed regarding public companies, while companies listed in the enhanced governance segments of the BM&FBovespa showed greater compliance with the standards compared to those listed in the traditional segment.

**Key Words:** Disclosure; Disclosure practices; Corporate governance.

## 1. INTRODUCTION

The convergence of Brazilian accounting standards to international standards and practices involved several legal, institutional and regulatory initiatives adopted in recent years. The main landmark was enactment Law 11,638/07, which amended the basic corporate law, Law 6,404/76. The changes were intended mainly to adapt the law to the social and economic changes arising from changes in the business environment and to strengthen the capital market through the implementation of internationally recognized accounting and auditing standards. The new practices are expected to promote the transparency and quality of accounting information presented by Brazilian companies.

Even though Law 11,638/07 came into force on January 1, 2008, its effective implementation required the issuance of several standards by the Accounting Pronouncements Committee (CPC) later that year. These regulations were later approved by the Brazilian Securities Commission (CVM), the Central Bank of Brazil (BCB), the Federal Accounting Council (CFC) and other regulatory bodies. Also, aiming to supply issues relevant for the adoption of Law 11,638/07, on May 27, 2009, Law 11,491/09 came into force (through conversion into law of Provisional Measure 449/08), which established the Transition Tax Regime, among other measures.

There is no doubt that the ongoing process is the largest observed in the Brazilian accounting world in the past 30 years, representing a major challenge for professionals and academics. Importantly, the changes are also cultural, the reason it will take some time to be fully absorbed by all users of financial statements.

Aware of this reality, the CPC issued Technical Pronouncement 13 (Adoption of Law 11,638/07 and Provisional Measure 449/08), with the main objective of ensuring that the first financial statements prepared in accordance with the new accounting practices adopted in Brazil contain information that: a) provides an appropriate starting point for accounting under the new accounting practices adopted in Brazil, and b) is transparent and generated at a cost that does not exceed the benefits to users. Taking into account that many of the amendments to Law 6,404/76 imply changes in accounting practices that had long been adopted by companies, CPC 13 set a minimum set of disclosure practices for compliance already in financial statements for the year ended in December 2008. These guidelines should have been strictly adhered to by publicly traded companies, since that standard was approved by CVM Deliberation 565/08.

The disclosure of information can be both voluntary and compulsory. The former type is a proactive event by the firm, usually arising from incentives received for the disclosure, while the latter type is due to reactive action, arising from regulation that forces the company to disclose certain information (Yamamoto and Salotti, 2006). As highlighted by Welker (1995, cited in Murcia, 2009, p. 30), companies have discretion in determining the scope, content, timing and form of presenting information to external users.

It is possible that even with the obligation for greater disclosure of information established in Law 11,638/07 and Provisional Measure 449/08, some companies have not complied with the CPC determinations due to the many difficulties they faced in implementing the new accounting practices.

In this context, this study seeks to answer the following question: What is the degree of compliance regarding CPC 13 disclosure guidelines by the companies listed in the BM&FBovespa?

Various studies indicate there is a link between the level of disclosure and governance characteristics, suggesting that companies with better governance structure would present higher levels of disclosure, showing greater commitment to transparency and the provision of reliable information (Botosan, 1997; Chen and Jaggi, 2000; Eng and Mak, 2003; Forker, 1992; Ho and Wong, 2001, Lanzana, 2004).

Thus, in addition this study investigates whether a relationship exists between compliance with the guidelines for disclosure of CPC 13 by companies and their listing segment in the BM&FBovespa, taking into account the three segments requiring enhanced governance levels (Level 1, Level 2 and New Market – together known by the initials “DNGG”) as well as the traditional trading segment.

It is therefore the main objective of this study to investigate the extent of compliance with the disclosure guidelines set by CPC 13 by the companies listed on the BM&FBovespa, examining whether there was better compliance by DNGG companies

For Aguiar et al. (2004, p. 338), the DNGG are designed to give "greater transparency to the capital market in order to attract more investors and therefore increase the volume of trading." As noted above, academic studies (Botosani, 1997; Fork, 1992) indicate a correlation between the level of disclosure and governance characteristics, noting that companies with better governance structures have higher levels of disclosure.

Considering that many firms have struggled to adapt to the new accounting standards and practices and that there is a positive correlation between a good governance structure and level of disclosure, the hypothesis of this work is that not all companies complied with the CPC 13 disclosure guidelines and for companies listed in the DNGG segments there was greater observance of standards when compared to firms listed in the traditional segment.

The paper is structured as follows: section 2 presents the theoretical references; section 3 sets out the methodological procedures used; section 4 contains the analysis of the data; and section 5 presents the conclusions.

## 2. THEORETICAL REFERENCES

### 2.1 Corporate Governance and Accounting Information

Accounting studies carried out over the past 30 years regarding information (information approach) have highlighted the great importance of accounting as a provider of information to support investor decisions (LOPES, 2005).

The problem addressed by this research has its foundations in the agency conflict, rooted in the conceptual study of Berle and Means (1932), as well as information asymmetry, present in organizations due to the separation of ownership (shareholders) and management (directors and officers), which arises when the agents (managers) and principals (shareholders) have conflicting interests. This situation leads shareholders to seek information and tools for corporate governance to avoid having their wealth expropriated by management.

Providing information in response to the problems of informational asymmetry represents one of the pillars of corporate governance and is related to the origins of the concept. According to Camargo and Helal (2007, p. 4), "historically CG began in the United States under the auspices of the recovery of transparency (disclosure) and the responsibility of monitoring and accountability of the managers of large firms." Disclosure and transparency of information make up one of the six principles of corporate governance established by the Organization for Economic Cooperation and Development (OECD) (OECD, 2009) and listed as a best practice in various codes and booklets produced by other bodies on the subject, at the national and international levels, such as the Brazilian Institute for Corporate Governance - IBGC (IBGC, 2009), Fiscal Stabilization Forum (Financial Stability Forum, 2009), created by representatives of the G-7 (finance ministers and presidents of the central banks of member countries) and the World Bank (World Bank, 2009).

There are numerous studies linking the level of disclosure of mandatory and voluntary financial and non-financial information by companies to their respective corporate governance structures. Eng and Mak (2003) investigated the impact of ownership structure and composition of the board of directors on voluntary disclosure, taking into account the release of strategic non-statutory, financial and non-financial information, and, according to the authors, large firms and those with lower liabilities show higher levels of disclosure. Botosani (1997) investigated the association between the level of voluntary disclosure and cost of capital,

based on the volume of information disclosed in annual reports of 122 companies in 1990. According to the study of Chen and Jaggi (2000), the proportion of independent non-executive directors to total directors on the boards of the companies was positively associated with disclosure level and comprehensiveness and quality of information, and this association was weak when comparing family-controlled companies versus non-family controlled ones. Ho and Wong (2001) studied the voluntary disclosure of companies in Hong Kong, showing that the existence of an audit committee is positively and significantly related to the volume and quality of disclosure. In Brazil, several studies have sought to understand the association between disclosure level and characteristics of corporate governance structure, such as Lanzana (2004), who sought to contribute to the discussion of the subject because according to the author there is a shortage of academic research related to the subject in the Brazilian context.

According to Lopes (2004), the existence of agency conflicts and asymmetric information pervades the activity of modern organizations in profound ways, and the informational role of accounting becomes highly relevant within this context. In his view, "the whole system of financial or corporate accounting can be analyzed in light of the reduction of information asymmetry between investors and agents involved in agency conflicts" (Lopes, 2004, p.173). Still, as seen by Lopes (2005), the real world operates with large informational differences between agents and these differences are at the heart of the existence of accounting.

It is thus important to highlight the informational value of accounting, which in the varying legal environments prevailing in different countries can be directly impacted by corporate governance mechanisms as instruments for the protection of investors, concerning officers and main shareholders, regarding both agency conflicts and problems of information asymmetry. However, the mechanisms of corporate governance also vary according to the legal system, institutional environment, cultural and historical aspects of performance and level of activity of capital markets in the different countries where firms operate.

Globalization of the economy has encouraged the emergence of international demands for accounting, the informational functions of which have expanded its geographical dimensions. According to Niyama (2005), the importance of accounting has gone beyond the borders of the company and the domestic economy, and has become an instrument of decision making processes at the international level, especially in the current scenario of globalized markets.

As a consequence, the necessity arose for comparability of data produced by accounting at the international level, i.e., the process of harmonization of accounting among countries. The effort to achieve this has involved several agencies in support of international convergence of accounting. The International Accounting Standards Board (IASB) brings together representatives of over 140 professional bodies around the world, including Brazil, and has played a key role in this process. The objective of the IASB to promote convergence of accounting standards gained strength from the decision of the European Union, through regulations adopted in July 2002, requiring all companies based in member countries to present consolidated financial statements from 2005 onward based on international accounting standards of the IASB, which are the International Financial Reporting Standards (IFRS).

Various studies have addressed the advantages, benefits and consequences of IFRS adoption. Christensen et al. (2007) analyze the economic consequences for companies in the UK deriving from the EU decision to impose IFRS as mandatory. The empirical evidence showed that share prices of UK-based companies responded positively to the mandatory adoption of IFRS.

The study by Cortesi et al. (2009) focuses on companies listed on the Milan Stock Exchange and their consolidated financial statements, which, from 2005 on had to be published in accordance with international accounting standards. The aim of this study was to identify the main impacts of the Italian accounting system switchover to the international accounting system on the most important items contained in financial statements (Net Income). The results from empirical evidence made it possible to see that the overall impact on net income was positive, thanks to the application of different rates of depreciation for different assets, when the depreciation rate was lower than the rate previously practiced, leading to a reduction in expenses, with a positive effect on profits.

According to Leite (2002), globalization of markets, in regard to development of the international capital market, the growth of foreign direct investment and the formation of economic blocs, brings forth the need for a set of international accounting standards that allow comparison of information between companies.

According to Niyama (2005), the convergence takes into account the different institutional environments – legal and corporate governance among countries – and does not constitute a standard, but a

harmonization that, while seeking to preserve the peculiarities of each country, allows reconciling the accounting systems with other countries in order to improve the exchange of information and its interpretation and understanding.

## 2.2 The accounting convergence in Brazil: law 11,638/07, law 11,491/09 and CPC 13

The harmonization process in Brazilian accounting began to be discussed in the 1990s and led to the establishment by the CVM of the Advisory Committee on Financial Affairs, which prepared the first draft of the bill for overhaul of Law 6,404/76, Bill 3,741/2000 (Mello and Cia, 2007; Geron, 2008). Proposed by the CVM, the aforementioned draft bill aimed to modernize and harmonize the provisions of corporate law in force with the fundamental principles and best international accounting practices.

The delay in the approval of that bill, which provided for the creation of an entity with the purpose of studying and disseminating principles, norms and standards of accounting and auditing, led the CFC, through CFC Resolution 1,055 of 2005, to create the Accounting Pronouncements Committee (CPC), which, according to Art. 3 of that resolution, aims to:

The study, preparation and issuance of Technical Pronouncements about accounting procedures and the disclosure of such information, so as to allow for the issuance of standards by the Brazilian regulatory body, aiming at the centralization and standardization of their production process, always taking into account the convergence of Brazilian standards with international accounting standards.

In 2007, the enactment of Law 11,638/07 changed mainly the accounting provisions of Law 6,404/76, adapting national accounting to the principles that guide international standards (Geron, 2008). According to Geron (2008), the biggest change operated by Law 11,638/2007 was the introduction of a new accounting philosophy, covering the primacy of economic substance over form, the primacy of analysis of risks and benefits over legal ownership and adoption of principle and judgment-oriented norms. The Law does not expressly mention such a change, but requires that accounting standards be convergent with international standards that have adopted this philosophy.

In addition to this change, we emphasize other changes arising from Law 11,638/2007, such as:

a) creation of the group of assets composed of intangible assets, b) inclusion of the concept of fair value for the valuation of assets and liabilities under the denomination “market value or equivalent”; c) introduction of the Assets Valuation Adjustment account to receive increases or decreases in assets and liabilities as a result of their appraisal at market prices; d) inclusion of the impairment test of assets; e) prohibition of recording donations and subsidies in the Capital Reserve account, with such amounts instead being recorded in the income statement; f) prohibition of the formation of new revaluation reserves, whose balances must be reversed or preserved until their realization; g) replacement of the Statement of Changes in Financial Position by the Statement of Cash Flows; and h) compulsory publication of the Statement of Added Value by listed companies.

Due to the enactment of Law 11,638/07, in 2008 the CPC issued several accounting pronouncements with application to the financial statements for the year ended December 31 that year. As a way of resolving issues that prevented the full implementation of new accounting practices, Law 11,941/09 was enacted the next year. In addition to introducing the Transitional Tax Regime, that act made several changes to Law 6,404/76, aimed at the convergence to international accounting practices, such as: a) modification of the classification of groups of Assets and Liabilities accounts, which were subdivided into Current and Non-current; b) elimination of the terminology Non-Operating in the Income Statement, c) elimination of Deferred Assets, d) elimination of the Result of Future Years group, and e) changing the term Market Value to Fair Value.

Aware that the changes introduced by Laws 11,638/07 and 11,941/09 would generate significant impacts on the equity and results of companies, the CPC issued Technical Pronouncement CPC 13 (Initial Adoption of Law 11,638/07 and Provisional Measure 449/08) to ensure that the first financial statements thereafter would represent an appropriate starting point for accounting, according to new accounting practices adopted in Brazil. CPC 13 specified guidelines for the accounting measurement, records and disclosure, in the first year in force of Law 11,638/07 and Law 11,941/09, i.e., the document serves as a guide to facilitate the adoption of these innovations.

The requirements for adjustments brought by these two laws do not qualify as changes in circumstances, estimates or subsequent economic events, as they are the result of the policy process toward international accounting standards. Thus, adjustments should be accounted for in accordance with the accounting provisions applicable to the change in accounting practice, by adopting the standard "Accounting Policies, Changes in Accounting Estimates and Error Correction." However, taking into account the costs involved in the full implementation of the standards and the difficulties that many companies could face, CPC 13 released firms from the application of this standard, only requiring observance of the precepts of Art. 186, § 1, of Law 6,404/76, according to which the corresponding initial adjustments will be accounted for as Accrued Profit or Loss.

As a general rule, CPC 13 required firms to comply with the requirements of Law 11,638/07 and Law 11,941/09 to close their first financial statements under the effect of the new legislation. It allowed, however, exemptions in specific situations where the cost of compliance exceeded its benefits to users of financial statements, or in areas where it was impracticable to enforce the requirements. The CPC 13 also offered alternative measurement and recording of complex accounting events, with firms providing the most appropriate choice in each case. The following are the main situations in which companies had to make the selection of practices.

According to the CPC 13, the company had to choose the date of transition, which corresponded to the moment when the new practices would be adopted, with a choice between following the wording of Art. 186, § 1, of Law 6,404/76, taking as the transition date the 1st of January 2008, and observing the NBC T 19.11, defining as the transition date the 1st of January 2007.

The new rules for classification of financial instruments could be applied from the date of the original transaction or, alternatively, on the date of transition.

The balances in Deferred Assets, abolished by Law 11,941/09, could be reclassified, or written off from the date of transition, or remain in that group until fully amortized.

Under the new accounting practices, the elements of the Assets and Liabilities arising from long-term or short-term operations, where relevant, had to be adjusted to present value. The calculation of the adjustment to present value had to be made for all outstanding balances, based on overall calculation, or optionally, individually for each group of accounts. In calculating the adjustment to present value, the company had to choose between the discount rate based on the conditions of the transaction date and the discount rate based upon the date of transition.

Laws 11,638/07 and 11,941/09 changed the concept of affiliate and scope of application of the equity method. The investments whose accounting was changed from the cash to the equity method could be adjusted in the Accrued Profit or Loss account, or the company could make the equity method accounting retroactive, calculating the goodwill or negative goodwill generated on the original date of the investment.

The formation of new revaluation reserves was banned, and existing balances had to be maintained until their effective realization, or reversed by the end of 2008.

The Cash Flow Statement and Statement of Value Added, which became mandatory under the new legislation, could be published comparatively or not.

Given the complexity of accounting changes and the situations of choice and waiver under CPC 13, the comparability and transparency of financial statements for 2008 could be significantly impaired if the companies did not adopt good disclosure practices in order to ensure the understanding of the financial statements by external users.

Given the relevance of this issue, CPC 13 paid special attention to defining a minimum set of disclosures to be observed. The first requirement is that firms state explicitly and without reservation the full implementation of the law through a declaration in the note that describes the presentation of the financial statements and/or selection of accounting practices. Also required were:

- (a) Statement, in a note explaining the basis for the preparation and presentation of financial statements, that it is adopting for the first time the provisions of Law 11,638/07 and Provisional Measure 449/08
- (b) Presentation of a summary of changed accounting practices, accompanied by a demonstration of the effects on income and equity of the initial adoption of Law 11,638/07 and Provisional Measure 449/08, with the purpose of supplying information about

- comparability with values that would be obtained if there had not been such changes. With this there is no need to disclose the initial adjusted balance sheet.
- (c) Disclosure, in notes, of the relevant choices made by management with respect to the Pronouncement (CPC 13, 2008).

Among the disclosures listed, the presentation of a summary of modified accounting policies deserves to be mentioned, for it is indispensable to the proper understanding of changes in equity and results of firms.

<b>Disclosure Practices</b>
Declare in a note the full compliance with Law 11,638/07
Declare in a note the first adoption of the determinations of Law 11,638/07 and PM 449/08
Provide a summary of the practices modified by the company
Present a demonstration of the effects of new accounting practices in the 2008 results
Present a demonstration of the effects of the initial adoption of Law 11,638/07 and PM 449/08 in equity
Disclose in the notes the relevant options made by management among those under CPC 13

**Chart 1 - Disclosure practices defined by CPC 13.**

### 3. METHODOLOGY

With the main objective of investigating the degree of compliance with the disclosure guidelines defined in CPC 13, we analyzed the Standardized Financial Statements (DFP) from 2008 published by companies listed on the BM&FBovespa and made available in the database of the CVM up to September 30, 2009. We excluded financial institutions and similar firms (83 companies) and companies whose data were not available at the CVM website (16 companies). Thus, from a total of 433 companies with financial statements registered at the CVM website, we analyzed those of 334 companies, with 199 listed in the traditional market (TM), 27 at Level 1 (L1), 15 at Level 2 (L2) and 93 in the New Market (NM). The last three trading segments require enhanced governance practices, with the New Market having the most stringent requirements in this respect.

The data pertaining the disclosure practices adopted by the companies were collected from the notes to the financial statements, investigating mainly the one that dealt with the initial adoption of the provisions of Law 11,638/07 and PM 449/08 (converted into Law 11,941/09). The reading of the notes enabled identifying the degree of compliance of the companies with each of the six mandatory determinations defined by CPC 13, shown in Table 1. For each of the six required disclosures, we created a dummy variable that received the value 1 (when the company complied with the determination) or 0 (when the company failed to adhere to the determination).

The variable Disclosure Score was created resulting from the sum of the values assigned to the variables related to the degree of compliance with the required disclosures. Thus, the Disclosure Score variable of each company received an integer value between 0 and 6. The value 0 indicates the company does not adhere to any of the required disclosures, while 6 indicates that the company adheres to all stipulations of CPC 13.

We also examined the listing segment of the companies, by consulting the BM&FBovespa website on August 30, 2009. All data were recorded in an Excel spreadsheet for further analysis with the aid of SPSS.

After the complete tabulation of the data, we calculated the mean, median, mode, variance and standard deviation, which allowed an overview of firms' compliance with the disclosure determinations of CPC 13. These simple statistical models were also used to compare the disclosure note scores obtained by companies from the traditional market with companies from the enhanced governance listing segments.

Research generally relates the disclosure by companies with the existence of economic incentives, highlighting the studies of Lima (2007), Murcia and Santos (2009) and Lanzana (2004). Pereira et al (2008) observed a positive association between the level of disclosure and adherence to a different level of corporate governance of the BM&FBovespa. The study by Costa et al. (2007) indicates that participation in different levels of BM&FBovespa corporate governance influences the disclosure of the largest Brazilian banks.

Thus, supported by the results of previous research, we defined the following hypotheses to be tested:

- H1: The disclosure scores of companies listed in enhanced governance trading segments ( $DN_{DNCG}$ ) are higher than those of companies in the traditional market ( $DN_{TM}$ ):
- H2: The disclosure scores of companies in Level 1 ( $DN_{L1}$ ) are higher than those of companies in the traditional market ( $DN_{TM}$ ):
- H3: The disclosure scores of companies in Level 2 ( $DN_{L2}$ ) are higher than those of companies in the traditional market ( $DN_{TM}$ ):
- H4: The disclosure scores of companies in the New Market ( $DN_{NM}$ ) are higher than those of companies in the traditional market ( $DN_{TM}$ ):

To measure these hypotheses, we performed nonparametric difference of means tests, using the Mann-Whitney model. The nonparametric Mann-Whitney test can be used when there are different participants in each condition, the application of the test of the means is interesting, because it assesses whether there is significant difference between the average of each condition (Dancey and Reidy, 2006). The Mann-Whitney test, unlike the Student t-test, does not have the prerequisite that the data be normally distributed. Thus, we did not perform parametric t-tests (Student) because applying the Kolmogorov-Smirnov test revealed that the data of the samples were not normally distributed.

## 4. ANALYSIS OF RESULTS

### 4.1 Compliance with the provisions of CPC 13

In order to ensure transparency and a minimum comparability between financial information for 2007 and 2008, CPC 13 established a set of six disclosures that had to be observed by public companies upon the initial adoption of the provisions of Law 11,638/07 and PM 449/08 (converted into Law 11,941/09), as shown in Table 1.

Table 1 shows the degree of compliance of the companies surveyed in relation to the required disclosures set out in CPC 13.

There is a low degree of compliance with the disclosure guidelines of the CPC13 by public companies. Only 33, or less than 10% of the sample, explicitly declared full compliance with the wording of Law 11,638/07. The presentation of the demonstration of the effect of new accounting standards in the net income and stockholders' equity was also neglected, being made by only 47% of companies. The disclosure the summary of the modified practices and relevant options adopted found higher frequencies, but still insufficient, since these two items, though indispensable for understanding the financials, were not disclosed by 59 and 110 companies, respectively. Also, the presentation of the effects of the new practices in the 2008 results and the initial adoption of Law 11,638/07 and Provisional Measure 449/08 in equity was implemented by less than half of all companies surveyed.

**Table 1 - Compliance with the disclosure practices defined in CPC 13**

Disclosure Practices	Yes	%	No
Declare in a note full compliance with Law 11,638/07	33	9.9%	301
Declare in a note that the firm is adopting for the first time the determinations of Law 11,638/07 and PM 449/08	131	39.2%	203
Provide a summary of the practices modified by the company	275	82.3%	59
Present a demonstration of the effects of new accounting practices on the 2008 results	149	44.6%	185
Present a demonstration of the effects of the initial adoption of Law 11,638/07 and PM 449/08 on equity	157	47.0%	177
Disclose in notes the relevant options made by management among those under CPC 13	224	67.1%	110

In this scenario, it is possible that stock market analysts and other users of financial statements faced difficulties in the analysis of results and changes occurring in equities of companies.

Analyzing the degree of compliance by listing segment of BM&FBovespa, it is possible to observe a higher proportion of companies from the enhanced governance segments regarding compliance with the

stipulations of CPC 13 (Table 2). Indeed, while 65.6% of companies in the New Market showed the effects of changed accounting practices in the 2008 result, only 34.2% of traditional market companies adopted this practice. A similar situation occurred with the item related to disclosure of the effects on equity, implemented by 71% of New Market firms and only 32.7% of those in the traditional market.

**Table 2 – Compliance with the disclosure practices defined in CPC 13 by segment of the BM&FBovespa**

Disclosure Practices	TM			L1			L2			NM		
	Yes	%	No	Yes	%	No	Yes	%	No	Yes	%	No
Declare in a note the full compliance with Law 11,638/07	14	7.0%	185	8	29.6%	19	3	20.0%	12	8	8.6%	85
Declare in a note that the firm is adopting for the first time the determinations of Law 11,638/07 and PM 449/08	75	37.7%	124	8	29.6%	19	4	26.7%	11	44	47.3%	49
Provide a summary of the practices modified by the company	147	73.9%	52	25	92.6%	2	15	100.0%	0	88	94.6%	5
Present a demonstration of the effects of new accounting practices on the 2008 results	68	34.2%	131	12	44.4%	15	8	53.3%	7	61	65.6%	32
Present a demonstration of the effects of the initial adoption of Law 11,638/07 and PM 449/08 on equity	65	32.7%	134	17	63.0%	10	9	60.0%	6	66	71.0%	27
Disclose in notes the relevant options made by management among those under CPC 13	111	55.8%	88	21	77.8%	6	11	73.3%	4	81	87.1%	12

As explained in the methodology section, a Disclosure Score variable was created that sought to synthesize the degree of compliance with the disclosure determinations by companies. Each company received a score ranging from 1 to 6, depending on the items of disclosure published. The notes of the sample are explained in Table 3.

**Table 3 - Disclosure scores by segment of the BM&FBovespa**

Segment	Disclosure Note							Total
	0	1	2	3	4	5	6	
TM	24	39	51	24	38	23	0	199
L1	0	3	5	6	6	6	1	27
L2	0	1	1	7	4	2	0	15
NM	2	1	12	18	32	27	1	93
<b>Total</b>	<b>26</b>	<b>44</b>	<b>69</b>	<b>55</b>	<b>80</b>	<b>58</b>	<b>2</b>	<b>334</b>

It is noteworthy that the New Market firms obtained a score of zero, meaning that none of the disclosures required was fulfilled by these companies. Nor was it expected that only five firms from the three enhanced governance segments of the BM&FBovespa taken as a group would reach a score of 1, three from Level 1, one from Level 2 and one from the New Market. Three of these companies merely presented a summary of the modified practices, while one of them showed the effects of changes on equity and the other showed the relevant options.

The analysis of the data in Table 3 also shows a concentration of scores of companies in the traditional market in the range 0 to 2, while the others were scored between 3 and 6. Table 4 presents the cumulative frequency of notes by segment, providing insights into this issue.

**Table 4 - Accumulated frequency of disclosure scores by segment**

Disclosure Scores	Traditional Market		Level 1		Level 2		New Market	
	Freq.	Cumulative %	Freq.	Cumulative %	Freq.	Cumulative %	Freq.	Cumulative %
0	24	12.10	0	0.00	0	0.00	2	2.15
1	39	31.70	3	11.10	1	6.70	1	3.23
2	51	57.30	5	29.60	1	13.30	12	16.13
3	24	69.30	6	51.90	7	60.00	18	35.48
4	38	88.40	6	74.10	4	86.70	32	69.89
5	23	100.00	6	96.30	2	100.00	27	98.92
6			1	100.00			1	100.00
<b>Total</b>	<b>199</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>93</b>	<b>-</b>

It can be observed that 57.3% of companies in the traditional market were scored between 0 and 2. In turn, only 29.6%, 13.3% and 16.1% of companies in Level 1, Level 2 and New Market, respectively, had a similar situation.

Table 5 presents the descriptive statistics involving the Disclosure Score variable. It can be seen that the group of companies in the traditional market had the lowest values for the measures of central tendency. Indeed, while the scores of the companies in this segment averaged 2.41, the performance of other groups was greater than 3, being 3.37 for companies in Level 1, 3.33 for Level 2 and 3.74 for the New Market. With regard to the variability of the scores, there was similar behavior among companies in the traditional market and those at Level 1, with standard deviations of 1.564 and 1.418, respectively. The companies of the other segments recorded less variability in the scores, with a standard deviation 1.047 for Level 2 and 1.197 for the New Market. The score of 2 was the mode (most frequent) for companies in the traditional market, with 3 as the mode for Levels 1 and 2 and 4 the mode for the New Market firms.

**Table 5 – Descriptive statistics of disclosure scores by segment of the BM&FBovespa**

Segment	Disclosure Score					
	Mean	Median	Mode	Standard Deviation	Minimum	Maximum
TM	2.41	2	2	1.564	0	5
L1	3.37	3	3	1.418	1	6
L2	3.33	3	3	1.047	1	5
NM	3.74	4	4	1.197	0	6

#### 4.2 Analysis of variations between the averages of the disclosure scores

The analysis shows that companies from the three enhanced governance segments of the BM&FBovespa obtained disclosure scores different and higher than those registered by companies in the traditional market. However, to confirm the conceptual hypothesis that guides this study, there is the need to explore whether there are statistically significant differences between the averages of the disclosure scores of companies listed in the enhanced governance segments of the BM&FBovespa and the companies of its traditional market segment.

In this respect, we first applied the Mann-Whitney nonparametric test to compare scores of companies in the traditional market with those of the other companies. As noted in the Methodology topic, the t-test (Student) was not used because the application of the Kolmogorov-Smirnov test revealed that the data of the samples were not normally distributed.

The test showed that group averages are significantly different at a significance level of 5%, confirming the hypothesis that the disclosure scores of companies in the three enhanced governance listing segments were higher than those of firms in the traditional market.

Next, we investigated the significance of the variation between the averages, comparing only the traditional market companies with Level 1. Once again the Mann-Whitney test was applied, choosing the exact

significance, since there were only 27 firms listed in Level 1. The test showed that group averages also were significantly different at a level of 5%, confirming the hypothesis that the disclosure scores the Level 1 companies are higher than those of companies in the traditional market.

We also applied the Mann-Whitney test to investigate whether the differences between the average scores were statistically significant between: a) the traditional market companies and Level 2 companies; b) the companies in the traditional market and companies in the New Market. The statistical tests rejected the null hypothesis of equality of the means at 5%, confirming the hypothesis:

- a) The disclosure scores of companies in Level 2 are higher than those of companies in the traditional market:
- b) The disclosure scores of companies in the New Market are higher than those of companies in the traditional market.

The results of the difference of means tests are presented in Table 6.

**Table 6 - Results of difference of means tests of the disclosure scores of the BM&FBovespa**

	DNCG x TM	NM x TM	L1 x TM	L2 x TM
<b>Z</b>	-6,891	-6,708	-2,900	-2,308
<b>Mann-Whitney U</b>	7570	4824	1778	968
<b>Significance</b>	0,000	0,000	0,002	0,010

## 5. CONCLUSIONS

This study investigated the extent of compliance with disclosure guidelines defined in CPC 13, by the companies listed in the BM&FBovespa and whether there was better compliance by companies listed for trading in the three enhanced governance segments of that exchange in comparison with firms traded in its traditional market segment.

Thus, from a total of 433 companies we analyzed the notes to the Standard Financial Statements for 2008 of 334 companies, with 199 in the traditional market, 27 in the Level 1 segment, 15 in Level 2 and 27 in the New Market.

For the sample as a whole, the operational variable, "Disclosure Score", designed to enable measurement of the degree of compliance with disclosure practices, reached an average of 2.9, when the maximum score was 6. Thus, on a scale of 0 to 10, the group reached an average of less than 5, indicating a low degree of compliance with the disclosure guidelines of CPC13 by public companies.

The average scores of companies in the traditional market was 2.41, while the enhanced governance segments had scores higher than 3: 3.37 for companies in Level 1, 3.33 for Level 2 and 3.74 for the New Market. Thus, the study reveals that companies with more stringent corporate governance standards were more compliant with the disclosure practices.

In order to investigate the significance of differences between the disclosure scores of the groups of firms, we applied the Mann-Whitney nonparametric test to compare the scores of companies in the traditional market with those of firms in the other three trading segments. The tests indicated that the differences between group averages were statistically significant at the level of 5%.

Thus, this study confirms the hypothesis of the study that not all companies complied with the disclosure guidelines of the CPC13 and of the companies listed in the three enhanced governance segments of the BM&FBovespa there was greater compliance with the standards, when compared to those in the traditional segment.

These results corroborate previous research that indicates there is a link between the level of disclosure and governance characteristics, noting that companies with better governance structure would have a greater level of disclosure, showing greater commitment to transparency and the provision of reliable information (Botosan, 1997; Chen & Jaggi, 2000; Eng & Mak, 2003; Fork, 1992; Ho & Wong, 2001; Lanzani, 2004).

This study indicates a positive association between the level of disclosure and adherence to one of the three enhanced governance segments of the BM&FBovespa, corroborating the findings of Pereira et al. (2008) and Costa et al. (2007).

Further studies could investigate compliance with the disclosure guidelines set out in other pronouncements from the CPC, because of the importance of disclosure to the Brazilian capital market.

## REFERENCES

AGUIAR, A. B.; CORRAR, L. J.; BATISTELLA, F. D. Adoção de práticas de governança corporativa e o comportamento das ações na Bovespa: evidências empíricas. **Revista de Administração da USP (RAUSP)**, São Paulo, v. 39, n. 4, p. 338-347, oct./nov./dec. 2004.

BERLE, A. A.; MEANS, G. C. **The modern corporation and private property**. Ninth printing. New Brunswick, New Jersey (U.S.A.): Transaction Publishers, 2007. Originally published in 1932 by Harcourt, Brace & World.

BOTOSAN, C. A. Disclosure level and the cost of equity capital. **The Accounting Review** 72 (3), p. 323-349, 1997.

CAMARGOS, Marcos Antônio de; HELAL, Diogo Henrique. Remuneração executiva, desempenho econômico-financeiro e a estrutura de governança corporativa de empresas brasileiras. In: ENCONTRO ANUAL DA ASSOCIAÇÃO NACIONAL DOS PROGRAMAS DE PÓS-GRADUAÇÃO EM ADMINISTRAÇÃO-ENANPAD-ENANPAD, 31., 2007. **Anais...** Rio de Janeiro: ANPAD, 2007.

CHEN, J.; JAGGI, B. Association between independent non-executive directors, family control and financial disclosures in Hong Kong. **Journal of Accounting and Public Policy** 19, p. 285-310, 2000.

CHRISTENSEN, Hans B.; LEE, Edward; WALKER, Martin. Cross-sectional variation in the economic consequences of international accounting harmonization: the case of mandatory IFRS adoption in the UK. **The International Journal of Accounting**, Unites States, v. 42(4), p. 341-379, December 2007.

CORTESI, Alessandro; MONTANI, Elena; TETTAMANZI, Patrizia. IAS/IFRS adoption by italian listed companies: first empirical evidences. **International Review of Business Research Papers**, Australia, v. 5, n. 4, p. 388 -398, June 2009.

COMITÊ DE PRONUNCIAMENTOS CONTÁBEIS. Pronunciamento Técnico CPC 13 – Adoção Inicial da Lei nº 11.638/07 e da Medida Provisória nº 449/08. Available at: <<http://www.cpc.org.br/mostra-Orientacao.php?id=27>> Consulted on: 25 mar e 10 abr. 2009.

COSTA, Fábio Moraes da; GOLDNER, Fábio; GALDI, Fernando Caio. Análise dos fatores que influenciam no *disclosure* dos maiores bancos brasileiros. In: CONGRESSO USP DE CONTABILIDADE E CONTROLADORIA, 7., 2007, São Paulo. **Anais...** São Paulo: USP, 2007. CD-ROM.

DANCEY, Christine P.; REIDY, John. **Estatística sem matemática para psicologia: usando SPSS para Windows**. Porto Alegre: Artmed, 2006.

ENG, L. L.; MAK, Y. T. Corporate governance and voluntary disclosure. **Journal of Accounting and Public Policy** 22, p. 325-345, 2003.

FORKER, J. J. Corporate governance and disclosure quality. **Accounting and Business Research** 22 (86), p. 111-124, 1992.

FINANCIAL STABILITY FORUM. Available at: <<http://www.fsforum.org/about/history.htm>>. Consulted on: 10 abr. 2009.

GERON, Cecília Moraes Santostaso. **Evolução das práticas contábeis no Brasil nos últimos 30 anos: da Lei 6.404/76 à Lei 11.638/07**. 2008. Dissertação (Mestrado em Controladoria e Contabilidade) – Departamento de Contabilidade e Atuária da Universidade de São Paulo, São Paulo.

HO, S. S.; WONG, K. S. A study of the relationship between corporate governance structures and the extent of voluntary disclosure. **Journal of International Accounting, Auditing and Taxation** 10, p. 139-156, 2001.

IASB. **IFRSs around the world**. Available at: <<http://www.iasb.org/About+Us/About+the+IASB/IFRSs+around+the+world.htm>>. Consulted on: august 20, 2009.

IBGC (Instituto Brasileiro de Governança Corporativa). Código brasileiro das melhores práticas de governança corporativa. 3. ed. São Paulo: IBGC, 2009. Available at: <<http://www.ibgc.org.br/home.asp>>. Consulted on: december 5, 2009.

LANZANA, A. P. **Relação entre disclosure e governança corporativa das empresas brasileiras**. 2004. 161 f. Dissertação (Mestrado em Controladoria e Contabilidade) – Departamento de Contabilidade e Atuária da Universidade de São Paulo, São Paulo.

LEITE, Joubert da S. J. Normas contábeis internacionais: uma visão para o futuro. **Cadernos da Faceca**, Campinas, v. 11, n. 1, p. 51-65, jan./jun. 2002.

LIMA, Gerlando Augusto Sampaio Franco de. **Utilização da teoria da divulgação para avaliação da relação do nível de disclosure com o custo da dívida das empresas brasileiras**. 2007. 118f. Tese (Doutorado em Ciências Contábeis) – Faculdade de Economia, Administração e Contabilidade, Universidade de São Paulo, São Paulo, 2007.

LOPES, Alessandro Broedel A teoria dos contratos, governança corporativa e Contabilidade. In: IUDÍCIBUS, Sérgio; LOPES, Alessandro Broedel. **Teoria avançada da Contabilidade**. São Paulo: Editora Atlas, 2004.

LOPES, Alessandro Broedel; MARTINS, Eliseu. **Teoria da Contabilidade: uma nova abordagem**. São Paulo: Atlas, 2005.

MELLO, Rita de Cássia; CIA, Joanília Neide de Sales. Análise da harmonização contábil: uma comparação entre indicadores calculados pelo BR GAAP e US GAAP dos bancos com ADR listados na NYSE. In: CONGRESSO USP DE CONTROLADORIA E CONTABILIDADE, **Anais...** 7., São Paulo, FEA/USP. 2007.

MURCIA, Fernando Dal-Ri. **Fatores determinantes do nível de disclosure voluntário de companhias abertas no Brasil**. 2009. 182f. Tese (Doutorado em Ciências Contábeis) – Faculdade de Economia, Administração e Contabilidade, Universidade de São Paulo, São Paulo, 2009.

NIYAMA, Jorge Katsumi. **Contabilidade internacional**. São Paulo: Atlas, 2005.

OECD. **The OECD principles of corporate governance**. Available at: <<http://www.oecd.org>>. Consulted on: april 2009.

PEREIRA, Dimmitre Morant Vieira Gonçalves et al. Um estudo sobre a relação entre o lucro contábil e o disclosure das companhias abertas do setor de materiais básicos: evidências empíricas no mercado brasileiro de capitais. In: ENCONTRO DA ASSOCIAÇÃO NACIONAL DO PROGRAMAS DE PÓS GRADUAÇÃO EM CIÊNCIAS CONTÁBEIS, 2., 2008, Salvador. **Anais...** São Paulo: Anpcont, 2008. CD-ROM.

SUPERINTENDENTE SUBSTITUTO DA SUPERINTENDÊNCIA DE SEGUROS PRIVADOS. **Circular n. 357**, de 26 de dezembro de 2007. Available at: <[www.cpc.org.br/pdf/circ357\\_susep.pdf](http://www.cpc.org.br/pdf/circ357_susep.pdf)> Consulted on: august 1st, 2009.

SZUSTER, Flávia Rechtman, SZUSTER, Natan. O Brasil rumo à convergência internacional da Contabilidade: o caso Gerdau S.A. In: ENCONTRO ANUAL DA ASSOCIAÇÃO NACIONAL DOS PROGRAMAS DE PÓS-GRADUAÇÃO EM ADMINISTRAÇÃO-ENANPAD-ENANPAD, 32., 2008. **Anais...** Rio de Janeiro: ANPAD, 2008.

THE WORLD BANK. **Reports on the observance of standards and codes – ROSC**. Available at: <<http://www.worldbank.org/ifa/rosc>>. Consulted on: april 10, 2009.

YAMAMOTO, Marina Mitiyo; SALOTTI, Bruno Meirelles. **Informação contábil**: estudos sobre a sua divulgação no mercado de capitais. São Paulo: Atlas, 2006.