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Reconstitution of the field of accounting regulation in Brazil during the adoption of the IFRS

*Reconstituição do campo da regulação contábil no Brasil durante a adoção das IFRS*

São Paulo

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Doctoral Thesis presented to the Graduate Program in Controllership and Accounting of the Accounting Department of the Faculty of Economics, Administration and Accounting at the University of São Paulo, as a partial requirement for obtaining the degree of Doctor of Science.

Concentration area: Controllership and Accounting

Supervisor: Prof. Dr. Edson Luiz Riccio

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“There’s room at the top they are telling you still  
But first you must learn how to smile as you kill  
If you want to be like the folks on the hill  
A working class hero is something to be  
A working class hero is something to be”

*John Lennon*

## ABSTRACT

Homero Junior, P. F. (2018). *Reconstitution of the field of accounting regulation in Brazil during the adoption of the IFRS*. Doctoral Thesis, Faculty of Economics, Administration and Accounting, University of São Paulo, São Paulo, 2018.

In 2010, Brazil completed the convergence towards the International Financial Reporting Standards (IFRS). As the politics of this process has been little explored, the objective of this thesis is to investigate how the field of accounting regulation was reconstituted during the convergence. Relying on the Bourdieusian concepts of field, capital and habitus, the analysis of accounting regulation in Brazil is split into two phases: firstly, the field as of the early-2000s is mapped through a literature review that identifies its main institutional agents. From the early-2000s on, when the discussions about the creation of a private standard-setter began, the linguistic habitus associated to the field is mapped through discursive analyses of several archival data, including parliamentary proceedings and documents issued by institutional agents that operate in the field. This investigation indicates that the constitution of the field was driven by a relationship of accommodation between the State and the accountancy profession. During the 1970s, an interpretative community linked to the capital markets was consolidated, including financial sector regulators and segments of the professional and academic fields, that issued and disseminated Anglo-American inspired accounting standards framed by a decision-usefulness approach. In opposition, during the 1980s the Federal Council of Accounting (*Conselho Federal de Contabilidade* – CFC) started to dispute the primacy within the field, issuing accounting standards framed by a discourse of scientificity that preserved the Continental-European influence on Brazilian accounting. From the early-2000s on, the efforts to approve the legislative reforms necessary for the adoption of the IFRS were characterised by a high level of discursive homogeneity: it was claimed that such an adoption would enhance the transparency, comprehensibility, comparability and reliability of the financial reports of Brazilian firms, attracting foreign investments and promoting the economic development of the country. However, none of these claims was supported by substantive empirical evidences. Initially, the CFC opposed the creation of a private standard-setter, claiming that it would undermine the self-regulation of the accountancy profession. In October 2005, though, the CFC itself created the Committee of Accounting Pronouncements (*Comitê de Pronunciamentos Contábeis* – CPC), apparently solving the conflict that had structured the field until then. The influence of taxation on Brazilian accounting practices played a pivotal role in this process, as a common adversary that justified the alliance between the CFC and the capital market pole. As the CPC frames itself as only a translator and interpreter of the IFRS, the field as a whole is not a space of power anymore, given that substantive decisions in the standard-setting process are not made in Brazil. Nevertheless, some regulators still challenge CPC's hegemony, requiring firms under their jurisdictions to prepare and disclose alternative sets of accounts. Contributing for a deeper understanding about the role of local agents in the adoption of the IFRS, this thesis suggests that in Brazil this process was conducted by an interpretative community constituted some decades ago, whose agents exchanged the symbolic capital they previously possessed for the economic capital they earned through the expansion of the market for accounting services.

Keywords: International accounting. Accounting regulation. IFRS adoption. Discourse analysis. Linguistic habitus.

## RESUMO

Homero Junior, P. F. (2018). *Reconstituição do campo da regulação contábil no Brasil durante a adoção das IFRS*. Tese de Doutorado, Faculdade de Economia, Administração e Contabilidade, Universidade de São Paulo, São Paulo, 2018.

Em 2010, o Brasil completou a convergência para as Normas Internacionais de Relatório Financeiro (*International Financial Reporting Standards – IFRS*). Como a política deste processo tem sido pouco explorada, o objetivo desta tese é investigar como o campo da regulação contábil foi reconstituído durante a convergência. Baseando-se nos conceitos bourdieusianos de campo, capital e habitus, a análise da regulação contábil no Brasil é dividida em duas fases: primeiramente, o campo no início dos anos 2000 é mapeado através de revisão de literatura que identifica seus principais agentes institucionais. A partir do início dos anos 2000, quando as discussões sobre a criação de normatizador privado começaram, o habitus linguístico associado ao campo é mapeado através de análises discursivas de vários dados de arquivo, incluindo arquivos parlamentares e documentos emitidos por agentes institucionais que operam no campo. Essa investigação indica que a constituição do campo foi conduzida por uma relação de acomodação entre o Estado e a profissão contábil. Durante a década de 1970, consolidou-se uma comunidade interpretativa ligada aos mercados de capitais, incluindo reguladores do setor financeiro e segmentos dos campos profissional e acadêmico, que emitia e divulgava padrões contábeis de inspiração anglo-americana, moldados por uma abordagem de utilidade para decisão. Em oposição, durante a década de 1980 o Conselho Federal de Contabilidade (CFC) começou a disputar a primazia no campo, emitindo padrões contábeis moldados por um discurso de cientificidade que preservava a influência europeia continental na contabilidade brasileira. A partir do início dos anos 2000, os esforços para aprovar as reformas legislativas necessárias para a adoção das IFRS caracterizaram-se por alto nível de homogeneidade discursiva: Alegava-se que tal adoção aumentaria a transparência, compreensibilidade, comparabilidade e confiabilidade dos relatórios financeiros das empresas brasileiras, atraindo investimentos estrangeiros e promovendo o desenvolvimento econômico do país. No entanto, nenhuma dessas alegações era apoiada por evidências empíricas substantivas. Inicialmente, o CFC se opôs à criação de um normatizador privado, alegando que isso debilitaria a autorregulação da profissão contábil. Em outubro de 2005, porém, o próprio CFC criou o Comitê de Pronunciamentos Contábeis (CPC), aparentemente resolvendo o conflito que havia estruturado o campo até então. A influência da tributação nas práticas contábeis brasileiras desempenhou papel central nesse processo, como um adversário comum que justificou a aliança entre o CFC e o polo do mercado de capitais. Como o CPC enquadra a si próprio apenas como tradutor e intérprete das IFRS, o campo como um todo não é mais um espaço de poder, dado que decisões substantivas no processo de normatização não são tomadas no Brasil. No entanto, alguns reguladores ainda desafiam a hegemonia do CPC, exigindo que as empresas sob suas jurisdições preparem e divulguem demonstrativos contábeis alternativos. Contribuindo para uma compreensão mais profunda sobre o papel de agentes locais na adoção das IFRS, esta tese sugere que no Brasil esse processo foi conduzido por uma comunidade interpretativa constituída há algumas décadas, cujos agentes trocaram o capital simbólico que possuíam anteriormente pelo capital econômico que obtiveram através da expansão do mercado de serviços contábeis.

Palavras-chave: Contabilidade internacional. Regulação contábil. Adoção das IFRS. Análise do discurso. Habitus linguístico.

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## LIST OF ACRONYMS AND INITIALS

**AAA:** American Accounting Association

**AAAJ:** Accounting, Auditing & Accountability Journal

**ABEL:** *Associação Brasileira das Empresas de Leasing* (Brazilian Association of Leasing Enterprises)

**ABI:** *Associação Brasileira de Imprensa* (Brazilian Press Association)

**ABIO:** *Associação Brasileira de Imprensas Oficiais* (Brazilian Association of Official Press Companies)

**ABRASCA:** *Associação Brasileira das Companhias Abertas* (Brazilian Listed Companies Association)

**AI:** *Ato Institucional* (Institutional Act)

**AIB:** *Ação Integralista Brasileira* (Brazilian Integralist Action)

**AICPA:** American Institute of Certified Public Accountants

**ANA:** *Agência Nacional de Águas* (National Water Agency)

**ANAC:** *Agência Nacional de Aviação Civil* (National Civil Aviation Agency)

**ANATEL:** *Agência Nacional de Telecomunicações* (National Telecommunication Agency)

**ANCINE:** *Agência Nacional do Cinema* (National Cinema Agency)

**ANEEL:** *Agência Nacional de Energia Elétrica* (National Electric Energy Agency)

**ANL:** *Aliança Nacional Libertadora* (National Liberation Alliance)

**ANP:** *Agência Nacional do Petróleo, Gás Natural e Biocombustíveis* (National Agency of Petroleum, Natural Gas and Biofuels)

**ANS:** *Agência Nacional de Saúde Suplementar* (National Regulatory Agency for Private Health Insurance and Plans)

**ANTAQ:** *Agência Nacional de Transportes Aquaviários* (National Waterway Transportation Agency)

**ANTT:** *Agência Nacional de Transportes Terrestres* (National Land Transportation Agency)

**ANVISA:** *Agência Nacional de Vigilância Sanitária* (National Health Regulatory Agency)

**AOS:** Accounting, Organizations and Society

**AOSSG:** Asian-Oceanian Standard-Setters Group

**APA:** American Psychological Association

**APIMEC:** *Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais* (Association of Capital Market Investment Professionals and Analysts)

**ARENA:** *Aliança Renovadora Nacional* (National Renovator Alliance)

**ASB:** Accounting Standards Board

**ATF:** Accounting Task Force

**BCB:** *Banco Central do Brasil* (Central Bank of Brazil)

**BIS:** Bank for International Settlements

**BM&FBOVESPA:** *Bolsa de Valores, Mercadorias e Futuros de São Paulo* (São Paulo Stock, Mercantile and Future Exchange)

**BNDE:** *Banco Nacional de Desenvolvimento Econômico* (National Bank for Economic Development)

**BNDES:** *Banco Nacional de Desenvolvimento Econômico e Social* (National Bank for Economic and Social Development)

**BOVESPA:** *Bolsa de Valores de São Paulo* (São Paulo Stock Exchange)

**CAE:** *Comissão de Assuntos Econômicos* (Commission on Economic Issues)

**CCJ:** *Comissão de Constituição, Justiça e Cidadania* (Commission on Constitution, Justice and Citizenship)

**CCNC:** *Comissão Consultiva de Normas Contábeis* (Advisory Commission on Accounting Standards)

**CDC:** *Crédito Direto ao Consumidor* (Consumer Direct Credit)

**CEIC:** *Comissão de Economia, Indústria e Comércio* (Commission on Economy, Industry and Commerce)

**CENIMAR:** *Centro de Informações da Marinha* (Navy Information Centre)

**CFC:** *Conselho Federal de Contabilidade* (Federal Council of Accounting)

**CFT:** *Comissão de Finanças e Tributação* (Commission on Finance and Taxation)

**CIE:** *Centro de Informações do Exército* (Army Information Centre)

**CISA:** *Centro de Informações de Segurança Aeronáutica* (Aeronautical Safety Information Centre)

**CMI:** *Correção Monetária Integral* (Full Inflation Adjustment)

**CMN:** *Conselho Monetário Nacional* (National Monetary Council)

**CNBV:** *Comisión Nacional Bancaria y de Valores* (National Banking and Securities Commission)

**CNI:** *Confederação Nacional da Indústria* (National Confederation of Industry)

**CNSP:** *Conselho Nacional de Seguros Privados* (National Council of Private Insurance)

**CODI:** *Centro de Operações de Defesa Interna* (Centre for Internal Defence Operations)

**COSIF:** *Plano Contábil das Instituições do Sistema Financeiro Nacional* (Chart of Accounts for Institutions of the National Financial System)

**CPA:** Critical Perspectives on Accounting

**CPAB:** Canadian Public Accountability Board

**CPC:** *Comitê de Padrões Contábeis* (Committee of Accounting Standards)

**CPC:** *Comitê de Pronunciamentos Contábeis* (Committee of Accounting Pronouncements)

**CRC:** *Conselho Regional de Contabilidade* (Regional Council of Accounting)

**CSN:** *Companhia Siderúrgica Nacional* (National Steel Company)

**CVM:** *Comissão de Valores Mobiliários* (Brazilian Securities and Exchange Commission)

**DASP:** *Departamento Administrativo do Serviço Público* (Administrative Department of the Public Service)

**DIP:** *Departamento de Imprensa em Propaganda* (Department of Press and Propaganda)

**DOI:** *Destacamento de Operações de Informações* (Department of Information Operations)

**DSI:** *Divisão de Segurança e Informação* (Security and Information Division)

**ECB:** *Estrutura Conceitual Básica da Contabilidade* (Basic Conceptual Framework of Accounting)

**ED:** Exposure Draft

**EFAR:** Egyptian Financial Accounting Regulations

**EFRAG:** European Financial Reporting Advisory Group

**EU:** European Union

**FASB:** Financial Accounting Standards Board

**FCEA:** *Faculdade de Ciências Econômicas e Administrativas* (Faculty of Economic and Administrative Sciences)

**FEB:** *Força Expedicionária Brasileira* (Brazilian Expeditionary Force)

**FEBRABAN:** *Federação Brasileira de Bancos* (Brazilian Federation of Banks)

**FENACON:** *Federação Nacional das Empresas de Serviços Contábeis e das Empresas de Assessoramento, Perícias, Informações e Pesquisas* (National Federation of Accounting Services Firms)

**FIPECAFI:** *Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras* (Foundation Institute for Research in Accounting, Finance and Actuarial Sciences)

**FVA:** Fair Value Accounting

**GAAP:** Generally Accepted Accounting Principles

**GDP:** Gross Domestic Product

**GLASS:** Group of Latin-American Accounting Standard-Setters

**H3C:** *Haut Conseil du Commissariat aux Comptes* (High Counsel of Statutory Auditors)

**HCA:** Historical Cost Accounting

**IAIB:** *Instituto dos Auditores Independentes do Brasil* (Institute of Independent Auditors of Brazil)

**IAS:** International Accounting Standards

**IASB:** International Accounting Standards Board

**IASC:** International Accounting Standards Committee

**IBAI:** *Instituto Brasileiro dos Auditores Independentes* (Brazilian Institute of Independent Auditors)

**IBGE:** *Instituto Brasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics)

**IBRACON:** *Instituto Brasileiro de Contadores* (Brazilian Institute of Accountants)

**ICPB:** *Instituto dos Contadores Públicos do Brasil* (Institute of Public Accountants of Brazil)

**ICPC:** *Interpretação Técnica CPC* (CPC Technical Interpretation)

**ICPSP:** *Instituto dos Contadores Públicos de São Paulo* (Institute of Public Accountants of São Paulo)

**IFAC:** International Federation of Accountants

**IFRIC:** International Financial Reporting Interpretations Committee

**IFRS:** International Financial Reporting Standards

**IMF:** International Monetary Fund

**IOSCO:** International Organization of Securities Commissions

**IPSAS:** International Public Sector Accounting Standards

**ISA:** International Standards on Auditing

**ITG:** *Interpretação Técnica Geral* (General Technical Interpretation)

**ITR:** *Informações trimestrais* (Quarterly information)

**LALUR:** *Livro de Apuração do Lucro Real* (Book of Calculation of Real Profit)

**MDB:** *Movimento Democrático Brasileiro* (Brazilian Democratic Movement)

**MG:** Minas Gerais

**NBC:** *Normas Brasileiras de Contabilidade* (Brazilian Accounting Norms)

**OAB:** *Ordem dos Advogados do Brasil* (Order of Attorneys of Brazil)

**OBAN:** *Operação Bandeirantes* (Bandeirantes Operation)

**OCPC:** *Orientação CPC* (CPC Guidance)

**OFR:** Operational and Financial Review

**PAEG:** *Plano de Ação Econômica do Governo* (Governmental Economic Plan of Action)

**PCB:** *Partido Comunista Brasileiro* (Brazilian Communist Party)

**PDS:** *Partido Democrático Social* (Democratic Social Party)

**PDT:** *Partido Democrático Trabalhista* (Democratic Labour Party)

**PFC:** *Princípios Fundamentais de Contabilidade* (Fundamental Principles of Accounting)

**PFL:** *Partido da Frente Liberal* (Liberal Front Party)

**PIE:** Public Interest Entity

**PMDB:** *Partido do Movimento Democrático Brasileiro* (Brazilian Democratic Movement Party)

**POC:** Percentage of Completion

**PP:** *Partido Popular* (Popular Party)

**PRN:** *Partido da Reconstrução Nacional* (National Reconstruction Party)

**PSD:** *Partido Social Democrático* (Social Democratic Party)

**PSDB:** *Partido da Social Democracia Brasileira* (Brazilian Social Democracy Party)

**PT:** *Partido dos Trabalhadores* (Workers' Party)

**PTB:** *Partido Trabalhista Brasileiro* (Brazilian Labour Party)

**RFB:** *Receita Federal do Brasil* (Federal Revenue of Brazil)

**ROSC:** Report on the Observance of Standards and Codes

**RTT:** *Regime Tributário de Transição* (Transitional Tax Regime)

**SEC:** Securities and Exchange Commission

**SEP:** *Superintendência de Relações com Empresas* (Superintendence of Relationship with Enterprises)

**SISSEGIN:** *Sistema de Segurança Interna do País* (Homeland Security System)

**SME:** Small and Medium-Sized Enterprises

**SNC:** *Superintendência de Normas Contábeis* (Superintendence of Accounting Standards)

**SNI:** *Sistema Nacional de Informações* (National Information System)

**SP:** São Paulo

**SPED:** *Sistema Público de Escrituração Digital* (Public Digital Bookkeeping System)

**SRF:** *Secretaria da Receita Federal* (Secretariat of the Federal Revenue)

**STF:** *Supremo Tribunal Federal* (Supreme Federal Court)

**STN:** *Secretaria do Tesouro Nacional* (Secretariat of the National Treasury)

**SUSEP:** *Superintendência de Seguros Privados* (Superintendence of Private Insurance)

**TINA:** There is no alternative

**UDN:** *União Democrática Nacional* (National Democratic Union)

**UK:** United Kingdom

**US:** United States

**USA:** United States of America

**USP:** *Universidade de São Paulo* (University of São Paulo)

**USSR:** Union of Soviet Socialist Republics

**WSS:** World standard-setters meeting

## SUMMARY

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## 1 INTRODUCTION

*“But not only has the bourgeoisie forged the weapons that bring death to itself; it has also called into existence the men who are to wield those weapons – the modern working class – the proletarians”*(Marx & Engels, 1848/2000).

Since their financial reports for the first fiscal year beginning after December 31, 2009, Brazilian listed companies and large-sized firms are required to adopt the International Financial Reporting Standards (IFRS). Thus, Brazil completed its process of normative convergence towards the IFRS, following an international movement of harmonisation of accounting standards whose roots can be traced, at least, to the inception of the International Accounting Standards Committee (IASC) in 1973, which was transformed, in 2001, into the International Accounting Standards Board (IASB), the body now responsible for issuing the IFRS – as of June 2017, the use of the IFRS for all or most publicly accountable companies is required by 126 jurisdictions (IFRS Foundation & International Accounting Standards Board [IASB], 2017).

Table 1.1 summarises the main arguments that, according to Rodrigues and Craig (2007), informed the debates about the international harmonisation of accounting. For these authors, the institutionalisation of supranational accounting standards is a profoundly political activity, reflecting the relative power of organised interests and actors. The view of accounting regulation as a matter of politics is explored in the international literature by several analyses of the worldwide expansion of the IFRS and the roles played in this process by institutional agents such as the IASB itself (e.g., Biondi & Suzuki, 2007; Botzem, 2012, 2014; Botzem & Quack, 2009; Burlaud & Colasse, 2011; Chua & Taylor, 2008; Martinez-Diaz, 2005; Perry & Nölke, 2005; Perry & Nölke, 2006), the European Union (EU) (e.g., Bengtsson, 2011; Chiapello & Baker, 2011; Crawford, Ferguson, Helliard, & Power, 2014; Newman & Bach, 2014), and other multilateral organisations like the International Monetary Fund (IMF), the World Bank, and the International Organization of Securities Commissions (IOSCO) (e.g., Arnold, 2012).

However, the literature about the adoption of the IFRS in Brazil has focused almost solely on its consequences for firms. Furthermore, the few socio-historical analyses of the Brazilian

convergence to the IFRS are based either on accounts about the normative changes occurred in the country that lack any explicit theoretical framework (e.g., Carvalho & Salotti, 2013; Lopes, 2011; Martins, Martins, & Martins, 2007; Rodrigues, Schmidt, & Santos, 2012), or on theoretical essays about the content of the accounting rules in force in Brazil that are built upon few evidences from the processes that led to their development (e.g., Cardoso, Saravia, Tenório, & Silva, 2009; Cardoso, Silva, Mário, & Iudícibus, 2010).

Table 1.1 – Pros and cons of international accounting regulation

Pros	Cons
<ul style="list-style-type: none"> <li>• <i>Neo-liberalism</i>: broad neo-liberal agenda supportive of privatisation and competitive markets, assuming that free markets lead to efficiency and fair distribution of economic resources;</li> <li>• <i>Free culture theory</i>: measurement and reporting problems faced by accountants are the same throughout the world;</li> <li>• <i>Lower costs and improved economic rationality</i>: multinational companies would achieve cost savings by avoiding the preparation of different sets of financial reports when listing on foreign capital markets. It would also make it easier for them to prepare consolidated financial statements;</li> <li>• <i>Enhanced comprehensiveness, credibility and comparability</i>: by enhancing the comparability of financial reports of companies operating in different countries, investor protection would be increased, barriers to international capital flows would be reduced, and the allocation of resources in global financial markets would be improved;</li> <li>• <i>A better alternative to United States domination</i>: international accounting standards are regarded to be more flexible and neutral than the national accounting standards of any single country, such as the USA.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Environmental determinism and differences of tradition, history, religion and culture</i>: different environments in the world exhibit diversity, and accounting principles and practices should reflect that diversity;</li> <li>• <i>Political economy</i>: accounting technologies maintain international social inequities, legitimise the information access privileges of some users, and amplify the voices of multinational companies;</li> <li>• <i>Postmodern critical perspectivism</i>: based on epistemological scepticism and analytical concepts that are critical of long held beliefs about the technical objectivity of accounting, deeming accounting as social, transformative, and socially constructed;</li> <li>• <i>Major users and socioeconomic differences</i>: the financial reporting system of any country evolves over time, principally in response to the needs of a distinct group of major stakeholders, and the most influential users of accounting information differ among countries;</li> <li>• <i>“If it ain’t broke, don’t fix it!”</i>: there is no need for the international harmonisation of accounting standards, given that accounting diversity has not impeded the development of global capital markets and foreign operations in the past;</li> <li>• <i>Avoid replacing national systems with an Anglo-American hegemony</i>: the international standard-setting agenda of the IASB is an initiative to impose an Anglo-American hegemony.</li> </ul>

Source: Adapted from Rodrigues and Craig (2007).

Considering that the politics of the Brazilian adoption of the IFRS remains largely unexplored, in this thesis I investigate the following question: **How the field of accounting regulation in Brazil was reconstituted during the process of convergence towards the IFRS?** To do so, I rely on the Bourdieusian concepts of field, capital and habitus, which

allow me to place the conflicts within this field at the centre of my analyses. With this theoretical framework, I interpret evidences obtained from a review of the literature about the history of accounting in Brazil, which aims to identify the main institutional agents that operate in the field of accounting regulation, and from several archival data as well, which allow me to investigate the strategies adopted by these agents throughout the period analysed. Thus, contributing for the literature about the international expansion of the IFRS, this thesis provides a deeper understanding of the role played by local agents in their adoption within a jurisdiction.

In Chapter 2, I discuss the epistemological assumptions, the theoretical and methodological decisions that informed this research. Then, I present a literature review which covers the Bourdieusian approaches in accounting research, the use of the concept of regulatory space in accounting research, and the politics of the adoption of the IFRS around the world. In Chapter 3, I describe the constitution of the field of accounting regulation in Brazil since 1808, when the Portuguese Royal Family arrived at the country to install the Crown in Rio de Janeiro, until the early-2000s, when the creation of a private accounting standard-setter started to be discussed in the National Congress. It is based on a review of the literature about the main developments of Brazilian accounting during this period, intermingled with a description of the historical context within which they occurred, and supplemented by analyses of archival data. In Chapter 4, I investigate the reconstitution of the field of accounting regulation in Brazil during the adoption of the IFRS, analysing the debates that led to the approval of the legal reforms necessary for this adoption, the efforts conducted to implement the normative convergence to the IFRS, and the conflicts within the field during and after this implementation. Finally, in Chapter 5 I summarise my conclusions and discuss some of the limitations and contributions of this research.

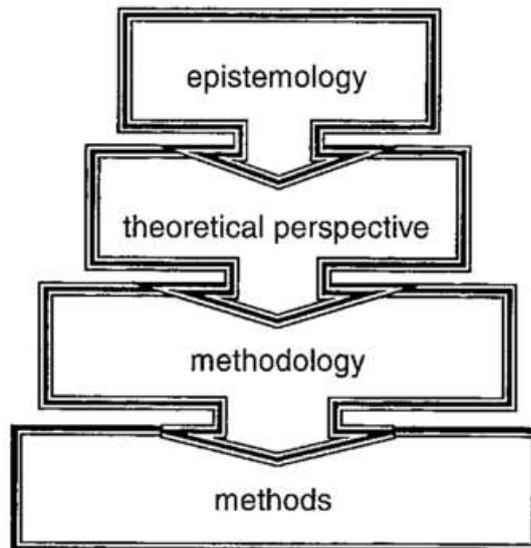


## 2 THEORETICAL AND METHODOLOGICAL FRAMEWORK

*“It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness”*  
(Marx, 1859/1999).

Crotty (1998) suggests that two questions need to be answered when developing a research proposal: “First, what methodologies and methods will be employed in the research we propose to do? Second, how do we justify this choice and use of methodologies and methods?” (p. 2). The answer to the second question will depend, according to him, on the assumptions we make about reality (ontology) and about what human knowledge is (epistemology). Thus, according to his view, a research comprises four elements, as depicted in Figure 1.

Figure 1 – Four elements of the research process



Source: Crotty (1998, p. 4).

Based on this view of the research process, this chapter is organised into four sections, dealing with the epistemology, the theoretical perspective, the methodology and methods adopted in this thesis, and a literature review.

## 2.1 Epistemology

To develop the theoretical perspective of this thesis, I drew on the workings of French sociologist Pierre Bourdieu. Although denoting a certain unease to adopt a label, Bourdieu himself characterises his research approach as either a *constructivist structuralism* or a *structuralist constructivism*, defining these terms as follows:

By structuralism or structuralist, I mean that there exist, within the social world itself and not only within symbolic systems (language, myths, etc.), objective structures independent of the consciousness and will of agents, which are capable of guiding and constraining their practices or their representations. By constructivism, I mean that there is a twofold social genesis, on the one hand of the schemes of perception, thought, and action which are constitutive of what I call habitus, and on the other hand of social structures, and particularly of what I call fields and of groups, notably those we ordinarily call social classes. (Bourdieu, 1989, p. 14).

About the philosophical premises of a Bourdieusian perspective, Wacquant (1992) claims that

based on a non-Cartesian social ontology that refuses to split object and subject, intention and cause, materiality and symbolic representation, Bourdieu seeks to overcome the debilitating reduction of sociology to either an objectivist physics of material structures or a constructivist phenomenology of cognitive forms by means of a genetic structuralism capable of subsuming both. He does this by systematically developing not a theory *stricto sensu* so much as a sociological *method* consisting essentially in a manner of posing problems, in a parsimonious set of conceptual tools and procedures for constructing objects and for transferring knowledge gleaned in one area of inquiry into another. (p. 5).

Thus, a Bourdieusian approach is consistent with a critical realist stance, which posits that there is a world existing independently of our knowledge of it (ontology), but also acknowledges that this world can only be known in terms of available discourses, rejecting the possibility of an unmediated access to the truth (epistemology) (Sayer, 2000). Therefore, it allows me to focus on the situatedness and the social genesis of accounting regulation in Brazil, without downplaying the importance of the material basis on which it rests.

## 2.2 Theoretical perspective

Throughout his career, Bourdieu developed his sociological method in order to study social phenomena conceived of as **practice**. According to him, the theoretical view of practice and the practical relation to practice differ in terms of temporality: giving an account of practice from the point of view of a spectator, the social scientist has the privilege to totalise it, i.e., to provide a theoretical schema constructed after the events, lacking the sense of urgency that characterises an agent involved in the social milieu under scrutiny. Without taking explicit

consideration of the differences between the theoretical and the practical logic, Bourdieu (1990) claims that an analyst

is liable to fall into all the errors that flow from the tendency to confuse the actor's point of view with the spectator's point of view, for example looking for answers to a spectator's questions that practice never asks because it has no need to ask them, instead of wondering if the essence of practice is not precisely that it excludes such questions. (pp. 82-83).

In order to carry out his investigations of practice, Bourdieu developed three main conceptual tools: **field**, **capital** and **habitus**. According to him,

In analytic terms, a field may be described as a network, or a configuration, of objective relations between positions. These positions are objectively defined, in their existence and in the determinations they impose upon occupants, agents or institutions, by their present and potential situation (*situs*) in the structure of the distribution of species of power (or capital) whose possession commands access to the specific profits that are at stake in the field, as well as by their objective relation to other positions (domination, subordination, homology, etc.). (Bourdieu & Wacquant, 1992, p. 97).

In a field, there is a constant struggle between agents and institutions, conferring the field its historicity. The struggle follows regularities and rules constitutive of this space of play which are, in highly differentiated societies, specific and irreducible to those that regulate other fields. And since the rules themselves may be, depending on the conjunctures, the object of dispute, the boundaries of a field are dynamic, being at the stake of struggles within the field itself, thus constituting every field as a potentially open space of play. To better explain his concept of field, Bourdieu frequently used the metaphor of a game:

We can indeed, with caution, compare a field to a game (*jeu*) although, unlike the latter, a field is not the product of a deliberate act of creation, and it follows rules or, better, regularities, that are not explicit and codified. Thus we have *stakes* (*enjeux*) which are for the most part the product of the competition between players. We have an *investment in the game*, *illusio* (from *ludus*, the game): players are taken by the game, they oppose one another, sometimes with ferocity, only to the extent that they concur in their belief (*doxa*) in the game and its stakes; they grant these a recognition that escapes questioning. Players agree, by the mere fact of playing, and not by way of a "contract", that the game is worth playing, that it is "worth the candle", and this *collusion* is the very basis of their competition. (Bourdieu & Wacquant, 1992, p. 98).

Access to a field is granted to people by the possession of a definite configuration of properties, defined by Bourdieu as capital. He asserts that

Depending on the field in which it functions, and at the cost of the more or less expensive transformations which are the precondition for its efficacy in the field in question, capital can present itself in three fundamental guises: as *economic capital*, which is immediately and directly convertible into money and may be institutionalized in the form of property rights; as *cultural capital*, which is convertible, on certain conditions, into economic capital and may be institutionalized in the form of

educational qualifications; and as *social capital*, made up of social obligations (“connections”), which is convertible, in certain conditions, into economic capital and may be institutionalized in the form of a title of nobility. (Bourdieu, 2002, p. 282).

Besides these three basic forms, Bourdieu also conceptualises a fourth one: symbolic capital, i.e., the recognition, institutionalised or not, that an agent receives from a group, “commonly called prestige, reputation, fame, etc., which is the form assumed by these different kinds of capital when they are perceived and recognized as legitimate” (Bourdieu, 1991, p. 230).

The specific effects of different forms of capital will depend on the structure of the field, i.e., the unequal distribution of capital (Bourdieu, 2002). Hence, the concepts of capital (also labelled by Bourdieu as **power**) and field cannot be dissociated, since “in order to construct the field, one must identify the forms of specific capital that operate within it, and to construct the forms of specific capital one must know the specific logic of the field” (Bourdieu & Wacquant, 1992, p. 108).

The interrelation between all the different fields compose the **social space**, which is a way of representing the social world as “a (multi-dimensional) space constructed on the basis of principles of differentiation or distribution constituted by the set of properties active in the social universe under consideration” (Bourdieu, 1991, p. 229). But the very representation of the social world is subjected to “symbolic struggles that take place in different fields, and where what is at stake is the very representation of the social world, and in particular the hierarchy within each of the fields and between the different fields” (Bourdieu, 1991, p. 229).

These power struggles among the agents and institutions most endowed with the specific capital that make them able to occupy the dominant positions within their respective fields, by means of strategies aimed at preserving or transforming the relations of power, constitute the **field of power**, “a field of forces structurally determined by the state of the relations of power among forms of power, or different forms of capital” (Bourdieu, 1996, p. 264). With this notion, Bourdieu intended to discard the substantialist notion of “ruling class” in favour of a relational concept, problematizing the existence, boundaries, and degree of cohesion of both superordinate and subordinate social classes (Wacquant, 2013).

The study of a field comprises three interconnected moments: an analysis of the position of the field vis-à-vis the field of power; a mapping of the structure of relations between the

positions of the agents or institutions which compete for the specific authority disputed in this field; and an analysis of the habitus of agents, i.e., “the different systems of dispositions they have acquired by internalizing a determinate type of social and economic condition, and which find in a definite trajectory within the field under consideration a more or less favourable opportunity to become actualized” (Bourdieu & Wacquant, 1992, p. 105).

The habitus is a product of history, “of past experiences, which, deposited in each organism in the form of schemes of perception, thought and action, tend to guarantee the ‘correctness’ of practices and their constancy over time, more reliably than all formal rules and explicit norms” (Bourdieu, 1990, p. 54). Thus, the habitus is a way of theorising social action as the product of a practical sense which is socially constituted, in opposition to notions of rational agency, since this practical sense “is not so much a state of mind as a state of the body, a state of being” (Thompson, 1991, p. 13). Hence, it provides an explanation of how the structure from which the habitus is the product governs practices not through a mechanical determinism, but by imposing limits and constraints to what are considered “reasonable” and “common-sense” behaviours.

The habitus comprises analytically distinguishable dimensions, such as the systems of cognitive dispositions (*eidōs*), the systems of evaluative dispositions (*ethos*), and the bodily *hexis*, i.e., “a durable way of standing, speaking, walking, and thereby of feeling and thinking” (Bourdieu, 1990, p. 70). However, Bourdieu (1984) stresses the indissolubility of these dimensions and alerts that, by splitting the concept of habitus into them, one risks to reinforce a realist vision that tends to think in terms of separate instances.

By choosing the word *habitus* instead of *habit*, Bourdieu (1984) wants to stress that the systems of dispositions acquired by an agent through his or her life have a generative capacity, whereas *habit* would imply an idea of a mechanistic reproduction of past experiences. Therefore, the habitus is a product of the social conditionings of agents, which tends to reproduce the objective logic of these conditionings, but in a relatively unpredictable way.

Accounting for how a field’s rules are taken up by definite agents endowed with different valences of capital, the concept of habitus provides a theoretical bridge between the concepts of field and capital, thus being the third central category in Bourdieusian analyses, which are

characterised by the primacy of relations, since both *habitus* and *field* designate bundles of relations:

A field consists of a set of objective, historical relations between positions anchored in certain forms of power (or capital), while habitus consists of a set of historical relations “deposited” within individual bodies in the form of mental and corporeal schemata of perception, appreciation, and action. (Wacquant, 1992, p. 16).

### 2.3 Methodology and methods

The Bourdieusian approach to social analysis entails what Wacquant (1992) describes as a **social praxeology**:

First, we push aside mundane representations to construct the objective structures (spaces of *positions*), the distribution of socially efficient resources that define the external constraints bearing on interactions and representations. Second, we reintroduce the immediate, lived experience of agents in order to explicate the categories of perception and appreciation (*dispositions*) that structure their action from inside. (p. 11).

Even though these two moments of analysis are equally necessary, Wacquant (1992) stresses that an epistemological priority must be granted to objectivist rupture over subjectivist understanding: since the viewpoints of agents will systematically vary according to their positions in the social space, the analysis of their practical apprehension of the world must be preceded by a reconstruction of this world that gets rid of agents’ preconceptions.

In proceeding with such analyses, Bourdieu rejects the separation between theory and methodology, affirming that “the most ‘empirical’ technical choices cannot be disentangled from the most ‘theoretical’ choices in the construction of the object” (Bourdieu, 1992, p. 225). Such a construction is, according to him, “the most crucial research operation and yet the most completely ignored, especially by the dominant tradition, organized as it is around the opposition between ‘theory’ and ‘methodology’” (Bourdieu, 1992, p. 224).

For Bourdieu, Chamboredon, and Passeron (1991), “even the richest of data can never fully and adequately answer questions for which, and by which, they were not constructed” (p. 36).

Thus, they argue that

One has to be aware that every distinctively scientific object is consciously and methodically constructed, in order to know how to construct the object and to know what it is that one has

constructed; and all this has to be known in order to reflect on the techniques for constructing the questions to be put to the object. (p. 49).

However, the construction of a field as an object of research is not just a theoretical, but also an empirical task, since “the question of the limits of the field is a very difficult one, if only because it is *always at stake in the field itself* and therefore admits of no *a priori* answer” (Bourdieu & Wacquant, 1992, p. 100).

The object constructed for this research is the field of accounting regulation in Brazil. More specifically, I analyse how the field of accounting standard-setting for the private sector was reconfigured during the process of convergence towards the IFRS. In order to do so, I split the analysis into two main phases: before and after Draft 3,115/1997, which was intended to alter the Corporations Act. Discussed in the National Congress from 2000 on, this Draft was approved in 2001, determining the creation of a private accounting standard-setter. However, this disposition was vetoed by the President of the Republic, being latter re-discussed through Draft 3,741/2000 which, after being discussed for seven years in the National Congress, was approved and allowed the convergence of the Brazilian accounting standards to the IFRS.

In the first phase, presented in Chapter 3, I conduct a mapping of the field of accounting regulation in Brazil as of the early-2000s. It takes the form of a historical narrative about the constitution of this field since its origins, discussing the sociohistorical context in which it evolved. The aims of this Chapter are to identify the main institutional agents within the field, delimit their jurisdictions, and describe the constituencies and interests they represent, as well as their strategies of action.

Bourdieu affirms that “the boundaries of the field can only be determined by an empirical investigation”, adding that “only rarely do they take the form of juridical frontiers (e.g., *numerus clausus*), even though they are always marked by more or less institutionalized ‘barriers to entry’” (Bourdieu & Wacquant, 1992, p. 100). Thus, the evidences taken from legal norms to construct the positions within this field are complemented with a review of the academic literature about the history of accounting in Brazil.

In the second phase of my analysis, presented in Chapter 4, I continue the mapping of the space of positions in the field of accounting regulation in Brazil after Draft 3,115/1997 began to be discussed in the National Congress. However, I also add an account of the dispositions

associated with each position within this field. To do so, I work with the notion of linguistic *habitus*,

which imply a certain propensity to speak and to say determinate things (the expressive interest) and a certain capacity to speak, which involves both the linguistic capacity to generate an infinite number of grammatically correct discourses, and the social capacity to use this competence adequately in a determinate situation. (Bourdieu, 1991, p. 37).

To map the linguistic habitus associated to the main positions within the field of accounting regulation in Brazil and how it changed over time, I analysed several archival data, including the parliamentary proceedings of Drafts 3,115/1997 and 3,741/2000, and documents issued by the institutional agents that operate in this field. CFC's Newspaper (*Jornal do CFC*) was an especially relevant source – consults from edition No. 33 to edition No. 130, covering the period from January 2001 to December 2015, allowed me to identify the key discursive events presented and analysed in Chapter 4. My search for new sources of data lasted until I reached a saturation point, i.e., when I perceived that new sources were not adding novel information for my analyses. Besides the pragmatic benefit of availability, the choice to restrict my analyses to archival data was also informed by methodological advantages they offered: the possibility of exploring their temporal dimension, and a greater comfort to promote the objectivist rupture to which Wacquant (1992) refers, allowing me to get rid of preconceptions from interviewees that might have restricted my inquiries.

To identify how the process of convergence to the IFRS was represented by the institutional agents identified in Chapters 3 and 4, how they represented their own roles in this process as well as those of other agents, and how their discourses evolved over time, my work was inspired by the precepts of a **critical discourse analysis**. According to Gill (2002), there is a variety of approaches to textual studies, developed from different theoretical traditions, which are described as discourse analysis; all of them, however, share a view that language not only reflects, but also constructs social realities. For Dijk (1997), “the concept of discourse is essentially fuzzy” (p.1); he characterises three dimensions of discourse: language use, communication of beliefs (cognition), and social interaction, and claims that discourse analytical studies

distinguish various levels, units or constructs within each of these dimensions, and formulate the rules and strategies of their normative or actual use.... And perhaps most importantly, discourse analysis provides the theoretical and methodological tools for a well-founded critical approach to the study of social problems, power and inequality. (Dijk, 1997, p. 32).

Critical discourse analysis, according to Jørgensen and Phillips (2002), is a label for a broad movement which consists of several approaches with similarities but also differences between them. Nevertheless, they point to five common features shared by them all: the view that the character of social and cultural processes and structures is partly linguistic-discursive; that discourse is both constitutive and constituted; that language use should be empirically analysed within its social context; that discourse functions ideologically; and that research must take a critical approach, politically committed to social change.

Fairclough (2010) suggests three analytical categories for studying discursive practices, understood as the production, distribution and consumption of texts: the **genres** – ways of acting, of producing texts; the **styles** – ways of being, of expressing the identities of participants in a discursive event; and the **discourses** – ways of representing, expressing the points of view of participants. His version of critical discourse analysis is based on a differentiation of the social reality in three abstract levels – social structures, social practices, and social events – and to each level of abstraction he attributes a semiotic dimension, as indicated in Table 2.1.

Table 2.1 – Semiotic dimensions of social reality

Level of social reality	Semiotic dimension
Social structures	Semiotic systems (languages)
Social practices	Orders of discourse
Social events	Texts (including talk, ‘textual evidences’)

Source: Adapted from Fairclough (2010).

The concept of **order of discourse** is adapted from Foucault (1981), who affirms that

in every society the production of discourse is at once controlled, selected, organized and redistributed by a certain number of procedures whose role is to ward off its powers and dangers, to gain mastery over its chance events, to evade its ponderous, formidable materiality. (p. 52).

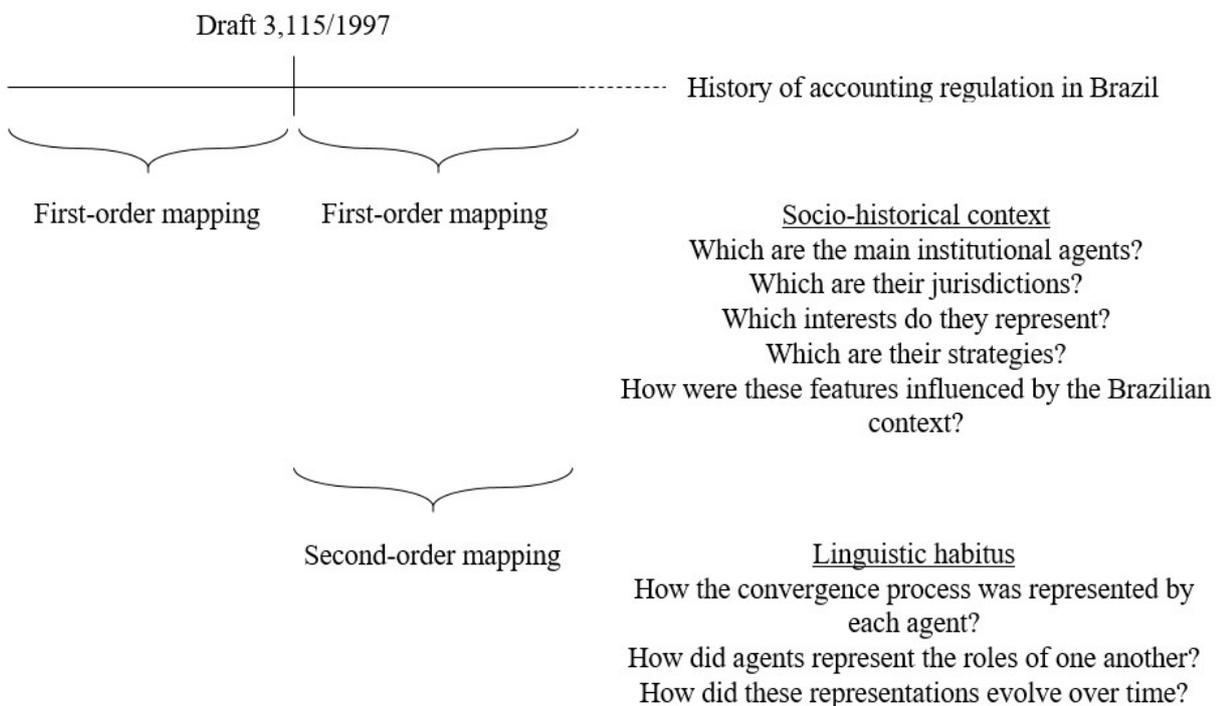
Fairclough (2010), in adapting the concept, defines orders of discourse as the social structuring of semiotic variation or difference: a specific configuration of discourses, genres and styles which acts as a filtering mechanism between what is semiotically possible, as defined by semiotic systems, and the actual semiotic features of texts. In other words, it might be conceived as a mechanism that, considering the heterogeneity of what is possible to say, homogenises what is actually said.

In Bourdieusian terms, this uniformity of discourses can be attributed to the linguistic habitus characteristic of each position in a field. Thus, considering orders of discourse as products of the linguistic habitus, I complement the analysis of the changes of positions within the field of accounting regulation in Brazil during the process of adoption of the IFRS with an account of the changes of the dispositions associated to each of them. As Bourdieu (1989) claims,

The categories of perception, the schemata of classification, that is, essentially, the words, the names which construct social reality as much as they express it, are the stake par excellence of political struggle, which is a struggle to impose the legitimate principle of vision and division (pp. 20-21).

Hence, by analysing the symbolic struggles to transform the categories of perception and appreciation through which accounting regulation was constructed, and the dialectical relationship of these struggles with the structure of the field, I intend to present a narrative about the politics of the adoption of the IFRS in Brazil. The logic of the research project and the main questions to be posed to its constructed object, i.e., the field of accounting regulation in Brazil, are represented in Figure 2.

Figure 2 – Research proposal



Source: Elaborated by the author.

## 2.4 Literature review

There are at least three relevant streams of academic literature which are related to this thesis: The Bourdieusian approaches in accounting research; the applications of the concept of **regulatory space** in accounting research; and the investigations about the politics of the adoption of the IFRS around the world. Systematic reviews of each of these streams are presented in the following subsections.

### *2.4.1 Bourdieusian approaches in accounting research*

In the organisational analysis literature, Golsorkhi, Leca, Lounsbury, and Ramirez (2009) reported an increasing interest in the work of Pierre Bourdieu over the preceding three decades. However, they argue that the consequent body of literature often lacks an integrated comprehension of Bourdieusian theory, failing to fully exploit its potentialities. Thus, they call for a more systematic engagement with the work of Bourdieu by organisational scholars, focusing on how systems of domination are reproduced by agents without conscious intention.

Chiapello and Baker (2011), by their turn, investigated the introduction of French theorists in English language accounting research, finding out that Pierre Bourdieu is amongst the most cited ones, alongside Bruno Latour and Michel Foucault. Malsch, Gendron, and Grazzini (2011), however, show that Bourdieu's writings were less cited during the period from 1999 to 2008 in the leading journals of interpretive and critical accounting research – Accounting, Auditing & Accountability Journal (AAAJ), Critical Perspectives on Accounting (CPA), and Accounting, Organizations and Society (AOS) – than those of other influential social theorists (Foucault, Giddens, Marx, and Weber). Nevertheless, they identified 18 papers which significantly relied on Bourdieu in elaborating their theoretical lens and in analysing data.

Based on their review of these 18 papers, Malsch et al. (2011) identified two gaps in the translation of Bourdieusian concepts into the accounting literature: some of the papers lacked either a political engagement and/or a holistic mobilisation of the concepts of field, capital and habitus. However, they do not advocate for orthodoxy in the adoption of Bourdieu, claiming that these translational gaps may contribute to promote more distinctive perspectives in studying accounting practices. According to them, “mobilizing ideas from Bourdieu has

allowed researchers to develop a better understanding of accounting as a field of practices that participate in processes of domination”. (p. 210).

Through a search for the expression **Bourdieu AND Accounting** on either the titles, abstracts or keywords of articles from Scopus and Web of Science databases<sup>1</sup>, conducted on August 20, 2017, I identified 116 articles. After reading the abstracts of the articles thus identified, I selected **58** papers which dealt with accounting themes and classified them according to the main issues they dealt with.

The **accountancy profession** is addressed in 18 papers: Andon, Free, and O’Dwyer (2015) examine attempts at jurisdictional expansion in the audit field; Andon, Free, and Sivabalan (2014) explore the way in which auditors compete for legitimacy in new audit spaces; Ashley and Empson (2016) explore social exclusion in elite professional service firms; Baskerville, Jacobs, Joannides de Lautour, and Sissons (2016) explore how notions of ethnicity are conceived and operationalised in accounting research; Baxter and Chua (2008) investigate how does one enact being the leader of the accounting and finance function or the chief financial officer; Carter and Spence (2014) explore what it means to be a successful professional in the Big Four; Hayes and Jacobs (2017) revisit the issue of the entry of women into the Anglo-Australian accountancy profession in the Second World War, providing insights on the role that gender, class, and ethnicity played in mediating women’s relations with the accountancy profession in that period; Haynes (2012) explores the professional identity formation of professionals and its relationship with their embodied physical image, with a particular focus on women in accounting and law; Huang, Fowler, and Baskerville (2016) investigate race discrimination when graduates of diverse ethnicities aspire to enter the accountancy profession; Jacobs and Evans (2012) explore how accounting is entwined in the cultural practice of popular music; Lombardi (2016) examines the disempowering and/or empowering role of accounting in the context of Indigenous Australians; Lombardi and Cooper (2015) explore the role that accounting skills and accounting qualifications may play in entering fields that have been virtually closed to Aboriginal and Torres Strait Islander people in Australia; Malsch and Gendron (2013) re-theorize the consolidation of commercial values in the auditing profession; Neu, Friesen, and Everett (2003) analyse how practitioner-directed ethical discourses have spoken and continue to speak about character-based ethics;

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<sup>1</sup> The searches were restricted to the areas of Business, Management and Accounting (Scopus) and Business, Business Finance, Social Sciences Interdisciplinary, and Management (Web of Science).

Nguyen, Hooper, and Sinclair (2012) examine historically the practice of social closure and the resulting disparity in the accountancy profession in Vietnam; Spence and Carter (2014) engage with the debate about the changing meaning of professionalism in the context of the commercial pressures of globalisation on the nature of professional work and the skill sets required of professionals; Stringfellow, Shaw, and Maclean (2013) explore the relational dynamics of legitimation within a small accounting ventures context; and Stringfellow, McMeeking, and Maclean (2015) document the social mechanisms of symbolic domination that secure the Big Four's position in the social structure of professional accounting firms.

**Accounting practices** are addressed in 17 of these papers: Alawattage (2011) provides an empirical illustration of the connection between calculative practices and the social structure of capital in gem mining rituals in Sri Lanka; Armstrong (2011) seeks to connect two literatures – that on workplace bullying and that on the behavioural aspects of budgeting; Cooper, Coulson, and Taylor (2011) set out a case for developing a new form of account of health and safety in any organisational setting; Cooper and Joyce (2013) consider how the field of insolvency has developed in the UK since the passing of the Insolvency Act 1986; Everett (2004) focuses on the political nature of the linguistic dualisms or “false antinomies” that inhere in environmental accounting practice and environmental accounting research; Farjaudon and Morales (2013) examine the role of accounting in the manufacture of consensus; Hamilton and Ó hÓgartaigh (2009) explore the role and context of the “true and fair view” in accounting and auditing; Jayasinghe and Wickramasinghe (2011) focus on poverty alleviation projects in a Sri Lankan village and examine their changing mechanisms of resource allocation; Kartalis, Tsamenyi, and Jayasinghe (2016) examine how accounting is implicated in the creation and maintenance of organisational boundaries; Killian and O'Regan (2016) explore how social accounting can generate legitimacy for a company within a local community, revealing the essential role of the community itself in the process; Lodhia and Jacobs (2013) explore environmental reporting in the Australian Commonwealth public sector; Neu (2006) examines the relationship between accounting and public space in the context of educational reforms in Alberta, Canada; Neu, Everett, Rahaman, and Martinez (2013) examine the nature and role of accounting practices in a network of corruption in an influence-market setting; Rahaman, Everett, and Neu (2007) seek to understand the role and functioning of accounting within the global move to “reinvent government”; Saliya and Jayasinghe (2016) examine the controversial role played by accounting within the discriminatory bank-lending practices of a privately owned bank in Sri Lanka; Sargiacomo,

Ianni, and Everett (2014) examine the role of accounting and other calculative practices in the context of a natural disaster and subsequent emergency-relief effort; and Semeen, Islam, and Quayle (2016) examine the accounting and accountability practices of Fairtrade International, one of the largest Fair Trade umbrella organisations.

Another major issue is the **accounting academia**, which is addressed in 11 papers: Chiapello and Baker (2011) investigate the introduction of French theory into English language accounting research and assess the impact of the work of French social theorists on the accounting research domain; Cooper and Coulson (2014) reflect upon the practice of accounting academics as “collective intellectuals”; Edwards, Dean, Clarke, and Wolnizer (2013) reveal that the Accounting Researchers International Association, created in 1974, failed to protect and advance the specialist knowledge base—normative theorisation—and the elite position within the scholastic social order of their early members; Everett (2008) inquiries into the finding that proximity to the editor of a top accounting journal significantly increases one’s chances of publishing in that journal; Everett, Neu, Rahaman, and Maharaj (2015) examine the critical accounting field’s current reliance on qualitative methods, asking whether these methods are necessarily better than quantitative methods; Everett, Neu, and Green (2003) consider the use of research productivity measures in the field of academic accounting and why the use of these measures draws equivocal responses from academics in the field; Hooper (2014) aims to provide encouragement to new researchers and challenge the widespread belief that in order to get published one needs to travel on the coat tails of a Big Name in accounting research; Lee (1999) examines the membership composition of the American Accounting Association (AAA) executive committee, concluding that it has been dominated throughout its history by faculty from three major US universities; Malsch et al. (2011) examine how Bourdieu’s works have been translated into the domain of accounting research; Modell (2017) addresses the questions of how the emancipatory potential of critical realism can be realised and how it may contribute to critical accounting research; and Modell (2015) reviews extant accounting research combining institutional and critical theories to examine whether the paradigmatic tensions associated with such research can be alleviated whilst engendering politically engaged scholarship aimed at facilitating processes of emancipation in organisational fields.

**Accounting history** (Banos Sanchez-Matamoros, Lopez-Manjon, Carrasco-Fenech, & Funnell, 2013; Ikin, Johns, & Hayes, 2012; Spence & Brivot, 2011; Xu & Xu, 2008),

**accountability** (Cooper & Johnston, 2012; Goddard, 2004; Nyamori, 2009; Shenkin & Coulson, 2007) and **accounting education** (Everett, 2007; McPhail, Paisey, & Paisey, 2010) are other themes which were also approached through Bourdieusian lenses. However, despite this increasing influence over the accounting literature, I have not found any application of a Bourdieusian approach to investigate accounting standard-setting processes. Gracia and Oats (2012), who investigate **tax regulation**, and Ahn, Jacobs, Lim, and Moon (2014), who investigate the adoption of accrual accounting in the **public sector**, provide the closest examples I managed to find.

Gracia and Oats (2012) analyse a tax avoidance case which involves a visible power struggle and boundary interaction between participants in the tax field, including the UK tax authority, the taxpayer, the accountancy profession, the judiciary, and lobby groups. The authors present a view of regulation as a relational process that creates, negotiates and enforces the boundary between acceptable and unacceptable practice. They draw on the Bourdieusian concepts of habitus, doxa and capital, which provide an opportunity to construct an interdisciplinary understanding of regulatory practice and to critically question both the actions and motives of agents involved in the boundary struggle. They suggest that within this case the tax authority, as a powerful field participant, used both an unexpected and unusual interpretation of the tax law to regularise and control practice, appearing to ignore or dismiss alternative, widely held interpretations as invalid. The authors claim that their findings “shed light on the relational aspects of boundary construction and maintenance as an integral part of field practice. This includes not only boundaries around social fields, but also those within fields, as points at which struggles for field capital intensify” (p. 319).

Ahn *et al.* (2014) investigated how the practices of accrual accounting emerged in two South Korean local governments, Bucheon and Gangnam, which were the first adopters of accrual accounting in the country. They use the work of Bourdieu to complement institutional theory, seeking to develop an enriched view of power, agency and practice to analyse the institutional forces, key organisational change agents and the local political field associated with the adoption of accrual accounting in the South Korean public sector. According to them, accrual accounting provided important political benefits to key actors involved in the change process, increasing the symbolic capital of individuals and institutions that came to be perceived as successful early innovators in governance and administrative reforms. Thus, the authors argue that “this change was not primarily driven by a concern with efficiency” (p. 42), and that they

“can be better understood as a product of both the political context and the activities of individual agents” (pp. 42-43).

As an innovative feature of this thesis, the use of a Bourdieusian framework to analyse accounting standard-setting can contribute to bring power relations and struggles to the centre of the discussion, as opposed to institutional theory which, under functionalist influences, tends to neglect the centrality of power relations in the structuration of a field (Misoczky, 2003). Therefore, the adoption of a Bourdieusian framework can enhance the critical potential of the literature on accounting regulation, since “as the reproduction of domination is based on the ‘taken for granted’ aspect of institutions and related social structures, revealing those structures, and the way they work, also suggests that other structures would be possible” (Golsorkhi et al., 2009, p. 790). As Thompson (1991) puts it,

As a social scientist first and foremost, Bourdieu rarely engages in normative political theory, nor does he seek to formulate political programmes or policies for particular social groups. But his relentless disclosure of power and privilege in its most varied and subtlest forms, and the respect accorded by his theoretical framework to the agents who make up the social world which he so acutely dissects, give his work an implicit critical potential. (p. 31).

#### ***2.4.2 Regulatory space in accounting research***

Hancher and Moran (1989) sustain that, in advanced capitalist economies, the public and the private are characteristically mixed; hence, representing the relationship between public authority and private interests in a dichotomous language, according to them, offers little gain to comprehend regulatory processes, conceived of as the intermediation and bargaining between large and powerful organisations in what are conventionally described as both public and private domains of decision. Thus, the authors resort to the concept of a **regulatory space** as an analytical construct defined by the range of issues subjected to public decision and whose dimensions and occupants can be understood by examining regulation in particular settings, and by analysing these settings in terms of their specific political, legal, and cultural attributes. The use of a spatial metaphor, according to the authors, implies the following consequences:

First, precisely because it is a space it is available for occupation. Secondly, because it is a space it can be unevenly divided between actors: there will, in other words, be major and minor participants in the regulatory process. Thirdly, just as we can identify a general concept of regulatory space in operation in a particular community we can also speak of specific concepts of regulatory space at work in individual sectors: in pharmaceuticals, for instance, issues of safety and price control are subjects, or potential

subjects, of regulatory activity, whereas in the automobile sector only the former set of issues are included. Fourthly, because ‘regulatory space’ is an image being used to convey a concept, it can be augmented by similar images: thus because an arena is delineated space we sometimes speak of a ‘regulatory arena’. (p. 277).

Furthermore, Hancher and Moran (1989) also stress that the boundaries of the regulatory space may be contested, and that the participants in the regulatory space are often involved in ferocious struggles for advantages. Thus, power relations, according to them, are at the centre of regulatory processes. And to elucidate these relations, they stress the importance of investigating not only the relations between the organisations that occupy the regulatory space in a given moment, but also the characteristics of those who are excluded from this space. They also consider that inclusion or exclusion in the regulatory space affects not only groups or organisations, but also the issues understood as subjected to regulatory activities.

Regulatory spaces are also influenced by the regional and national peculiarities of where they are located; by the temporality of the events comprised by them, in a manner that to understand current arrangements in a space it is necessary to comprehend the historical configuration from which they emerged; and by the structures of the organisations which occupy the space, since an organisational *status* is the most important condition of access to regulatory spaces – private individuals who do not perform organisational roles enjoy only limited and usually temporary success in any attempt to intervene (Hancher & Moran, 1989).

An important feature of the conceptualisation of Hancher and Moran (1989) is that it is essentially relational, since “the notion of a ‘regulatory space’ focuses attention not only on who the actors involved in regulation are, but on structural factors which facilitate the emergence and development of networks and which contribute to the institutionalization of linkages” (p. 292). In accounting research, this notion has been employed to analyse issues related to standard-setting and the accountancy profession. Table 2.2 indicates 10 articles which substantially rely on Hancher and Moran (1989), as well as 6 minor citations to them.

In researches about **accounting standard-setting**, minor citations to Hancher and Moran (1989) are made by Heald and Hodges (2015), who analyse how austerity has impacted to date upon EU financial reporting developments and how this might influence future reforms; Islam and McPhail (2011), who investigate the adoption of the International Labour Organisation’s human rights standards by major multinational garment retail companies that

source products from developing countries, as disclosed through their reporting media; and Rowbottom and Schroeder (2014), who examine the unexpected and controversial withdrawal of the legal requirement to publish the Operating and Financial Review (OFR) in the UK, whereas Young (1994, 1995), Nicholls (2010) and Chahed (2014) extensively employ the concept of regulatory space.

Table 2.2 – Uses of the concept of regulatory space in accounting research

<b>Citation</b>	<b>Standard-setting</b>	<b>Accountancy profession</b>
Major	Young (1994) Young (1995) Nicholls (2010) Chahed (2014)	MacDonald and Richardson (2004) Malsch and Gendron (2011) Jonnergård (2012) Canning and O’Dwyer (2013) Hazgui (2015) Hazgui and Gendron (2015)
Minor	Heald and Hodges (2015) Islam and McPhail (2011) Rowbottom and Schroeder (2014)	Caramanis (1999) Larsson (2005) Caramanis, Dedoulis, and Leventis (2015)

Source: Elaborated by the author.

Young (1994) employs case studies of three accounting issues that were considered for inclusion on the technical agenda of the Financial Accounting Standards Board (FASB), in order to explore the processes through which changes in financial accounting practices occur or fail to occur. Using the concept of regulatory space as her theoretical lens, she recognises the complexity of standard-setting and agenda formation processes, asking who is involved in these processes and looking beyond the organisational boundaries of the FASB to consider the roles of other actors, including the US Securities and Exchange Commission (SEC), auditors and preparers of financial statements, emphasising the importance of the broader social and economic environment in which accounting regulation occurs. She does not assume the dominance of interests as explanations for the actions of the FASB and other groups, arguing that demands for accounting change may be unfocused and ambiguous, and that interests are themselves constructed and interpreted in particular situations, concluding that accounting problems are not “simply there”; instead, they are constructed by actors who enter and exit regulatory space in each accounting issue. However, even though participation is fluid and changing, some actors do consistently participate in the process of constructing and resolving accounting problems, whereas other groups, like academics and the assumed users of financial statements, such as investors and creditors, seldom occupy the regulatory space. The cases analysed also suggested that the standard-setter does not simply respond to pressures from participants of the regulatory space: sometimes it reacts to such pressures, but

other times it does not, or it acts in the absence of such pressures. Thus, Young (1994) claims that the cases she analysed “illustrate that an understanding of accounting standard-setting cannot be separated from an understanding of the role of accounting claims and expectations about standard-setters that construct a regulatory space for accounting change” (p. 105).

In another study of standard-setting, Young (1995) considers the ways in which accounting was deployed in and altered by the savings and loan crisis<sup>2</sup>. Employing the concept of regulatory space, she examined the activities of different actors and the ways in which they promoted various accounting practices, finding that actors other than standard-setters, such as the US Congress, academics, accountants, and the business press, entered and exited regulatory space or remained active on its periphery during the crisis. According to her, these actors attempted, at different times, to construct or defend their own versions of a “right” accounting and to criticise the efforts of others, but the very conception of a “right” accounting was altered at various times. Noticing opposing views of different actors, she suggests that accounting purposes or roles as well as its practices can be restructured amid a complex of contingencies that impinge upon the participants in regulatory space. However, in spite of the disputes over what a “right” accounting would be, the author concludes that the ability of accounting to represent savings and loan organisations and to serve as a regulatory tool remained unquestioned during the period covered by her study, evidencing the resiliency, adaptability and durability of the accounting enterprise.

Nicholls (2010), by his turn, presents an analysis of the relationship between the policy agenda set for a new legal form of incorporation for social enterprises introduced in Britain in 2005, and the construction of their reporting and disclosure practices as enacted within regulatory structures. He argues that, although the regulatory structure was well suited, at the level of design, for providing information to an important network of legitimating stakeholders, the role of the regulatory agency and its mediation of disclosure information clearly delineated a hierarchy of legitimating actors that emphasises policy makers as the dominant force in the regulatory space. Thus, the regulatory space within which these disclosure practices were formed was dominated by policy makers enacting a series of already well-established policy objectives around the development of the social enterprise sector,

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<sup>2</sup> The **savings and loan crisis** of the 1980s and 1990s was the failure of 1,043 out of the 3,234 savings and loan associations in the United States from 1986 to 1995 (Wikipedia, 2017).

serving to their own legitimating needs and bounded by a wider normative logic of light touch regulation.

Chahed (2014) analysed the inclusion of narrative reporting on the agenda of the British Accounting Standards Board (ASB), the first formal proposal by a national standard-setting body for a novel type of voluntary reporting by company directors in the context of financial reporting, which culminated in a statement published by the ASB in 1993. She counters the arguments that financial reporting change can only ever be incremental, proposing that regulatory change can also be more radical and innovative. Studying regulatory change as a multi-directional process of translation, she highlights the importance of discourse in creating convergences around problems and solutions that can be shared by heterogeneous groups of agents. According to her,

By tracing the arguments in favor and against the inclusion of the voluntary OFR Statement on the agenda of the ASB, the analysis of the related regulatory debates unveils a complex web of discursive schemes that co-constitute the regulatory issue and the context in which it emerged. Regulatory problems and solutions emerge when the participants in regulatory space come to share new ways of thinking about the roles and purpose of accounting and accounting standard setting. (p. 199).

Investigating the regulation of the accountancy profession, minor references to the concept of regulatory space are made by Caramanis (1999), who examines a major episode in the intra-professional conflict over statutory audits in Greece, in the early 1990s; Larsson (2005), who analyses the political and professional battle over auditors' crime-controlling responsibilities in Sweden; and Caramanis et al. (2015), who examine the establishment and operation of a new auditing oversight board in Greece; while MacDonald and Richardson (2004), Malsch and Gendron (2011), Jonnergård (2012), Canning and O'Dwyer (2013), Hazgui (2015), and Hazgui and Gendron (2015) draw more substantially on Hancher and Moran (1989) to construct their theoretical lenses.

MacDonald and Richardson (2004) examine the formative period of the Public Accountants Council of Ontario, based on the first 15 years of the minutes of its meetings (1950–1964), seeking to better understand current regulatory practices and the basis for challenges to the legitimacy of the regulations. They focus on how the goals and actions of the Council were shaped by its own and other actors' expectations of it, claiming that adopting the ultimate goal of having only one designation in public accounting was the way how the Council interpreted its mandate to improve the status of the profession and to protect the public interest.

Malsch and Gendron (2011) investigate how the creation of the Canadian Public Accountability Board (CPAB) has affected the dynamics of power among the main players enlisted in Canada's regulation of public accounting, examining which organisations gained, maintained or lost their position of power in the regulatory space under study, and the extent to which the new regulatory practices are consistent with the independent regulator's claim of "outside monitoring". They argue that a form of allegiance is developing between the largest accounting firms and the oversight bodies which are supposed to monitor them, questioning the aura of legitimacy surrounding the word "independent" in the term "independent audit regulators".

Jonnergård (2012) studies the development of quality control in Sweden between 1977 and 2004, focusing on the discussions at the different societal levels and on the interrelationships between the different levels vis-à-vis the quality control in the auditing industry. She concludes that negotiating the regulatory space depends not only on the actors that participate in the conversation at the societal level, but also on the outcome of the discussions in the intra-professional arena.

Canning and O'Dwyer (2013) study how the regulatory arrangements surrounding the Irish accountancy profession, principally in the realm of disciplinary procedures, were re-negotiated and re-shaped from 1999 to 2007, in the aftermath of a crisis of faith in the self-regulation of the profession. According to them, regulators enrolled extensive and largely successful strategies of defiance during this process, in order to repel aggressive regulatee resistance aimed at diluting proposed regulations. Thus, they offer a counterpoint to prior research suggesting that the accounting establishment has been highly successful in influencing the design and initial interpretation of new regulations, while simultaneously challenging claims that accounting regulatory regimes are inevitably ineffective due to the composition of their mandate being prone to extensive dilution by vested interests.

Hazgui (2015) analyses the power dynamic that characterised the auditing regulatory space following the adoption of the Financial Safety Law in France, in August 2003. She examines the way in which the oversight body created after this law, the High Counsel of Statutory Auditors (*Haut Conseil du Commissariat aux Comptes* – H3C), established and defended its power, showing how it interacted with the auditing profession to impose its role in the regulatory process. She suggests that new regulators need to mobilise their coercive powers

when entering into a regulatory space in order to affirm, to other occupants of that space, their existence and will to change the *status quo*.

Hazgui and Gendron (2015) investigate the interplay between key actors, as well as their shifting role boundaries, to better understand the development of independent audit oversight in France, following the introduction of a new public oversight framework. They provide a narrative of the boundary work carried out by the French audit profession as it tried to reinvent its role in the new regulatory order, suggesting that professions are proactive and, to some extent, successful when it comes to developing alliances and manipulating changes within their regulatory space.

These appropriations in accounting research evidence that the metaphor of a regulatory space, like the Bourdieusian concept of field, emphasises the social embeddedness and relational aspects of regulation. However, this space seems to be more contingent than a Bourdieusian field, with actors suddenly entering in and leaving from it. Thus, perhaps it is better suited to analyse specific outcomes of regulatory processes, instead of giving an account of the structure of relations between agents and institutions usually involved in this space.

From a Bourdieusian perspective, the idea of a regulatory space also lacks a due consideration to the concepts of capital and habitus. Although the allocation of power is considered a distinctive feature of a regulatory space, power *per se* is not clearly conceptualised; furthermore, the space itself is not constructed out of the power struggles which characterise it, apparently being taken as a given in chronologically-based narratives. And whereas this underestimation of capital prevents a sound explanation of why agents enter in the regulatory space, the lack of an explicit consideration of habitus leaves open the question of how the space enters into the agents, i.e., how the characteristic rules and regularities of this space are enacted by agents.

Thus, in 7 out of the 10 accounting researches I identified which substantially rely on the concept of regulatory space, the authors resorted to complementary theoretical frameworks to address these gaps. To interpret regulators' actions in the regulatory space, Young (1994) and MacDonald and Richardson (2004), for instance, resort to the construct of a **logic of appropriateness**, following March and Olsen (1989), for whom:

Politics is organized by a logic of appropriateness. Political institutions are collections of interrelated rules and routines that define appropriate actions in terms of relations between roles and situations. The process involves determining what the situation is, what role is being fulfilled, and what the obligations of that role in that situation are. When individuals enter an institution, they try to discover, and are taught, the rules. When they encounter a new situation, they try to associate it with a situation for which rules already exist. Through rules and a logic of appropriateness, political institutions realize both order, stability, and predictability, on the one hand, and flexibility and adaptiveness, on the other. (p. 160).

However, the logic of appropriateness thus constructed sounds like a conscious achievement of agents, contrasting to the pre-reflexive logic of practice conceived by Bourdieu. Furthermore, even though March and Olsen (1989) recognise that “the identities and capabilities of individuals cannot be seen as established apart from, or prior to, their membership and position in the community” (p. 161), the authors who mobilise the concepts of a logic of appropriateness and of a regulatory space together seem, due to a lack of focus on power/capital, to conceive “appropriateness” as an end in itself, and not as a constraint impinged upon agents by the relations of power within the regulatory space/field.

Malsch and Gendron (2011) mobilise a modified version of Lukes’ (2005) multidimensional model of power. For Lukes (2005), power has three different modes or dimensions: the first is that of intentional and active power, which manifests itself through overt disputes; being complemented by a second one, which is exercised when one party manages to prevent grievances from ever being discussed; and a third level of ideological power which operates through the preclusion of alternatives, so that people come to see the *status quo* as natural, inevitable and common sense. Malsch and Gendron (2011), however, modify the third dimension of Lukes’ (2005) model, substituting the ideological for a discursive conception of power, inspired by a Foucaultian approach. In spite of the difficulties to conciliate the epistemological assumptions of a Foucaultian approach with a Bourdieusian approach, the theoretical construction of Malsch and Gendron (2011), putting together the notions of regulatory space, observable conflicts (Lukes’ (2005) two first dimensions), and discursive constitution of subjectivities through discourse, is quite congruent with the Bourdieusian triad of field, capital and habitus. Hazgui (2015) also employs a modified version of Lukes’ (2005) model, including a systemic dimension based on shared beliefs and norms that privilege some parties over others, getting closer to the Bourdieusian triad as well.

Jonnergård (2012), by her turn, complements the concept of regulatory space with Black’s (2002) notion of regulatory conversations. Drawing on discourse analysis, Black (2002)

points to the importance of the communicative interactions that occur between all agents involved in a regulatory space. In light of the theoretical appropriation of Bourdieu I am developing in this thesis, whereas Black's (2002) conceptualisation is focused on the linguistic habitus of the regulatory space/field, her Foucaultian view of power as an essentially discursive phenomenon precludes a focus on the constraints imposed on the discursive strategies of each agent by the different forms of capital they possess and/or seek in the regulatory field.

Combining the conception of regulatory space, which seems less structured than that of a field, with Oliver's (1991) typology of strategic responses to institutional pressures, whose conception of agents' behaviour is more contingent than indicated by the concept of habitus, Canning and O'Dwyer (2013) interpret the dynamics of the regulatory space they investigate with probably more fluidity than a Bourdiesian approach would suggest.

Hazgui and Gendron (2015) apply the notion of boundary work (Gieryn, 1983; Llewellyn, 1998), which comprises any social or symbolic activity relating to how social divisions or boundaries evolve over time, to examine the strategic behaviours which actors engage as they try to secure a prominent role within struggles for power and prestige. Once again, the combination of the metaphor of a regulatory space with conceptualisations of agents' behaviour in pursuit of their interests is quite congruent with the Bourdiesian triad of field, capital and habitus.

Because of its differences from a Bourdiesian framework, I consider the concept of regulatory space is better suited to study specific outcomes from regulatory processes rather than the whole structure of the regulatory field. However, in spite of these theoretical misalignments, the concept of a regulatory space was also useful to inquiry the object of this research, complementing the interpretive tools I applied to analyse the evidences presented in Chapters 3 and 4.

#### ***2.4.3 The politics of the adoption of the IFRS around the world***

The role of the IASB itself in the international harmonisation of accounting standards has been extensively analysed. Botzem (2012), for instance, stresses that

For three decades, the IASB and its predecessor have produced rules that had only very limited impact. Despite this, many functionalist perspectives attribute the IASB's emergence and success to the usefulness of its standards. While, today, the dissemination of IAS/IFRS is impressive, far reaching implementation of the standards does not explain how this historical development came about. Instead, explaining the IASB's genesis requires an organizational perspective. Current success is not the result of the diffusion of the standards; rather, the diffusion of the standards is the product of organizational and political decisions, which laid the foundations for their success. (pp. 11-12).

Botzem (2012) also compares rival initiatives taken by the European Community and the United Nations for harmonising accounting rules, which evidence, according to him, that the organisational development of the IASB involved considerable conflict and struggle over the content of codification, the structure of the organisation, and the actors involved. He claims that IASC's development over its first 25 years may be characterised as a process largely shaped by the cooperation of British, Canadian, and US accounting practitioners and their associations.

During its first years, the IASC compiled and edited the International Accounting Standards (IAS) from existing national standards, resulting in an imprecise set of rules for a long time. However, as part of a quest for recognition, by the late-1980s the IAS began to be revised, gradually reducing the variety of regulations and increasingly adjusting them to accommodate the information needs of capital market actors, adopting a fair value accounting (FVA) paradigm championed by Anglo-American actors (Botzem, 2012).

Another important strategic movement made by the IASB in its search for legitimacy was to change its organisational configuration, in 2001:

What was once a joint venture of national professional associations to develop voluntary standards became a foundation under US law aimed at developing a set of mandatory standards for global use.... The reform facilitated the transformation of a loose network of national association and business representatives into a professional, increasingly bureaucratic organization, which has put the task of standardization in the hands of a full-time staff of standard-setters. (Botzem, 2012, p. 95).

Analysing the regulatory power of the individuals and organisations involved with the IASB, Botzem (2012) claims that a small group of individuals from an Anglo-American background, who have known one another for many years and combine experience as auditors and/or in national standard-setting bodies, have dominated the board for a long time. Furthermore, whereas the globally operating accounting firms, specially the Big Four, represent the most significant type of organisation among the IASB's network, users of financial statements are notably absent from this network.

Perry and Noëlke (2005) argue that the substance of the accounting standards promulgated by the IASB expresses a consistent change from historical cost accounting (HCA) to FVA, strengthening the shareholder value paradigm and having a potential “to negatively affect employees in a wider sense because, by focusing investor attention on short term market-price changes, it intensifies incentives to make short-term cost savings while also providing apparent justification for doing so” (p. 5). However, even though FVA has this controversial character, their analysis of the IASB’s consultation procedures and governance structures reveals a delegation of authority to experts strongly connected to the accountancy profession and the financial sector, whereas public actors occupy a secondary position and broad social constituencies are not represented at all.

Martinez-Diaz (2005) identifies two critical junctures which materialised the rise of IASC’s influence: the endorsement of IASC’s work in 1997-2000 by international bodies, and the restructuring of the IASC into the IASB in 2001, then being endorsed by the US SEC. According to him, the status of the IASC as an epistemic community, i.e., “a group of professionals who share normative and causal beliefs, notions for weighing and validating knowledge in the domain of their expertise, and a common policy enterprise” (p. 3), allowed it to take advantage of a favourable scenario during the 1990s, when the demand for international accounting standards rose due to a growing demand for cross-border listings, an enhanced competition between American and European bourses, and the financial crisis in Asia. He claims that

By choosing to endorse and support its work [IASB’s], the world’s stock-market regulators implicitly chose a model for [accounting] standard-setting based on technical expertise, functional representation, and private authority, while rejecting a model with public-sector participation and based on the representation of a wider set of stakeholders. Accordingly, the standards that flow from the accepted model will have economic and distributional consequences different from those of the approach that was cast aside. (p. 20).

Arnold (2012) also points to the East Asian financial crisis of 1997-1998 as a key event in the internationalisation of accounting regulation, to which West’s response represented a USA-led effort to promote the spread of Anglo-American style capitalism around the world, marked by a relatively weak financial governance regime based upon transparency, international financial standards, and market self-discipline. She claims that

accounting reform was particularly suited to the goal of integrating financial markets because the call for transparency was relatively non-controversial; almost everyone could agree on the benefits of transparent accounts. Accounting reform could, thus, be portrayed as merely technical at the same time

as it facilitated the objective of creating the infrastructure for the export of Anglo-American style financial markets. (p. 372).

Perry and Nölke (2006) argue that accounting standards are inherently political, because “resolution of social conflict over resources is not simply recorded by accounting after the event; rather, accounting numbers themselves form the basis for such resolutions” (p. 560). For them, new accounting techniques instituted through the IFRS, especially FVA, serves to codify the ongoing reorientation of the international political economy, and the IASB, due to the particular form of transnational private authority which it represents, has been able to do this rapidly and largely unchallenged, even though it is not the root cause of this reorientation. The authors highlight the importance of studying the mode of governance of accounting standards in conjunction with their substance, and summarise how this substance is related to a transnational private authority according to different theoretical perspectives, as indicated in Table 2.3.

Table 2.3 – Transnational private authority and substance of accounting regulation

<b>Perspective</b>	<b>Role of transnational private authority</b>
Mainstream accounting	Efficiency advantages of global and private regulation
Finance versus Production	Voice to financial actors, via role of experts
Varieties of Capitalism	Weak representation of nationally institutionalised economic interests
Capital Pricing Approach	Further isolation of accounting/economic discourse from society

Source: Adapted from Perry and Nölke (2006, p. 581).

Chua and Taylor (2008) argue that economic rationales for the rise of the IFRS, even though being the most often offered to publicly support it, are not based on substantive empirical evidences: financial reports are not found to provide timely information to investors, nor are they a primary means of investment evaluation; rather, they are a tool for monitoring and settling up contractual relationships, as well as a means of disciplining prior expectations. Furthermore, studies about the quality of financial reporting are based on different empirical constructs, and investigations of whether this quality increases after the adoption of the IFRS present mixed results, while the idea of an enhanced comparability of financial reports is not based on any empirical measure of such a comparability.

Thus, Chua and Taylor (2008) suggest that social and political factors are equally important, at least, in generating support for the IFRS. They point to the fact that the impetus for

adopting the IFRS at a national level has usually been provided by government and/or government agencies, for which “transferring the accounting standard setting process to an organization outside national boundaries may be a means of eliminating what many in the regulatory and political setting may see as a ‘messy’ process at the national level” (p. 464). However, they also notice that governments seem willing to outsource the *creation* of the IFRS just as long as they retain the final decision right as to their *adoption* within their jurisdictions.

Chua and Taylor (2008) conclude that, while the globalisation of business might demand global technologies of governance, the supply of global standards through a private as opposed to a public agency is largely a political exercise engineered by a coalition of powerful interest groups, including regulators and the accounting and audit industry. For them, “we know very little about how politics influences standard setting, and this ignorance is magnified when we move to understanding the process by which we seem to inexorably move to a single set of international standards” (p. 472).

For Burlaud and Colasse (2011), as the IASB has no political legitimacy conferred through democratic election, it has to resort to procedural and substantial forms of legitimacy, which are based, respectively, on procedures intended to guarantee independence and impartiality, and on the possession of recognised knowledge or expertise of a technical or scientific nature. As to the procedural legitimacy, the authors point to the fact that, although the exchanges of information between the IASB and the rest of the world relies on a detailed and transparent due process, the “public” neither votes on Board’s deliberations nor elects its members, casting doubts on whether the public has any real influence. The substantial legitimacy of the IFRS, the authors argue, is provided by Finance, in an idealised world where financial markets, instead of governments or inter-governmental organisations, act as regulators.

Since their conceptual framework identifies investors as privileged users of financial information, Burlaud and Colasse (2011) sustain that the IFRS, in making a choice as to the governance of the company, are highly political in character. For them, “it may therefore seem surprising that such a declaration should emanate from a group of technical experts with no political legitimacy” (p. 27). Furthermore, they observe that the information needs of stock market investors are not specified through preliminary surveys, being “postulated and never

made explicit by the IASB/IASC, the latter having, in a manner of speaking, proclaimed itself the spokesperson for investors” (p. 32).

An important step towards the international harmonisation of accounting standards was taken in 2002, when the EU announced that, as of 2005, listed companies under its jurisdiction would be required to comply with the accounting standards enacted by the IASB, a private body which, as Chiapello and Medjad (2009) observe, had no public mandate until then. These authors argue that such a relinquishment of public authority was due primarily to EU’s inability to get its members to agree on a common accounting system, being the IASB (then called IASC) the only body able to offer divided Member States a set of common standards acceptable to all, and suitable for rapid recognition in international financial markets. However, this private subcontracting of accounting regulation gave the IASB an institutionalised monopoly for the preparation of standards destined to become compulsory, and since the EU had no statutory control means on the IASB, this led to a reversal of roles in which the EU finds itself in a position where it has to lobby the IASB.

Bengtsson (2011) followed up the work of Chiapello and Medjad (2009), analysing actions of political bodies to regain control over accounting standard-setting after the outbreak of the global financial crisis of 2007-2008. He argues that

As the crisis deepened, alternative views of the purpose and legitimate stakeholders arose. The IASB defended its view that users should be in focus and that political independence is vital for capital market confidence. But while the IASB was supported by user representatives, the EU and other political bodies challenged the purpose of accounting by questioning its usefulness for supervisory purposes. (Bengtsson, 2011, p. 577).

Since the EU managed to alter both the IASB’s standard-setting process and its governance structure, Bengtsson (2011) concludes that the global financial crisis contributed to a repoliticalisation of accounting standard-setting, with a rebalancing of power in which political actors have gained influence at the expense of other stakeholders such as the IASB itself, the accountancy profession, and users of financial reports.

In line with this argument, Crawford, Ferguson, Helliari, and Power (2014) analyse the debate surrounding the adoption of IFRS 8 – Operating Segments, claiming that the new endorsement process adopted by the EU served as an attempt to contest the authority of the IASB. From interviews with participants of this process, the authors concluded that IFRS 8

was a “battleground” for control over accounting standards within the EU, and that despite the EU’s position in relation to the IASB remains relatively weak, it has initiated a forum whereby the pronouncements of the IASB can be contested.

For Botzem (2014), however, “despite explicit criticism after the financial crisis, the IASB reemerged strengthened and consolidated its position as global standard setter ... and successfully continues to characterize public oversight as an undue infringement of technocratic decision making” (p. 949). Focusing on the changes in IASB’s governance and accountability in the aftermath of the financial crisis, he analyses how the board uses legitimation strategies to defend its position as a transnational standard setter, pointing to its ability to address legitimacy issues and to uphold self-regulation in the face of criticism. According to him,

The due process is a cornerstone for the IASB’s legitimacy strategy.... It becomes clear that consultation is not so much a mode of organizing inclusion and participation; instead, it serves the purpose of channeling evidence upward to the board while disseminating the IASB’s viewpoints widely through discussion papers and exposure drafts. (p. 947).

Nölke and Perry (2008) argue that “capital assets measured in money terms can ultimately never have unambiguous values since they always incorporate a contested and subjective vision of the future” (p. 3). Since accounting numbers both validate prior economic resource allocation *ex-post* and help to construct the economic reality upon which future resource allocation decisions will be based, for the authors “accounting is thus an inherently political act, even if it is not very politicized” (p. 3). As the IFRS represent an ongoing shift from HCA to FVA, substituting acquisition price for current market prices as the measurement criteria, Nölke and Perry (2008) see the expansion of the IFRS as a consequence of **financialisation**, conceived as a key structural change in the contemporary international political economy which comprises two main dynamics: the growth in profitability of the financial sector relative to the non-financial sector of the economy; and the financialisation of non-financial corporations’ profits, *i.e.*, the tendency of non-financial corporations to make an increasing share of their profits from financial transactions, instead of making it out of the production of goods and services.

For Müller (2014), the international ascension of the IFRS, albeit very important, is just one of the profound changes that have taken place in the regulation of financial accounting for listed companies in the recent past. To understand these changes, he constructs two ideal

typical accounting systems, whose characteristics are described in Table 2.4. According to him, the “accounting revolution” of which the ascension of the IFRS is symptomatic can be understood as a paradigmatic shift from HCA to FVA. He argues that the FVA system has an affinity with the perspectives from the circuit of money capital, whereas the HCA system reflects the perspective from the circuit of productive capital; hence, “in the context of financially dominated capitalism, which has seen the expansion of financial markets and financial investment into non-financial sectors, FVA is the manifestation of this trend in the field of financial accounting” (p. 555), and the ascension of the IFRS can be interpreted as a step towards the financialisation of accounting.

Table 2.4 – Accounting ideal types

<b>Dimension</b>	<b>HCA</b>	<b>FVA</b>
Asset measurement	Historical cost	Current value (as exit price)
Income determination	Revenue-expense approach	Asset-liability approach
Theory of the firm	Entity theory	Proprietary theory

Source: Adapted from Müller (2014, p. 547).

Zhang and Andrew (2014), however, see the repositioning of accounting practice engendered through the reformulation of the Conceptual Framework adopted by the IASB in 2010 not just as a consequence, but also as a facilitator of financialisation, arguing that globalised accounting regulation is an important part of the institutions that stabilise and normalise this process. For them,

the narrow definition of users in financial reporting – a shift in the purpose of financial reporting and the use of faithful representation instead of reliability – indicates a discursive shift towards the interests of financial capital. In addition, the emphasis now placed on fair values in the calculation of comprehensive income obscures our capacity to identify the nature of profit-making activity. (p. 24).

Chiapello (2016) discusses two meanings that can be assigned to the concept of financialisation. In a first sense, according to her, financialisation can be understood as

a process of morphological transformation of capitalism, entailing the capture of resources by finance in the broadest sense, through expansion of the financial markets, a rise in the number of financial operators (different types of investment funds: pension funds, investment funds, private equity funds, etc.) and finally the development of a service industry associated with financial activities (audit and consulting firms, law firms, assessors, rating agencies, etc.). (p. 73).

As pointed by macro-economic studies, this is a process “which leads to recurring financial crises that have a high social cost, tending to divert investment away from the real economy

and to feed growing inequalities between workers, and between work and capital” (Chiapello, 2016, p. 72). But in a second sense, financialisation can also be understood as a gradual colonisation by “financialised” techniques and calculation methods that incorporate models and representations specific to finance, the financial economy and financial mathematics, carrying the premises, decision-making systems and socio-political conventions they spread and reproduce.

Chiapello (2016) argues that the IFRS are clearly financialised standards – the attribution of primacy to the information needs of financial investors and the adoption of FVA as the new general principle in accounting for transactions contribute to redefine the firm and its function, representing it “as a basket of independent merchandise, rather than a singular combination of assets into a working tool” (p. 78). Thus, accounts are no longer established from the viewpoint of a producer of goods and services who is seeking to construct a long-term, profitable economic activity, but from that of a purchaser of securities on the markets who is interested in making a profit by trading in those securities. And the IFRS are not only a consequence of financialisation – they also contribute to it by supporting action and decision, thus framing our thinking, understanding and knowledge. International accounting standards, Chiapello (2016) remarks,

are the product of a theoretical view of the firm that buries its political nature under technical considerations. They thus participate in legitimisation of its founding ideas, especially the idea that firms should primarily remunerate the providers of capital, and are only secondarily providers of jobs or producers of goods and services. (p. 81).

Acknowledging the political nature of accounting regulation, many authors have investigated the politics of the adoption of the IFRS in specific jurisdictions. Through a search for the expression **Accounting Regulation AND IFRS** on either the titles, abstracts or keywords of articles from Scopus and Web of Science databases, conducted on August 20, 2017, I identified 182 articles. After reading the abstracts of the articles thus identified, I selected **19** papers which dealt with political aspects of the adoption of the IFRS: whereas some of them are not informed by a theoretical perspective explicitly articulated, presenting narratives broadly based on rationales from neoclassical economics and accompanied by quite generic statements that accounting standards belong to the set of institutional elements that affect financial reporting practices in a country, in articles that do articulate a theoretical

perspective, the various streams of institutional theory are the most often employed. In Table 2.5 I summarise the setting and the main claims of each of these 19 articles.

Table 2.5 – IFRS adoption in specific jurisdictions: Literature review

Reference	Setting	Claims
Al-Akra, Jahangir Ali, and Marashdeh (2009)	Jordan	Jordan's colonial past has exerted a strong influence on its recent move towards full adoption of the IFRS. Political and economic factors, through privatisation and the resulting accounting reforms, contributed more to the development of accounting practices than other environmental factors.
Alexander and Micallef (2011)	Malta	IAS regulation brought about a lack of clarity as to the applicable regulatory financial reporting framework for listed entities.
Alon and Dwyer (2016)	USA	The authors suggest that when the US SEC made a significant move toward accepting the IFRS for certain foreign registrants it has succumbed, in its public face, to the evolved ideology favouring transnational levels of regulation that are subject to market tests.
Assenso-Okofu, Ali, and Ahmed (2011)	Ghana	Accounting and reporting practices are significantly influenced by legal, political, institutional, and economic factors; the regulatory environment is neither effective nor efficient due to weak monitoring and enforcement of compliance.
Biondi and Suzuki (2007)	International	The current trend to use FVA in accounting standards implies that many aspects of life may have been undemocratically administrated without being noticed, because the FVA is presumed to be fair, while it is not.
Caria and Rodrigues (2014)	Portugal	In a legalist country like Portugal, the modelling of national standards on the international ones and the definitive adoption of adapted IFRS in 2010 by unlisted companies had to be complemented by the enactment in law of the accounting regulations.
Chand and White (2007)	Fiji	In the process of convergence towards the IFRS, the influence of private interests – of multinational enterprises and large international accounting firms – can lead to a transfer of economic resources in their favour, wherein the public interests are usually ignored.
Combs, Samy, and Myachina (2013)	Russia	There is a "Soviet culture" which has an impact on the harmonisation of Russian Accounting Standards with the IFRS. Accountants in Russia display reluctance to disclose financial information to external users.
Giner Inchausti (2014)	Spain	Still existing differences in the institutions – and, in particular, in the enforcement of the standards – make it very difficult to achieve the comparability of the information, and reduces the possibilities to obtain the full advantages from the adoption of the IFRS.
Gornik-Tomaszewski (2005)	EU	The actual degree of accounting harmonisation after the requirement that EU-listed companies prepare consolidated financial statements in accordance with the IFRS will depend on how Member States implement the available options regarding individual accounts of listed companies and financial reporting by unlisted companies. It is expected that the response will vary depending on the economic and legal environment of the individual countries.
E. A. Hassan, Rankin, and Lu (2014)	Iraq	The most significant force in the decision to adopt the IFRS is the coercive pressure from Western forces following the fall of the Ba'ath regime, and from international aid organisations. Further, the accounting system in Iraq is likely to be further advanced due to mimetic and normative pressures from Iraq's trade partners, multinational corporations, and the accountancy profession.
M. K. Hassan (2014)	Egypt	The processes of setting the Egyptian Financial Accounting Regulations (EFAR) in harmony with the IAS have had a constitutive tendency during the Egyptian transformation towards a market-based economy, being acted upon to constitute organisational members' values, norms and knowledge to overcome the persistence of socialist accounting practices.

To be continued

## Conclusion

Reference	Setting	Claims
Muniandy and Ali (2012)	Malaysia	Malaysia's colonial past and the reformation of corporate governance have significantly influenced the country's financial reporting practices.
Ngoc Phi Anh and Nguyen (2013)	Vietnam	The current accounting system is a mixture of conceptual and formal elements taken from Western accounting and some basic features and practices retained from the old (Soviet-style and French-influenced) system. Further convergence towards international practices is likely to be slow, especially in the small and medium-sized enterprises (SME) sector and in large enterprises that do not attract capital from foreign sources.
Noël, Ayayi, and Blum (2010)	EU	Neither the IASB's way of working nor its composition fulfills the criteria of discourse ethics. While due process logic can apparently establish the conditions for creating discourse ethics, international accounting standard-setting depends largely on the interest relationships between the dominant economic actors, and grants experts too much importance.
Nurunnabi (2014a)	Bangladesh	A lack of an accounting regulatory framework and political influences hinder the effective implementation of the IFRS, and a high level of political influences is adding more apprehension to the implementation of the IFRS.
Nurunnabi (2014b)	Bangladesh	Political connectedness is the major contributing factor for uneven enforcement activities in Bangladesh. Inconsistencies with the accounting regulatory framework, multiple regulators, and donor agencies' influence impede the effective implementation of the IFRS.
Nurunnabi (2015)	Bangladesh	Coercive, normative and mimetic isomorphisms are low in Bangladesh: political forces have been undermining mimetic isomorphism because of the high level of government intervention and the high level of political lobbying; political institutional pressures stand in the way of mimetic isomorphism and constitute negative forces that add further tension to accounting regulation; and there is evidence of a 'blame culture', with state institutions and professional accountancy institutions in the country blaming each other for the poor progress in IFRS implementation.
Oehr and Zimmermann (2012)	International	A country's societal motives and values, best captured by the type of welfare state the country employs, shape the extent to which accounting regulations converge. The welfare state approach explains the development and dynamics of accounting systems more completely than the conventional explanatory variables – legal and financial systems.

Source: Elaborated by the author.

### 3 CONSTITUTION OF THE ACCOUNTING REGULATION FIELD IN BRAZIL

*“Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of the living” (Marx, 1852/1999).*

In the present chapter, I describe the constitution of the field of accounting regulation in Brazil from 1808, when the Portuguese Royal Family arrived at the country to install the Crown in Rio de Janeiro, until the early-2000s, when the creation of a private accounting standard-setter started to be discussed in the National Congress. Covering nearly two hundred years, this narrative is mostly based on a review of the literature about the main developments of Brazilian accounting during this period, intermingled with a description of the historical context within which they occurred and supplemented by analyses of archival data. Although presenting original contextual analyses, developed in accordance with the theoretical framework set up in Chapter 2, I do not intend to provide novel evidences about the history of accounting in Brazil during this period, but only to construct the field of accounting regulation in the country as of the early-2000s, establishing a starting point to analyse, in Chapter 4, the subsequent reconfigurations of this field from then on. The following sections are organised according to usual divisions of the Brazilian political history.

#### 3.1 Arrival of the Royal Family and the imperial period (1808 – 1889)

In November 1807, Prince D. João, then in charge of the Portuguese Kingdom due to the mental illness of his mother, Queen Maria, decided to transfer the Crown to Brazil to escape from the persecution of French troops which had invaded Portugal to enforce the commercial blockage to England imposed by Napoleon. The arrival of the Royal Family in Brazil, in 1808, together with a bureaucratic apparatus which included ministers, counsellors, judges, treasury officials, high-rank military, and members of the high clergy, caused a turnaround in the colonial relationship between Brazil and Portugal. One of the first decisions taken by the Regent Prince was to open Brazilian ports to “friendly nations”, which meant England by that time, putting an end to 300 years of Portuguese exclusivity. Shortly after, he also revoked the

prohibition to install manufactures in Brazil, and granted tax subsidies to the importation of raw material such as wool, silk, and iron (Fausto, 2009).

Until 1808, accounting practices in Brazil were limited to some aspects of public administration, envisaging to ensure the exploitation and transfer of wealth to Portugal (Mendonça Neto, Cardoso, & Oyadomari, 2012). Some measures taken after the arrival of the Royal Family represented the first major steps to organise the accountancy profession: in 1808, a royal decree determined the adoption of double-entry bookkeeping in the public administration, and in 1809, commercial education was officially created, including the first accounting classes in the country (Peleias & Bacci, 2004).

By 1814 the war in Europe had ended, but the Portuguese monarch, then already crowned as D. João VI, decided to stay in Brazil, which was elevated to the condition of a united kingdom. In 1820, however, a liberal revolution took place in Portugal, and the revolutionaries demanded the return of the King. In April 1821, D. João VI returned to Portugal, but left his heir, Pedro, as a local regent. As the Portuguese parliament took several initiatives to conduce Brazil back again to a colonial status, the local elites grew dissatisfied, and on September 7, 1822, the independence of the country was proclaimed by the Brazilian regent, who then became Emperor of Brazil, D. Pedro I. Even though some historiographers emphasise that the Brazilian independence was not a pacific transition, remembering some conflicts with Portuguese troops stationed in Brazil, the prevailing consensus is that it was achieved quite easily if compared to what happened in Spanish America. It only took a few years for the process of independence to be consolidated, and it did not imply any significant changes to the social and economic order. The fact that Brazil, contrary to any other Latin American country, had a monarchy as its form of government, headed by a Portuguese monarch, corroborates this perception of a transition to independence without substantive changes in Brazilian society (Fausto, 2009).

The subsequent years, however, were marked by political turbulence. Right after the independence, a constitutional assembly was elected, but in 1824 the Emperor, supported by the military, dissolved the assembly and proclaimed a constitution that defined the government as a hereditary monarchy; established Roman Catholicism as the official religion of the State, allowing only private cults of other religions; divided the legislative power into two houses: a Chamber of Deputies indirectly elected by citizens who met some income

criteria, and a Senate whose occupants were chosen by the Emperor, from a triple list elected in each province, to a lifelong mandate; established a Council of State, composed by citizens chosen by the Emperor to assist him in important issues; and granted to the Emperor the power to dissolve the Chamber of Deputies and hold new elections, as well as a veto power over legislative decisions. With minor modifications, this constitution was in force until 1889, when the monarchy was overthrown by a military coup which established a republican government.

In 1831, D. Pedro I abdicated from the throne in favour of his five-year-old son, D. Pedro II, following a military defeat against Argentina which, associated to the financial stress imposed by the warfare and the increasing in the cost of living due to inflation, contributed to a growing dissatisfaction with the monarch, opposing Brazilian citizens to Portuguese military and merchants who still supported the Emperor (Fausto, 2009). From 1831 to 1840, Brazil was governed by regents acting on behalf of D. Pedro II. Initially, there were 3 regents, but from 1834 on there was only one. This period was marked by a series of rebellions in many provinces, putting in danger the territorial unity of the country. Although each rebellion was characterised by specificities of its own, achieving a higher level of provincial autonomy was a common issue for many of them. However, the central government was able to defeat all the rebellions, and a tendency to centralise power in the court prevailed until the end of the imperial period (Fausto, 2015).

In 1840, in the context of political disputes between the liberal and the conservative tendencies within the Parliament, then-14-year-old D. Pedro II was declared of legal age (what he was not supposed to achieve until becoming 18), putting an end to the regency and beginning his 49-year reigning. During his reigning, a sort of compromise developed among the political elites, which led to a system of government resembling the parliamentary: in 1847, the figure of the Chief of the Cabinet of Ministers was created. Appointed by the Emperor, it was up to the Chief to establish his Cabinet. Until the end of the Empire, 36 Cabinets were formed, with an average duration of one year and three months each. Hence, the political system allowed the rotation in power of the two main political parties of the period (Conservative Party and Liberal Party), contributing to stabilise the State. However, unlike a true parliamentary system of government, the Emperor held a high degree of power, being able to dissolve the Parliament and call new elections when the Chamber of Deputies did not support the Cabinet he had chosen. As the government had a high level of influence

over the elections, it meant that the Emperor was able to elect a Chamber of Deputies aligned with the Cabinet of his preference (Fausto, 2015).

The two main parties of the imperial period were consolidated by the end of the 1830s. A general perception, common even among their contemporaries, was that their ideological and social differences were not significant. According to Fausto (2015), politics by that time was more about obtaining prestige and benefits for specific constituencies than achieving ideological objectives. Thus, much of the conflicts between liberals and conservatives were characterised by personal rivalries and disputes for the advantages of governmental power. However, the imperial elites did have to deal with broader themes such as the organisation of the State, public liberties, political representation, and slavery. As stated before, the tendency to centralise the State power in the imperial court prevailed during the reign of D. Pedro II, although liberals claimed to be in favour of a decentralised model with more provincial autonomy. The defence of civil liberties and broader political representation gained relevance in the agenda of the Liberal Party from the 1860s on, probably due to a greater representation in its ranks of liberal professionals and provincial elites from traditionally more autonomous regions, whereas the Conservative Party represented a coalition of government bureaucrats, landowners and merchants.

Economically, coffee became the most relevant commodity for the Brazilian economy during the 19<sup>th</sup> century. Firstly it was concentrated in the Paraíba Valley, a region located on the border between the provinces of Rio de Janeiro and São Paulo, where the production was characterised by large plantations employing slavery labour. Coffee plantations demanded significant initial investments for clearing forests, preparing the farmland, cropping, building up installations, and acquiring slaves, whereas the first harvest would take at least four years. Initially, funds for establishing coffee plantations seem to have originated from savings raised by the expansion of commercial activities after the arrival of the Royal Family, and later on from the profits of plantations themselves and from capitals disinvested after the extinction of slave trade (Fausto, 2015).

While landowners were usually Brazilians, the exportation of coffee was in the hands of American and British organisations ever since its beginning. Even though coffee consumption also increased in Brazil, the internal market was not large enough to absorb the large-scale production, what always depended on international markets. The United States were the main

destination for exports, followed by European countries such as Germany, The Netherlands, and Scandinavian countries. The ascension of coffee was associated with a process that moved the dynamic centre of the Brazilian economy to the centre-south of the country, engendering the modernisation of ports, the creation of new credit mechanisms, and an expansion of the means of transport, whereas the socio-political importance of the northeast and the sugar-cane culture decayed during the 19<sup>th</sup> century. Around 1870, this process had already become nearly irreversible (Fausto, 2015).

Slavery grew together with the expansion of coffee. According to official statistics, whereas the annual average of slaves brought to Brazil was of 32,700 from 1811 to 1820, during the decade of the independency, between 1821 to 1830, it increased to an average of 43,100 slaves per year. On the one hand, there was an increasing external pressure from England to cease slavery trade; on the other hand, however, not only the local elites but the free population in general believed that immediately abolishing slavery would cause a societal collapse. In 1826, England obtained from Brazil a treatise which would make slave trade illegal in Brazil from 1830 on, allowing the English Navy to inspect suspect ships on the high seas. However, slaves continued to be brought to Brazil in even larger numbers. Then in 1846 the English Parliament authorised the English Navy to apprehend ships of slave trade and bring traders to judgement before English authorities. In September 1850, a new law against slave trade was approved by the Brazilian Parliament, finally putting an end to the commerce overseas: whereas in 1849 nearly 54,000 slaves were brought to Brazil, it decreased to less than 23,000 in 1850 and nearly 3,300 in 1851, almost ceasing ever since (Fausto, 2015).

The lack of a viable alternative to slave labour and the absence of generalised slave rebellions are pointed as factors which contributed to the attachment of local elites to slavery. However, slavery was doomed to disappear after slave trade was effectively abolished, because slave owners never worried with the reproduction of slaves, relying upon the acquisition of new ones. But it was a long way since the end of slave trade, during the 1850s, until slavery was completely abolished. Initially, internal trade of slaves, from regions economically decadent to the expanding ones, supplied the lack of new entries of slaves in the country. Following an abolitionist movement which grew stronger as time went by, in 1871 the children of slave women were declared free, being under possession of their mothers' owners until they were 8, when the owners had the option to receive an indenisation from the State to release them or to keep on exploiting their services until they were 21; in 1885, slaves who were more than 60

years old were released; and then in 1888 the slaves were finally freed (Fausto, 2015), Brazil being the last country in the Western hemisphere to do so.

In the 1850s, the liberation of capitals invested in slave trade originated, by the standards of that time, an intense business activity and speculation, diversifying the economy through the foundation of new banks, industries, steam navigation companies, railroads, etc. Also by that time the coffee economy of the Paraíba Valley reached its peak, while a new zone of coffee plantations started to be established in the west of the province of São Paulo (Fausto, 2015).

The first Brazilian Commercial Code was enacted in 1850, through Act No. 556. Article 10 of this Code determined that every merchant should keep a Journal and annually register a balance sheet. However, there was neither a standard format for the balance sheet, nor the obligation to disclose accounts (Schmidt & Santos, 2012). In 1860, Act No. 1,083 determined that joint stock companies could only be founded after having its statutes approved by the Parliament and by the Executive Power. This act also determined that a governmental inspector would be assigned to each bank authorised to operate, and this inspector would be entitled to examine the books of the bank, contrasting to an express disposition in the Commercial Code which ensured the privacy of commercial books. Furthermore, this act also established that joint stock companies should disclose accounting statements and file them with public authorities. Even though Act No. 1,083 did not determine any standard for publication, Imperial Decree No. 2,679 was also enacted in 1860, establishing the rules for filing accounting statements and determining the models they should follow. These would be the standards followed for accounting disclosure in Brazil until 1940, when a Corporations Act introduced new determinations (Iudícibus & Ricardino Filho, 2002).

In 1864, Brazil, Argentina and Uruguay formed an alliance against Paraguay, which had attacked Brazilian territory. It is estimated that Brazilian troops mobilised between 135,000 and 200,000 men, out of an estimated masculine population of 4.9 million people in 1865. During the warfare, which lasted until 1870, the Brazilian Army was consolidated, and its affirmation as an institution with its own objectives was the main consequence of the war for Brazil. Paraguay suffered a huge defeat, losing parts of its territory to Argentina and to Brazil, and nearly half of its population died (Fausto, 2015).

In the last two decades of the imperial era, the regions of the Paraíba Valley and the west of São Paulo followed opposite trajectories. While in the Paraíba Valley the geographical limits to the expansion of farmland had been reached and the productivity of the soil started to decline, in the west of São Paulo there still were plenty of new areas to expand the plantations, with soil and climate conditions even more propitious to grow coffee. The greatest difficulties to implement the coffee economy in the west of São Paulo were transportation and the availability of a port, since Rio de Janeiro was too far away. But these difficulties were overcome by the end of the 1860s, when railroads connected the region to Santos, whose port acquired a great relevance to Brazilian exportations ever since (Fausto, 2015).

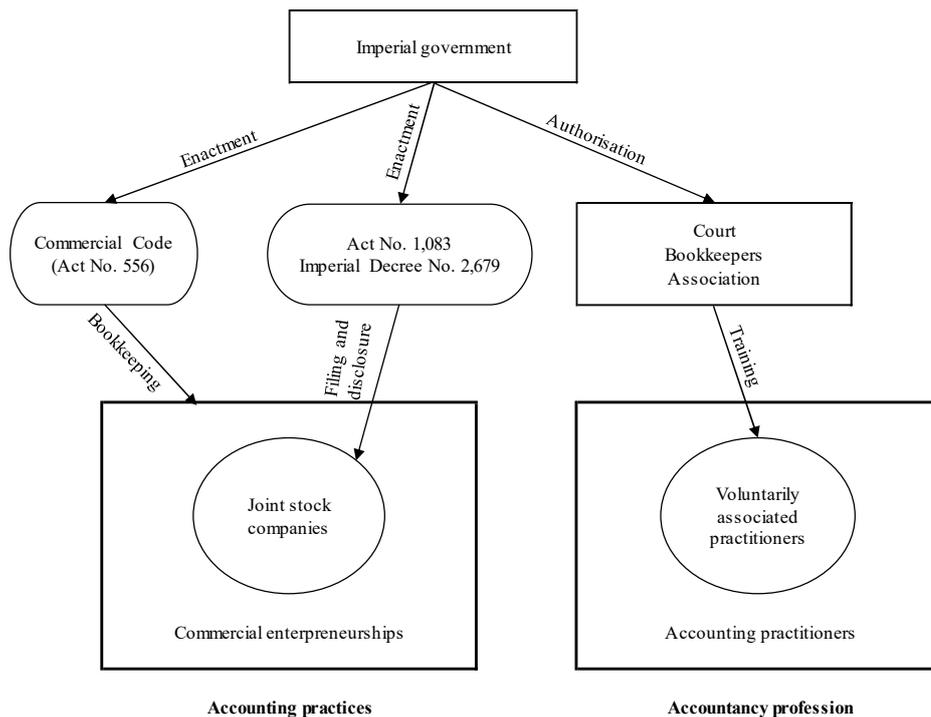
The economic growth of the west of São Paulo gave rise to a new social class, usually denominated as “the coffee bourgeoisie”. In the last two decades of the 19<sup>th</sup> century, São Paulo went through social and economic transformations which allowed the constitution of a capitalist economy through capital accumulation, economic diversification, and formation of land, production and consumption markets. The capital accumulation started by coffee plantations was combined with investments in railroads, banks and commercial activities, forming a network of urban centres which also became small centres of production and consumption. From the 1880s until the 1930s, Brazil received a huge mass of immigrants, mainly from Italy but also from other countries such as Portugal, Spain, Japan, Lebanon, Poland, etc. Their main concentration was in São Paulo, where they were expected to substitute slave labour in coffee plantations, and they ended up contributing to diversify the economy of the province even more (Fausto, 2015).

During the 1870s, the republican movement started to gain political relevance. In urban centres, especially in Rio de Janeiro, the movement was composed by liberal professionals and journalists, alongside the military who had grown dissatisfied with the imperial government, since the war against Paraguay, due to specific conditions of the military career, such as low remuneration, bad life conditions, and slowness of promotions, but also due to their criticism about the Brazilian political situation. Comtian positivism had a high influence on the formation of military officials, who generally supported a project of modernisation conducted by an authoritarian State. But a conservative republican movement also developed in the provinces, especially in São Paulo, having the coffee bourgeoisie as its main constituency, and its main objective was to establish a federation in which the provinces

would enjoy a broader autonomy, controlling their banking and immigratory policies, as well as their tax revenues. Due to the abolishment of slavery, the monarchy lost the support from the landowners of the Paraíba Valley, the social basis that formed the imperial State, but they had already lost their social influence anyway. Thus, the military coup which overthrew the monarchy, on November 15, 1889, faced no significant opposition (Fausto, 2015).

In 1870, Imperial Decree No. 4,475 officially recognised the Court Bookkeepers Association (*Associação dos Gurda-Livros da Corte*), what made bookkeeping one of the first liberal professions recognised in Brazil (Peleias & Bacci, 2004) and started the formalisation of the occupational group (Mendonça Neto et al., 2012). However, it did not create any barrier to entry to the accountancy profession, since membership to the association was not a prerequisite for exerting accounting tasks. Furthermore, even though commercial education had been established in Brazil since 1808, Peleias, Silva, Segreti, and Chiorotto (2007) affirm that during the 19<sup>th</sup> century it was not as attractive for students from upper-classes as courses in law, engineering or medicine, and according to Mendonça Neto et al. (2012), occupations in commerce were still considered inferior activities in the first two decades of the 20<sup>th</sup> century. Thus, by the end of the Imperial Period accounting practices were barely regulated in Brazil. The incipient accounting regulation field by that time is represented in Figure 3.

Figure 3 – Field of accounting regulation by the end of the Imperial Period



Source: Elaborated by the author.

### 3.2 The first republic (1889 – 1930)

Although the fall of the monarchy was achieved quite easily, the consolidation of the republic occurred in a period of political uncertainty: the many groups that tried to seize the power had different interests and conceptions about how to organise the State. Political representatives from the ruling classes of the main provinces – São Paulo, Minas Gerais, and Rio Grande do Sul – sustained the idea of a federative republic that would ensure a considerable level of autonomy to regional unities, but in other aspects they had conflicting views. Whereas politicians from São Paulo and Minas Gerais had a liberal inspiration, politicians from Rio Grande do Sul defended positivist conceptions of an authoritarian State that were also supported by the military who had overthrown the monarchy (Fausto, 2015).

Right after the military coup of November 15, 1889, its leader, Marshal Deodoro da Fonseca, assumed a provisory government, but the partisans of a liberal republic were able to guarantee the election of a Constitutional Assembly, and the first republican constitution entered into force in February 1891. Having the USA as an inspiration, it consecrated the prevalence of the liberal view, converting the provinces into states allowed to assume diverse governmental functions, such as borrowing money abroad, organising military forces of their own, taxing exportations, and organising their judicial systems. However, the federal government was not deprived of powers, since it retained the competence to tax importations, to create banks for issuing currency, to organise the national Armed Forces, to intervene in the states to ensure the public order, etc. A presidential system of government was established, with presidential terms of four years. The National Congress was still divided into two houses: for the Chamber of Representatives, deputies were to be elected in each state, proportionally to its population, for three-year terms, whereas for the Senate each state were to elect three representatives for nine-year terms. Income criteria to grant voting rights were abolished, and they were extended to men over 21, excluding illiterates. The State and the Church were separated. Hence, Brazil ceased to have an official religion, and the State assumed some functions monopolised by the Catholic Church until then, such as the registration of births, marriages and deaths (Fausto, 2015).

The first presidential election was exceptionally held within the National Congress, which elected Marshal Deodoro da Fonseca as the first republican president, and Marshal Floriano Peixoto as vice-president. Due to divergences with the National Congress and within the

Armed Forces themselves, Fonseca renounced in November 1891, and Peixoto concluded his term until 1894. From then on, except from the period from 1910 to 1914, for which Marshal Hermes da Fonseca was elected, civilians occupied the presidency and consolidated the first republic as a liberal-oligarchic endeavour. The second civilian president, Campos Sales, started to develop during his term, from 1898 to 1902, what was to be known as “the politics of governors”, assuring that the representatives in the Chamber of Deputies would come from the dominant group in each state. It ended up leading the first republic to be regarded by the common sense as the period of “coffee with milk”, in reference to the main products from São Paulo (coffee) and Minas Gerais (milk), the two most economically relevant states that dominated national politics during that time, alternating the presidency between them. However, Fausto (2015) argues that the relationships between the federal government and the states was more complex, and that Rio Grande do Sul also played an important role in the national politics of that time.

Foreign immigration, which had already started by the end of the imperial period, continued to grow during the first republic. Between 1887 and 1930, about 3.8 million immigrants came to Brazil – 2.74 million of them came before 1914. Due to its expanding economy and an incentive policy which funded travelling costs, São Paulo concentrated most of these immigrants, which came mainly from Italy, Spain, and Portugal, but also from Japan, Lebanon and other countries, and helped to diversify the essentially agrarian Brazilian economy of that time (Fausto, 2015).

Coffee continued to be the most important Brazilian commodity during the first republic, and an objective usually pursued by politicians from São Paulo was to secure federal support for plans to increase international prices through the acquisition of regulatory inventories. However, agricultural production for the internal market and industrial activities also gained relevance during the period. The coffee sector contributed for the concentration of industrial development in São Paulo, by stimulating an income growth which generated markets for manufactured products, by promoting investments in railroads that also integrated these markets, by attracting immigrants that assured the supply of labour, and by providing resources for the importation of industrial machinery (Fausto, 2015).

After World War I, urban middle classes became more politically relevant, tending to support liberal reforms to overcome the oligarchic character of the republic. During the 1920s, the

military also regained political relevance, and a movement led by junior army officers known as **tenentism** (from *tenenente*, i.e., lieutenant) gave rise to armed uprisings in Rio de Janeiro, in 1922, and in São Paulo, in 1924. Whereas the revolt in Rio de Janeiro involved only one fort and was debellated within one day, in São Paulo the rebels controlled the capital of the state for two months, before leaving towards the countryside, where they were joined by another contingent of rebels coming from Rio Grande do Sul, initiating a march that lasted more than two years and crossed nearly 24,000 km through the interior of Brazil. Notwithstanding the military failure of these movements, their symbolism before the urban population unsatisfied with the ruling elites contributed to raise support for the movement that overthrew the first republic some years later (Fausto, 2015).

In 1929, president Washington Luís decided to support Júlio Prestes for his succession, who was a politician from São Paulo, thus breaking up the tacit deal according to which a politician from Minas Gerais should succeed him. Because of this, Minas Gerais forged an alliance with Rio Grande do Sul and Paraíba, which indicated, respectively, Getúlio Vargas and João Pessoa as candidates for president and vice-president. Their program reflected the aspirations of the regional elites not linked to coffee production, but also tried to sensitise the middle classes. They sustained the necessity of incentivising the national production generally, and not just the coffee sector, and proposed an electoral reform to suppress the frauds that were common throughout the period of the first republic. Despite the popular support achieved in urban centres during the campaign, Vargas and Pessoa were defeated in the elections, what increased the dissatisfaction with the political system among their supporters, which included most of the leadership of tenentism in the 1920s. The killing of João Pessoa by a personal enemy, in July 1930, served as a pretext to an armed insurrection that started by the beginning of October, in Porto Alegre, and ended on November 3, 1930, when Getúlio Vargas arrived at Rio de Janeiro to take over a provisory government (Fausto, 2015).

In the accountancy profession, efforts to organise the occupational group were the most remarkable feature of the first republic. According to Ricardino and Carvalho (2004), an audit opinion from a Canadian firm in 1902 was the first one known to be issued in Brazil, whereas the first Brazilian office of an international auditing firm was established by Price Waterhouse & Peat Marwick in 1915, although Deloitte Touche Tohmatsu claims to have opened its first Brazilian office in 1911. However, the other major international auditing firms would launch

their Brazilian operations much latter (Arthur Andersen opened its first office in 1957, and Arthur Young, predecessor of Ernst & Young, started its operations in 1959). Thus, foreign practitioners had little influence over the initial development of the accountancy profession in Brazil, and the multiple efforts that were taken to organise the occupational group during the first republic were led by local accounting practitioners who had achieved outstanding positions in Brazilian society, such as in the State Treasury of São Paulo, in the National Treasury, and in the Senate (Mendonça Neto et al., 2012). Among these efforts, the following institutions were created: the Brazilian Accounting Review (*Revista Brasileira de Contabilidade*), in 1911; the Brazilian Institute of Fiscal Accountants (*Instituto Brasileiro de Contadores Fiscais*), the São Paulo Accountants Association (*Associação dos Contadores em São Paulo*) and the Brazilian Institute of Accounting (*Instituto Brasileiro de Contabilidade*), in 1916; the São Paulo Accounting Institute (*Instituto Paulista de Contabilidade*), in 1919; the Minas Gerais Accounting Institute (*Instituto Mineiro de Contabilidade*), in 1927; and the Rio de Janeiro Accounting Institute (*Instituto Fluminense de Contabilidade*), in 1929 (Peleias & Bacci, 2004).

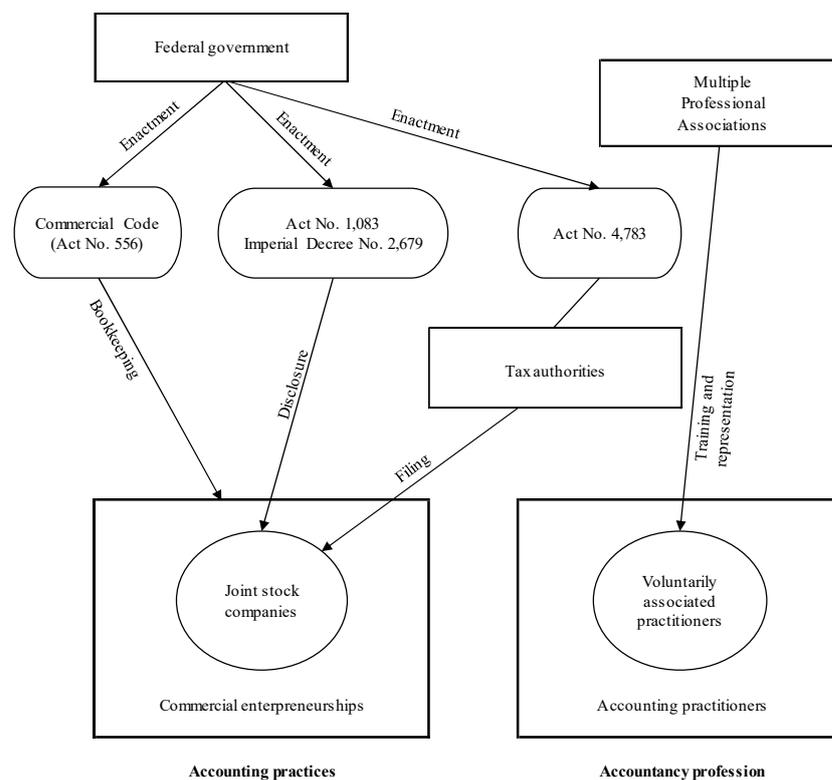
Agrizzi and Sian (2015) stress that the power-asymmetry in the state-profession relationship was a key influencing factor in the creation of these regional associations, which were a means for carving a jurisdictional space and securing upward social mobility for the bookkeeping/accounting community. According to them, “as in other centralised states, there is evidence that protagonists from within the state machinery – the ‘inside men’ – played key roles in championing the cause of the bookkeepers in Brazil” (p. 64). However, Mendonça Neto et al. (2012) also emphasise the role of conflicts within the occupational group, evidenced by the creation of exclusive associations for those who held diplomas from commercial schools in the proliferation of these regional associations, through which an elite that received formal education and held privileged positions in the social hierarchy tried to differentiate itself from the numerous practitioners who had no formal education, but possessed sufficient skills to perform the simple bookkeeping tasks demanded by that time.

The establishment of an income tax was another important development for the constitution of the field of accounting regulation in Brazil during this period. Although taxation on income had been sporadically adopted before, a regular income tax was definitively established only in 1922, through Act No. 4,625. Calculated annually, the new tax began to be applied to operations conducted in 1923, and the first collections were due in 1924, when a specific

department was created within the National Treasury to administrate these collections (Receita Federal do Brasil [RFB], 2015). In 1923, Act No. 4,783 provided further guidance for calculating the income tax, determining that joint stock companies should present to tax authorities their financial statements, whose reported income would be the basis for taxation. However, this act did not prescribe the adoption of any specific accounting policy by companies, and reinforced a rule from the Commercial Code of 1850 according to which governmental authorities did not have the right to inspect accounting books (Lei n. 4.783, 1923).

In July 1924, the first Brazilian Accounting Congress (*Congresso Brasileiro de Contabilidade*) was held in Rio de Janeiro, in which a campaign for regulating accounting activities and reformulating commercial education was launched. However, a new legislation to attend these demands entered into force only in 1931 (Peleias & Bacci, 2004). Thus, even though the efforts taken during the first republic to organise the occupational group had a relevant influence on the subsequent configuration of the field of accounting regulation for the private sector in Brazil, by the end of the period this configuration, as evidenced in Figure 4, was pretty much the same as that of the end of the Empire (see Figure 3).

Figure 4 – Field of accounting regulation by the end of the First Republic



Source: Elaborated by the author.

### 3.3 First Vargas government (1930 – 1945)

The provisory government headed by Getúlio Vargas was consolidated in a scenario of much uncertainty. The 1929 world crisis had suppressed the international markets for the agricultural production, severely reducing the revenues from exportations. Many landowners went bankrupt, and unemployment rates rose in urban centres. Politically, whereas the oligarchies from the states which supported Vargas tried to maintain the autonomy enjoyed by states during the first republic, middle-rank officials associated with tenentism were aligned with Vargas' purpose of strengthening the central government; however, these officials were also difficult to control and put the hierarchy within the Army in danger. Ever since the early days of his presidency, Vargas adopted centralising measures: when the National Congress was closed, after the success of the armed movement of 1930, Vargas assumed not only the Executive, but also the Legislative power of each state, designating federal intervenors to all of them but Minas Gerais, whose governor was his ally. States were also forbidden from borrowing abroad without federal approval, from spending more than 10% of their expenses with their polices, and from arming their polices with military equipment (Fausto, 2015).

This centralising tendency contributed for the outbreak of a civil war in São Paulo, from July to October of 1932. Being the main constituency defeated by the movement that led Vargas to power, the elites of São Paulo were marginalised from the government of their state, for which Vargas designated as intervenor a military associated with tenentism. Claiming for a local and civilian intervenor, the local elites managed to raise the support of the majority of the population of São Paulo, having in their broader agenda the convocation of a Constitutional Assembly and a regaining of state autonomy. In spite of its military victory, the federal government realised that it could no longer ignore the interests of the elites of São Paulo which, by their turn, comprehended that they had to compromise with the federal government somehow. In May 1933, a Constitutional Assembly was elected, and approved a new federal constitution that entered into force in July 1934. Vargas was indirectly elected by the Assembly as president, and his term were to end in 1938. From then on, general elections for the presidency should be held (Fausto, 2015).

However, the worldwide discredit of liberal democracy that followed the World War I and the global crisis of 1929 was also reflected in Brazil, and political movements with authoritarian inspiration started to grow. In 1932, the fascist-inspired Brazilian Integralist Action (*Ação*

*Integralista Brasileira – AIB*) was launched, having a nationalist and conservative moral agenda, and identifying liberalism, socialism, and international financial capitalism as its enemies. In March 1935, the National Liberation Alliance (*Aliança Nacional Libertadora – ANL*) was created, reflecting a new orientation of the Brazilian Communist Party (*Partido Comunista Brasileiro – PCB*), which were founded in 1922, but had been focused solely on the labour movement until then. Following instructions from the Comintern, the ANL was modelled as a popular front to combat fascism and imperialism, congregating members from the middle-classes and leftist military led by Luiz Carlos Prestes, the main leader of the tenentist march which crossed Brazil during the 1920s and who had become a communist while in exile. In July 1935, after Prestes made a public call for overthrowing the government, the ANL was declared illegal. Then, in November 1935, the communists attempted a coup by means of coordinated uprisings in different military units. Their failure was followed by tough repressive measures, strengthening the authoritarian current that had been developing within the government itself, especially in the Army, which adopted a perspective of a conservative modernisation in which the State would promote economic development and social welfare by assuring the order and putting an end to social conflicts (Fausto, 2015).

By the beginning of 1937, three candidatures had been launched for the general elections to be held in 1938. However, in September 1937 a false plan for a communist insurrection was divulged by the government, serving as a pretext for Vargas to implement in November, with support from the military, a dictatorship that lasted until 1945. In 1938, the AIB tried to depose Vargas through an armed assault to the presidential palace, but they were defeated and their movement was repressed. As the National Congress was closed during this period, governmental technical agencies assumed a greater role in the articulation between the State and society, and initial steps of an administrative reform were taken through the creation of the Administrative Department of the Public Service (*Departamento Administrativo do Serviço Público – DASP*), in 1938, whose objective was to professionalise the State bureaucracy. Political propaganda, especially through radio, also played an important role in consolidating Vargas' regime, attributing a highly personalist character to governmental actions. The Department of Press and Propaganda (*Departamento de Imprensa e Propaganda – DIP*) was created in 1939, consolidating publicity initiatives taken since 1931 and promoting the censorship of social communication (Fausto, 2015).

Labour policies adopted by Vargas were consistent throughout his period as Head of State. Their objectives were to suppress independent organisational efforts taken by the urban working classes, which had been growing since the 1920s, and to attract them to support the government, putting unions under control of the State through the Ministry of Labour created right after Vargas took over the provisory government. Each professional category could be represented, in a given geographical area, by one union only, whose recognition and functioning were contingent upon close supervision by officials from the Ministry of Labour. Furthermore, specific governmental arbitration chambers were created to mediate the conflicts between workers and employers, which later on became a specialised arm of the Judiciary that is still in operation nowadays. Notwithstanding the suppression of their autonomy, workers were benefited by several initiatives taken during the Vargas government, such as the limitation of the work journey, the establishment of a minimum wage, of remunerated vacations, etc. (Fausto, 2015).

Economically, the period commanded by Vargas, especially after the establishment of his dictatorship in 1937, was marked by industrialisation policies that aimed to substitute importations of manufactured goods for national production, which were facilitated by the decline in international commerce due to the World War II, and to develop the national production of capital goods, whose most significant step was the creation of the state-owned National Steel Company (*Companhia Siderúrgica Nacional – CSN*), partially funded by the USA. The financial support from the USA to create the CSN was bargained for the Brazilian support to the Allied Powers during World War II, even though Brazil had maintained an ambiguous position towards the Axis Powers during the 1930s, and expressive segments within the government sympathised with the authoritarian regimes of Italy and Germany, which inspired many aspects of Vargas' regime itself (Fausto, 2015).

In August 1942, five Brazilian merchant ships were sunk by German submarines, and Brazil declared war on Germany. In 1944, the Brazilian Expeditionary Force (*Força Expedicionária Brasileira – FEB*), with more than 20,000 troops, was sent to Italy to fight alongside the US Army against the German occupants. The Brazilian engagement in the warfare, supporting democracies in confront with authoritarian regimes, rose the political criticism of the Brazilian regime not only from opponents, but also from segments within the government itself. Pressures for democratisation led Vargas to call, in February 1945, presidential elections to be held in December of the same year. The three main parties that would

centralise Brazilian politics for the following two decades were created during 1945: The National Democratic Union (*União Democrática Nacional* – UDN), congregating the traditional liberal opposition to Vargas; the Democratic Social Party (*Partido Social Democrático* – PSD), launched from within the State bureaucracy which supported Vargas; and the Brazilian Labour Party (*Partido Trabalhista Brasileiro* – PTB), representing the unionist bureaucracy coordinated by the Ministry of Labour and also supportive of Vargas. However, political quarrels throughout the year led the leadership of the Army to force Vargas to resign from the presidency in October 1945. Nevertheless, he kept his political rights and ran for the presidency in 1950, winning the elections (Fausto, 2015).

The efforts taken during the first republic to organise the accounting occupational group started to pay off soon after Vargas seized the government. One of the first actions taken by Vargas, in November 1930, was the creation of a Ministry of Education and Health. In the context of educational reforms implemented by the provisory government, on June 30, 1931, Decree No. 20,158 established guidelines to reform accounting education, introducing a new two-level course in commerce and defining its curriculum, and created the Superintendence of Education in Commerce (*Superintendência do Ensino Comercial*), an agency subordinated to the Ministry of Education and Health and entitled to supervise the schools of commerce. Furthermore, Decree No. 20,158 also regulated the accountancy profession, recognising as accountants (*contadores*) those who received a diploma from officially recognised schools of commerce, which would be registered by the Superintendence of Education in Commerce. However, the Decree determined that, within the period of one year after its publication, experienced practitioners without formal education could take examinations to qualify and be registered as accountants as well (Decreto n. 20.158, 1931). In February 1932, Decree No. 21,033 complemented those dispositions, exempting from examinations those who had been, before the publication of Decree No. 20,158, civil servants responsible for accounting departments, or accounting lecturers in schools of commerce officially recognised. Decree No. 21,033 also determined that legally mandatory accounting books would be valid only if signed by an accountant, ensuring a legal monopoly for the profession (Decreto n. 21.033, 1932). According to Agrizzi and Sian (2015), “although not satisfying the call for differentiation between the qualified and unqualified practitioners, the legislation was a move towards raising standards for newcomers to accountancy, and therefore potentially the future occupational status of the group” (p. 67).

Regional professional associations continued to proliferate during this period: new institutions were created in Pernambuco and Mato-Grosso, in 1931, and in Rio Grande do Sul, in 1934. Other Brazilian Accounting Congresses also occurred: the second was held in Rio de Janeiro, in 1932; the third, in São Paulo, in 1934; and the fourth, once again in Rio de Janeiro, in 1937 (Peleias & Bacci, 2004). Analysing the developments of accounting in Brazil during this period, both Rodrigues, Schmidt, Santos, and Fonseca (2011) and Agrizzi and Sian (2015) stress the relevance of the corporatist form assumed by the State to comprehend these developments. They follow Schmitter (1974), for whom

Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and support. (pp. 93-94).

Thus, Rodrigues et al. (2011) argue that the Brazilian State reached the peak of its corporatist form during Vargas' tenure, and that "accounting was allied with socio-political objectives ... [and] was understood by Vargas through its role in assisting corporate and public accountability, and in installing monitoring systems" (p. 120). For instance, Decree No. 24,643 established a Water Code (*Código de Águas*) in 1934, implementing the pricing principle of "service at cost" to determine the tariffs to be charged for hydroelectric energy. Tariffs should recover the current costs of service delivery, including depreciation, and to enact this determination the Decree authorised governmental authorities to inspect accounting books of hydroelectric companies (Decreto n. 24.643, 1934).

In 1940, with an apparent objective of protecting minority shareholders, a Corporations Act was enacted through Decree-Law No. 2,627, consolidating the European influence on Brazilian accounting (Schmidt & Santos, 2012). At that time, according to Rodrigues, Schmidt, and Santos (2012),

Brazilian accounting was influenced by Italian equity theorists for whom accounting was not just a professional area that aims to give the fair and true value of assets and liabilities, but a science, with its own laws and principles, and an objective to study and interpret net assets. The focus of the equity theory of the Italian school was doctrinal and theoretical. (p. 16).

Besides its adoption in schools of commerce, the massive presence of Italian immigrants can also have contributed for the prevalence of the European influence in Brazil (Mendonça Neto et al., 2012). The accounting content of the Corporations Act was based on a paper presented

at the first Brazilian Accounting Congress (Sá, 2008), and further than standardising the Balance Sheet and the Profit and Loss Statement, it prescribed rules for valuation of assets and for determining and distributing profits for the first time in Brazilian legislation (Iudicibus & Ricardino Filho, 2002), impinging a legalist character upon Brazilian accounting practices. Interestingly, revaluation of current assets at market prices was allowed, although increases in relation to their historical costs could not be distributed as dividends (Decreto-Lei n. 2.627, 1940). Sporadic revaluations of fixed assets were allowed from 1944 on, in order to compensate for the loss of purchasing power of the Brazilian currency due to inflation, and from the mid-1960s to the mid-1990s the monetary correction of fixed assets became mandatory (A. dos Santos & Ribeiro, 2014).

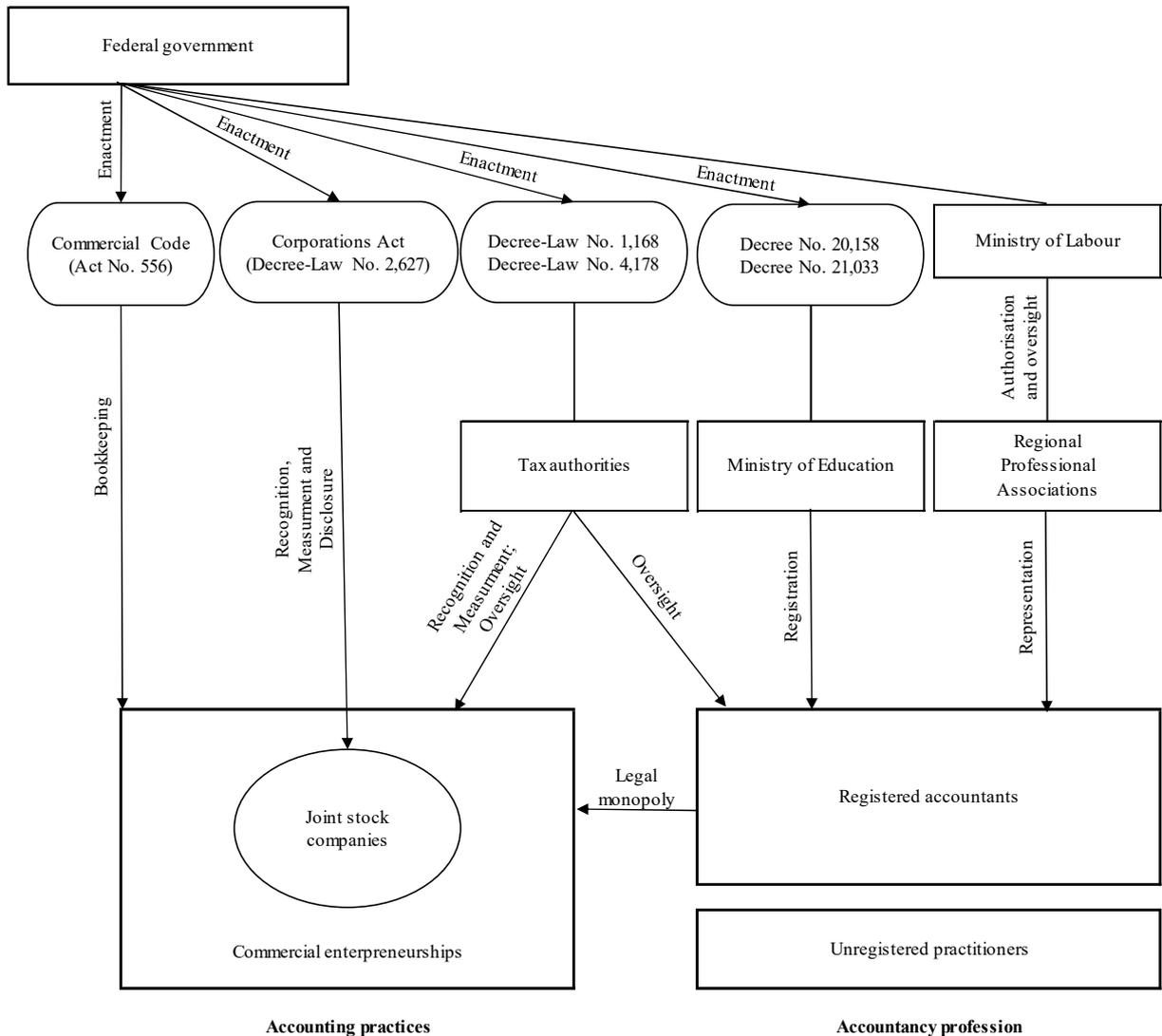
Coinciding with the increased legal prescription of accounting policies, oversight powers of tax authorities were enhanced. In 1939, Decree-Law No. 1,168 allowed tax authorities to inspect accounting books to verify the authenticity of balance sheets utilised to calculate the income tax, thus revoking a contrary command from the Commercial Code of 1850. Firms which refused to exhibit their books could be fined and judicially ordered to do so (Decreto-Lei n. 1.168, 1939). In 1942, Decree-Law No. 4,178 prescribed which expenses could be considered for calculating profits (Article 37) and a list of accounting documents which should be handled together with the income tax declaration (Article 38). It was also determined that these documents should be signed by an accountant, who would be fined and forbidden to sign any other document to be submitted to tax authorities if any fraud were discovered, besides being subjected to legal penalties (Article 39) (Decreto-Lei n. 4.178, 1942). Hence, the profession had its legal monopoly reinforced, but at the same time it was subjected to stricter governmental control through the legal prescription of accounting policies and the provision of administrative powers for tax authorities to enforce them.

In terms of organisation of the occupational group, Agrizzi and Sian (2015) highlight the greater constraints imposed on labour associations during the Vargas' regime. They needed previous authorisation from the Ministry of Labour to function, which was conditional on compliance with rules determined by the Ministry, such as being free of political or religious ideology. These rules were enforced by delegates from the Ministry who attended the meetings and inspected the books held by unions on a regular basis. On the other hand, to obtain unions' support the State also provided incentives for them, such as institutionalised channels of access to the governmental administration, the authority to sign collective

bargaining contracts, and financial support from the Ministry. Thus, notwithstanding the asymmetrical nature of this relationship, in which the government could take penal action (e.g., threats of dissolution) and impose punishments (e.g., fines) against unions which failed to meet governmental standards, Agrizzi and Sian (2015) consider that the rewards provided to unions through this system could be advantageous for occupational groups with lower social status. According to them, “the system was essentially one of mutual accommodation where the co-opted entities were linked to the state machinery (via various councils, commissions and working groups) through institutionalised channels” (p. 69).

Given this set of constraints, these channels offered an opportunity for accountants to infiltrate the State machinery and access the highest levels of the public administration, being co-opted to government agencies for long periods of time. In these positions, they were able to advance the agenda of the occupational group, seeking to eventually be on a par with other professions. Thus, in October 1945, the First National Convention of Accountants (*Primeira Convenção Nacional de Contabilistas*) was called in Rio de Janeiro, to be attended by representatives from every regional association. Vargas himself was invited to the convention as a guest of honour alongside his Minister of Education, following a strategy to persuade them to endorse the draft plan to create the first national accounting body. However, by the end of that month Vargas was forced to resign, and the national accounting body was only created in the following year, during the term of his successor (Agrizzi & Sian, 2015). Nevertheless, the first Vargas government was the period when the field of accounting regulation gained a legalist and tax-oriented configuration which would endure for decades. In Figure 5, this configuration by the end of the first Vargas government is represented.

Figure 5 – Field of accounting regulation by the end of the First Vargas Government



Source: Elaborated by the author.

### 3.4 The democratic republic (1946 – 1964)

The period from 1946 to 1964 was marked by an increased political polarisation in Brazilian society, associated with an institutional weakness of the State and a growing interference of the military in politics. Nevertheless, in spite of the political turbulences, regular elections for presidency were held in 1945, 1950, 1955 and 1960. According to Fico (2015), the interpretation that the political parties of that time had ill-defined ideologies is no longer prevalent as it was until recently, and the shutdown of both PSD, PTB, and UDN in 1965 was one of the greatest damages to Brazilian democracy caused by the military dictatorship established through a *coup d'état* in 1964.

After Vargas was forced to resign in October 1945, the military handed the presidency, in agreement with the liberal opposition, to the president of the Supreme Federal Court (*Supremo Tribunal Federal* – STF), and the elections scheduled for December were maintained. The two main candidates that ran for president were also military: Brigadier Eduardo Gomes, for the UDN, and Marshal Eurico Gaspar Dutra, for the PSD in alliance with the PTB. A third candidate was launched by the PCB, then legally authorised to function, achieving 10% of total votes. Notwithstanding the excitement that the candidacy of Gomes arose among the opponents of Vargas' regime, he only achieved 35% of total votes. Dutra, Vargas' former-Minister of Defence, running for a coalition made by the two parties which took the legacy of Vargas' regime and publicly supported by Vargas himself, was elected with 55% of total votes, indicating that the former dictator enjoyed a high level of popularity (Fausto, 2015).

In the context of the Cold War, Dutra's government initiated an anti-communist policy marked by the repression of the PCB, which was declared illegal in 1947, and by the severance of diplomatic relations with the USSR. He also implemented liberal policies to reduce the intervention of the State over the economy, and the repression of unions on behalf of the combat of communism contributed to keep wage increases below inflation rates, reducing the real income of the working classes (Fausto, 2015).

In accounting, two relevant developments which began by the end of the first Vargas government were concluded during Dutra's term: the establishment of higher courses in accounting and of a national professional association. In September 1945, Decree-Law No. 7,988 had allowed the creation of higher courses in accounting and actuarial sciences; then, in 1946 the Faculty of Economic and Administrative Sciences (*Faculdade de Ciências Econômicas e Administrativas* – FCEA) was created within the University of São Paulo (*Universidade de São Paulo* – USP) and started to offer, under the influence of members from the elite of the occupational group, the first Brazilian higher course in accounting (Mendonça Neto et al., 2012; Peleias et al., 2007).

In May 1946, following a proposal presented in October 1945 during the First National Convention of Accountants, Decree-Law No. 9,295 created the Federal Council of Accounting (*Conselho Federal de Contabilidade* – CFC) and Regional Councils of Accounting (*Conselhos Regionais de Contabilidade* – CRCs) in each state (Bugarim, Pinho,

Rodrigues, & Machado, 2013). This decree divided the profession into two categories: Accountant (*contador*), for those who hold a university accounting degree, and bookkeeper (*guarda-livros*) for those who hold a commercial school degree. From then on, registering in a CRC was compulsory for all accounting practitioners, and only accountants could practice as auditors or legal experts, but the rights to practice of those who had been registered according to the previous norm were maintained (Decreto-Lei n. 9.295, 1946). In 1958, Act No. 3,384 renamed the category of bookkeeper as accounting technician (*técnico em contabilidade*), maintaining the two-tiered structure of the profession (Lei n. 3.384, 1958). As observed by Mendonça Neto et al. (2012), Decree-Law No. 9,295 consolidated the professional project of Brazilian accounting practitioners, broadening their legal monopoly and closing the practice to those licensed by the category. However, Agrizzi and Sian (2015) notice that it failed to organise the tiered profession on a task-basis and suggest that “a centralist government seeking to develop and bolster the quantum of accounting expertise would not necessarily have been sympathetic to the demands of the practitioners to close off or restrict opportunities to potential entrants in order to achieve greater differentiation” (p. 69).

Meanwhile, Vargas kept in his hometown, in the countryside of Rio Grande do Sul, for most of the time during Dutra’s term, even though he had been elected as senator in 1945. However, this apparent distance from the central power allowed him to articulate his candidature for president in 1950. Nominated by the PTB, Vargas ran against Eduardo Gomes, who was UDN’s candidate once again, and Cristiano Machado, nominated by the PSD under the influence of Dutra, who refused to support Vargas. Nevertheless, Vargas won the election with 48.7% of total votes, against 29.7% for Gomes and 21.5% for Machado (Fausto, 2015).

Vargas’ new government was a period of conflicts between two tendencies which had developed within the leadership of the Armed Forces: “nationalists” which opposed the participation of foreign capital in Brazilian economy, against those that were supportive of such participation (Fico, 2015). Nationalists supported a model of economic development based on industrialisation, in which the State should play important roles both as regulator and as investor in strategic industries such as oil, steel, transportation, and communication, associated with an independent foreign policy, whereas their adversaries were supportive of less State interventionism, did not give as much priority to industrialisation, believed that the progress of the country depended upon its openness to foreign capital, and supported a policy

of tough combat to inflation through the control of currency emissions and governmental expenditures, associated with a foreign policy of unrestricted alliance with the USA to fight communism (Fausto, 2015).

Vargas was inclined towards the nationalist conceptions, as evidenced by the creation of the National Bank for Economic Development (*Banco Nacional de Desenvolvimento Econômico* – BNDE), in 1952, and the Brazilian Oil Company (*Petróleo Brasileiro S.A.* – Petrobras), in 1953. He also maintained the labour-oriented approach which had characterised his previous 15-year-term as Head of the State, easing the restrictions on unionisation imposed during Dutra's government. This liberalisation of the labour movement, associated with increases in the cost of living due to raising inflation rates, led to a series of strikes during 1953. Vargas then nominated João Goulart, a politician from the PTB, for the Ministry of Labour. Through the PTB, Goulart had a high ascendancy over unions, and he did show efficiency in negotiating the end of strikes; however, his pro-labour policies, such as a proposal of increasing the minimum wage in 100%, outraged the conservative opposition to Vargas, which claimed that Goulart had plans for implementing a "unionist republic". Although dismissing Goulart in February 1954, Vargas did concede the 100% raise to the minimum wage in May and adopted further economic measures of a nationalist character, what strengthened the opposing tendency within the Armed Forces (Fausto, 2015).

On August 5, 1954, there was an attempt to kill Carlos Lacerda, a journalist who was one of the main adversaries of Vargas. Lacerda survived the attack, but a Major of the Air Force, who had volunteered to protect him, died. In the course of the investigations, which were taken over by the Air Force, it was found that the chief of the presidential guard had planned the attack. Under pressure from the military to resign, Vargas committed suicide on August 24, 1954. The popular commotion caused by his death led to riots in the main urban centres, where media companies identified with the opposition to Vargas were attacked (Fico, 2015).

After Vargas' suicide, vice-president Café Filho, who had broken off relations with Vargas, assumed the presidency and set up a cabinet with a majority of members from the UDN. The governor of Minas Gerais, Juscelino Kubitschek, an allied of Vargas, was launched by the PSD and started to campaign for the presidency in the elections to be held by October 1955. Kubitschek was also supported by the PTB, which launched João Goulart as candidate for the vice-presidency (by that time, the vice-president was elected separately from the president).

The perspective of a return of Vargas' allies to power was fiercely opposed by conservative politicians, which openly claimed for an intervention of the military against this possibility. Once Kubitschek and Goulart were elected, the conspiracy within the Armed Forces to prevent them from taking office started to grow, but then in November 1955 the Minister of Defence, General Henrique Teixeira Lott, representing the military who opposed an institutional rupture, led a "preventive" *coup d'état* which assured that Kubitschek and Goulart assumed their posts in January 1956 (Fico, 2015).

Contrary to Vargas' government and the period following his suicide, Kubitschek's term was a period of greater political stability and economic growth. He implemented an economic plan based on 31 targets distributed between six areas: energy, transportation, alimentation, capital goods, education, and the construction of Brasília, the new federal capital in the interior of Brazil which he inaugurated in 1960. The plan achieved expressive results, with a real growth of industrial production around 80% between 1955 and 1961. But despite the same focus on industrialisation, Kubitschek adopted, unlike Vargas, a more receptive approach to external capitals, granting incentives to attract foreign investments whose greatest symbol was the growth of the automobile industry led by multinational companies such as Ford, Volkswagen and General Motors. However, Kubitschek's term was also marked by the growth of governmental expenditures and inflation rates, leaving a bad financial situation to be handled by his successor (Fausto, 2015).

Following their multinational clients, Anglo-American auditing firms established their Brazilian operations by the end of the 1950s: Arthur Andersen opened its first office in 1957, and Ernst & Young, in 1959 (Price Waterhouse & Peat Marwick and Deloitte Touche Tohmatsu had opened their first Brazilian offices in the 1910s) (Ricardino & Carvalho, 2004). According to Iudícibus (2004), these firms enjoyed an advantage over local competitors, due to their pre-existing structures and procedures consolidated in auditing manuals, whereas Brazilian firms did not possess auditing manuals of their own. Little by little, international branches incorporated pre-existing Brazilians auditing firms, and some of their professionals contributed to develop the governmental accounting guidelines which started, from mid-1960s on, a transition from the Italian school of thought to the American influence on Brazilian accounting regulation. In 1957, the Institute of Public Accountants of São Paulo (*Instituto dos Contadores Públicos de São Paulo – ICPSP*) was created, in a pioneer initiative for congregating auditors which would be concluded in 1971, when a unified national

association of auditors was launched (Instituto dos Auditores Independentes do Brasil [IBRACON], 2007). In the following years, especially after the *coup d'état* in 1964, this new professional elite assumed a protagonist role in the field of accounting regulation.

In the elections of 1960, the governor of São Paulo, Jânio Quadros, ran for the presidency by a small party, claiming to be independent from the main parties and basing his campaign on the combat to corruption. Quadros defeated PSD's nominee for the presidency, General Lott, but João Goulart ran for the vice-presidency by the PTB and won once again. By the beginning of his term, Quadros adopted an orthodox plan to stabilise the economy, obtaining the support from the international financial community and from the USA government (Fico, 2015). However, Quadros lacked any political support, since the PSD and the PTB had the majority in the National Congress, and even the UDN, which had supported his candidature, started to oppose him due, among other factors, the independent foreign policy he adopted. Then in August 1961, only 7 months after taking office, Quadros resigned his post. The event was never fully clarified, since Quadros himself always refused to clearly explain his motives, but the main conjecture is that he believed that the National Congress, fearing that João Goulart would become president, would refuse his resignation and concede him more powers, allowing him to govern without having to seek supporting from political parties. But if it indeed was his plan, it proved to be miscalculated, since his resignation was received by the National Congress without any effort to make him reconsider his decision (Fausto, 2015).

Nevertheless, Quadros' resignation in fact brought about a political crisis. As Goulart was in a diplomatic visit to China, the president of the Chamber of Deputies temporarily assumed the presidency, but there was no doubt that, according to the Constitution, Goulart should take over the presidency once he had come back to Brazil. However, the military ministers declared that they would not accept him as president, due to his past allegiance to Vargas, his involvement with the labour movement and an alleged connection with the communists. Goulart strategically postponed his return, trying to obtain political support to assume the presidency. Meanwhile, through radio broadcasting the governor of Rio Grande do Sul, Leonel Brizola, led a national movement in defence of the constitutional order, which obtained support from the commander of the southern division of the Army, establishing the risk of a civil war. To overcome this crisis a compromise was reached, and the National Congress implemented a parliamentary regime of government, allowing Goulart to assume the presidency, but with his powers curtailed. The constitutional amendment that established

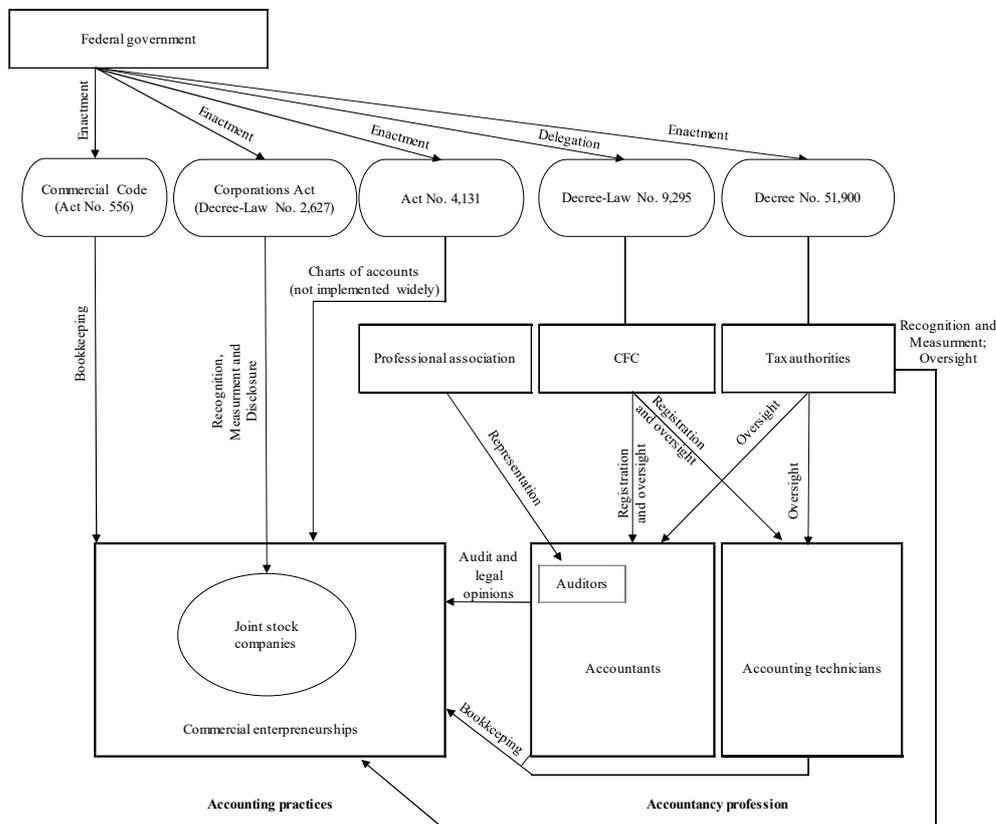
the parliamentary regime of government also called for a referendum to be held 9 months before the end of Goulart's term, but under pressures from the labour movement, the National Congress hastened the referendum to January 1963. The refusal of the parliamentary regime obtained nearly nine and a half million out of eleven million votes, and Goulart finally received the full powers of the presidency (Fico, 2015).

Goulart's government was marked by the mobilisation of social movements and the rising of new political actors. In the agrarian sector, due to the urban growth and the industrialisation between 1950 and 1964, the market for agricultural products was broadened, what increased the rentability of the land and led to more tenure conflicts. In this context, an organisation of the peasantry movement started to gain momentum, and calls for an agrarian reform entered into the political agenda. Other social actors also became more mobilised, such as university students and progressive sectors of the Catholic Church, as well as the labour movement that had been intensified since the end of the repression under Dutra's government back in the 1940s (Fausto, 2015). On the other hand, an intense destabilisation campaign was launched against Goulart since he took office, funded by business associations and the USA government, which financially supported candidacies of the opposition in the elections for governors in 1962, for instance. By his turn, Goulart started to adopt reformist positions with an increased leftist inspiration, proposing "core reforms" in the agrarian, the banking and the habitational sectors, what made his opponents pursue not only destabilisation tactics aimed at mining his popularity, but also to make conspiracies to overthrow his government. In the Armed Forces, the increasing political polarisation of Brazilian society was reflected by the organisation of low-rank military into associations that claimed for better working conditions and for political rights, since their election for political posts was forbidden. Goulart's support for their manifestations was interpreted by the high-rank military as an incentive for breaking up the hierarchy within the Armed Forces, what was the main pretext for the *coup d'état* that overthrew Goulart in April 1964, beginning a military dictatorship which lasted more than twenty years (Fico, 2015).

Throughout the Democratic Republic, accounting technologies continued to be used by the State as a means of implementing and controlling public policies, as evidenced by Act No. 4,131, enacted in September 1962, which imposed administrative controls on the remittance of profits from foreign investments. Articles 20 to 22 of this act conferred to the Executive the power to establish standard charts of accounts and to define the accounting policies that

enterprises should follow, obliging them to discriminate in their capital and profit accounts the amounts attributable to foreign owners (Lei n. 4.131, 1962). However, except from some regulated industries, standard charts of accounts were never implemented, although taxation continued to rely on book entries, and prescriptions for profit calculation became ever more detailed – Decree No. 51,900, for instance, consolidated the income tax legislation in force as of 1963, containing dispositions on accounting for royalties and depreciation rates, among others (Decreto n. 51.900, 1963). Thus, the developments in the field of accounting regulation during this period were contradictory. On the one hand, the State delegated to the national professional association the power to register practitioners and entitled it with oversight authority, apparently conferring a higher level of autonomy to the profession, in whose ranks an incipient new elite started to take form. On the other hand, tax authorities retained oversight powers over practitioners and the State explicitly assumed the role of regulating accounting practices, even though it did not play that role as extensively as the legislation would allow. In the lack of deeper analyses of this period, my tentative suggestion is that a relationship of mutual accommodation between the profession and the State continued to prevail. Figure 6 represents the configuration of the field by the end of this period.

Figure 6 – Field of accounting regulation by the end of the Democratic Republic



Source: Elaborated by the author.

### 3.5 The military dictatorship (1964 – 1979)

After the *coup d'état* that overthrew Goulart, the military imposed an “Institutional Act” (*Ato Institucional* – AI), suspending political rights and guarantees, revoking parliamentary mandates of politicians identified with Goulart and the left, and determining that the National Congress, which continued to function after an expurgation of 40 of its members, would elect a president to complete the term initiated by Jânio Quadros in 1961. Thus, the presidential elections scheduled to 1965 were initially maintained. General Humberto Castelo Branco, former chief of the Army Staff, was “elected” as president on April 11, 1964. However, in July 1964 Castelo Branco’s term was extended and the presidential election was postponed to October 1966, indicating that the military were willing to keep in control of the State for a while (Fico, 2015).

The first AI also determined July 15, 1964, as the deadline for the establishment of “revolutionary punishments”, which included the revoking of parliamentary mandates, the suspension of political rights, and the compulsory retirement of military that were suspected of supporting Goulart. Notwithstanding violence episodes that followed the *coup d'état*, Castelo Branco represented a moderate tendency within the Armed Forces and softened the punishments applied in accordance with investigations led by military officials who required tougher measures. These military grew dissatisfied, demanding more punishments and the postponement of the deadline, but Castelo Branco did not accept their requests. This group originated the “hard-line” within the Armed Forces that developed the repressive apparatus which would characterise the regime in the following years. Although the presidential election of 1965 was postponed, the scheduled elections for governors were kept, and when adversaries of the new regime were elected in Guanabara and Minas Gerais, Castelo Branco ended up conceding to the pressures of the hard-line, decreeing a second AI (AI-2) that established a new period of “revolutionary punishments” and extinguished the existing political parties, creating an artificial two-party system with the National Renovator Alliance (*Aliança Renovadora Nacional* – ARENA), congregating the supporters of the regime, and the Brazilian Democratic Movement (*Movimento Democrático Brasileiro* – MDB), for the tolerated opposition (Fico, 2015).

In the economy, the new regime created the Governmental Economic Plan of Action (*Plano de Ação Econômica do Governo* – PAEG), elaborated by the Minister of Planning and by the

Minister of Finance, Roberto Campos and Otávio Gouvea de Bulhões, respectively. Among other measures, the PAEG restricted the credit for the private sector, compressed salaries, curtailed subsidies to raw materials such as wheat and oil, raised tax revenues through an enhancement of the inspection capacity of tax authorities, and provided incentives to attract foreign investments, eliminating the restrictions to the remittance of profits that had been established during the term of Goulart. The plan achieved its objective of reducing the public deficit, which amounted to 4.2% of the Gross Domestic Product (GDP) in 1963, to only 1.6% in 1965, but its costs were mostly imposed on the working classes, since one of its measures was to adjust wages by rates lower than the inflation rates (Fausto, 2015).

The authoritarian regime also structured the Brazilian financial market through a bank reform and a Capital Markets Act (Act No. 4,728 of 1965). Until then, financial markets in Brazil were poorly developed due to legal restrictions in force since 1933: interest rates were limited to 12% per year, what led to negative real interests during the inflationary post-war period, and contracts could only be concluded in national currency, thus forbidding any compensation for the exchange rate variation. Typical functions of a Central Bank were performed by several institutions, and stock exchanges provided little funding for firms, since just a few companies traded their shares, and trading volumes were low (Andrezo & Lima, 1999). At the end of 1964, Act 4,595 organised the National Monetary Council (*Conselho Monetário Nacional* – CMN) and created the Central Bank of Brazil (*Banco Central do Brasil* – BCB). By then, the CMN was headed by the Minister of Finance and composed by the presidents of two state-owned banks and six members pointed by the president and approved by the Senate (nowadays, it is headed by the Minister of Finance and composed by the Minister of Planning and the president of the BCB). The objective of the CMN is to formulate policies for the national currency and for credit, and one of its legal competencies is to establish accounting standards for financial institutions (Lei n. 4.595, 1964). In 1965, Act No. 4,728 conferred to the CMN the power of regulating financial and capital markets, and established the BCB as a supervisory authority allowed to inspect the books of listed companies and financial institutions (Lei n. 4.728, 1965).

At least two other administrative reforms promoted by the military regime had relevant consequences for the field of accounting regulation: in 1966, Decree-Law No. 73 created the National Council of Private Insurance (*Conselho Nacional de Seguros Privados* – CNSP), originally composed by representatives from several ministries and governmental agencies, as

well as members from the civil society, being responsible for establishing norms for private insurance, including the accounting standards to be followed by insurance companies; and the Superintendence of Private Insurance (*Superintendência de Seguros Privados* – SUSEP), the governmental agency in charge of enforcing the norms issued by the CNSP, having authority to inspect the accounting books of insurance companies (Decreto-Lei n. 73, 1966). In 1968, the Secretariat of the Federal Revenue (*Secretaria da Receita Federal* – SRF) was created to coordinate the supervision of all federal taxes. Until then, four different departments within the National Treasury were responsible for supervising federal taxes, including the Income Tax Department. The SRF was directly subordinated to the Minister of Finance, and was organised into four systems: Collection, inspection, taxation, and economic information (RFB, 2016).

Due to the consequences of his economic policies, by the end of his term Castelo Branco was quite unpopular even before the sectors of the middle classes which had supported the military *coup d'état*. Furthermore, the hard-line grew stronger within the Armed Forces and imposed as his successor General Artur da Costa e Silva, whose term began in March 1967. During 1968, in line with the worldwide scenario, protests against the regime intensified: on March 28, the police killed a student in Rio de Janeiro while repressing a manifestation; as the press was not completely under censorship by that time, his death was covered in the newspapers; thousands of people attended to his funeral the next day, and protests against his death took place all over the country, being violently repressed by the police. In June, a demonstration gathered nearly one hundred thousand people in Rio de Janeiro. In April and July, steel workers went on strike in Contagem and Osasco, surprising the government that had toughly repressed unions ever since the *coup d'état* in 1964. The first armed actions taken by leftist organisations also occurred in 1968, whereas rightist groups promoted violent attacks against organisations and artists identified with the opposition to the dictatorship (Fico, 2015).

The intensification of the protests in 1968 served as a justification for the hard-line to implement more repressive measures. By the beginning of September, Deputy Márcio Moreira Alves proclaimed speeches criticising the regime and suggesting a boycott to the Independence Parades to be held on September 7. His speeches outraged the leadership of the hard-line within the Armed Forces, whose chiefs demanded his punishment to president Costa e Silva. However, in the absence of discretionary powers, Costa e Silva had to ask for

permission from the National Congress to prosecute Moreira Alves, but on November 12 the National Congress defied the military and denied such an authorisation. The next day, the fifth AI (AI-5) was proclaimed, closing the National Congress, attributing lasting discretionary powers to the president and restarting the punishment of adversaries of the regime. The AI-5 was celebrated by Costa e Silva as “a revolution within the revolution”, representing the prevalence of the hard-line and serving as a basis for developing a political repressive apparatus (Fico, 2015).

The repressive apparatus was firstly composed by the National Information System (*Sistema Nacional de Informações – SNI*), which had been created right after the *coup d'état* in 1964, but had functioned precariously until 1968. Ever since January 1968, the SNI had been reorganised, establishing subsections within each Ministry and other governmental institutions, such as state-owned companies and universities. These subsections, called Security and Information Divisions (*Divisões de Segurança e Informação – DSI*), were directly subordinated to the SNI and produced reports on “subversive” activities of the personnel from each governmental unity. Each one of the Armed Forces also had their own information departments, which had broader competencies: whereas the DSI only spied and reported on governmental personnel, the Army Information Centre (*Centro de Informações do Exército – CIE*), the Navy Information Centre (*Centro de Informações da Marinha – CENIMAR*), and the Aeronautical Safety Information Centre (*Centro de Informações de Segurança Aeronáutica – CISA*) were also responsible for “security operations”, i.e., prisons and interrogatories often followed by tortures and murders. Besides the SNI, the repression of social manifestations after the AI-5 were no longer charged solely to the police, but also to clandestine unities that composed the Homeland Security System (*Sistema de Segurança Interna do País – SISSEGIN*), created by secret directives of the National Security Council (*Conselho de Segurança Nacional*). The SISSEGIN was inspired by the Bandeirantes Operation (*Operação Bandeirantes – OBAN*), which was created in São Paulo in 1969 to combat armed actions of leftist groups, coordinating the efforts of all the institutions within the State repressive apparatus, such as the Army, the Navy, the Air Force, the State and Federal polices. Modelled after the OBAN, from 1970 to 1974 the SISSEGIN implemented in 8 state capitals a Department of Information Operations (*Destacamento de Operações de Informações – DOI*), responsible for prisons and interrogatories (and tortures and murders), and a Centre for Internal Defence Operations (*Centro de Operações de Defesa Interna – CODI*), which planned the repressive actions. Known as DOI-CODIs, these repressive

agencies counted on nearly 1,000 agents who adopted codenames and wore civilian clothes, worked 24 hours a day, and had their own vehicles and communication equipment. The regime also promoted political propaganda, mainly through advertising on television, and the main media press were previously censored (Fico, 2015).

In August 1969, Costa e Silva had a stroke. Instead of letting the civilian vice-president take office, the chiefs of the Armed Forces formed a junta and assumed the government. By October 1969, when it became clear that Costa e Silva would not recover, the junta declared the vacancy of the presidency and the vice-presidency, scheduling a new “election” in the National Congress. General Emílio Garrastazu Médici, the chief of the SNI during the term of Costa e Silva, was chosen by the military and assumed the presidency on October 30, 1969. Médici was also a representative of the hard-line within the Armed Forces, and during his term the political repression reached its peak of violence, but at the same time the regime enjoyed its highest popularity due to a period of economic growth associated with low inflation rates that became known as the “economic miracle”. From 1969 to 1973, the GDP grew by an annual average rate of 11.2%, while the annual inflation rate did not surpass 18%. These results were achieved by the attraction of foreign funding, through both external debt and direct investments. The automobile industry was one of the most relevant in terms of direct investments and led an industrial growth with annual rates greater than 30%. There was an expansion of foreign trade and a diversification of exports. Notwithstanding their success, the economic policies mainly designed by Antônio Delfim Netto, Minister of Finance from 1967 to 1974, increased the dependency of the Brazilian economy on external funds obtained from foreign trade and the international financial system, and whose availability was curtailed after the 1973 oil crisis that followed the Yom Kippur War. Furthermore, the period of the economic miracle also contributed to enhance social inequality, privileging capital accumulation and reducing the purchase power of wages, whose adjustment rates underestimated the inflation (Fausto, 2015).

In accountancy, the relationship with the State continued to be instrumental to advance the professional agenda. Article 20 of the Capital Markets Act (Act No. 4,728) contained the first legal reference to independent auditing in Brazil, attributing to the CMN the power to establish norms about the format of audit opinions (Ricardino & Carvalho, 2004). Although it promoted an expansion of the market for accounting services, through an increased demand for independent auditing of financial statements from listed companies, the autonomy of the

profession was curtailed somehow, since the authority to regulate auditing practices was held by the CMN. Furthermore, the Act also established that auditors should register at the BCB, and when the CMN detailed the procedures for registration, a professional experience in auditing of at least three consecutive years or of five years in total was required (Resolução n. 7, 1965). Thus, there was not just an overlap of competencies with the CFC, but also an effective increase of the requirements for professional qualification. Given the political scenario of that time, it is hard to conceive that any strategy of confrontation could have succeeded, and this increase of entry requirements was probably welcome by the professional elite. Therefore, once again the profession sought to accommodate its interests with the State.

After the legal subordination of auditing practices to the CMN, in November 1966 the Institute of Public Accountants of Brazil (*Instituto dos Contadores Públicos do Brasil* – ICPB, former ICPSP) issued auditing standards inspired on norms from the American Institute of Certified Public Accountants (AICPA) (Ricardino & Carvalho, 2004). But in 1968 the Brazilian Institute of Independent Auditors (*Instituto Brasileiro dos Auditores Independentes* – IBAI) was founded in Rio de Janeiro, competing with the ICPB for the representation of auditing practitioners. Regional rivalries were overcome in December 1971, when the Institute of Independent Auditors of Brazil (*Instituto dos Auditores Independentes do Brasil* – IAIB) was founded, unifying the category. Leading members of the institute had close personal relationships with high-rank public officials, what helped them to ensure the support from the governmental economic team, especially the BCB, for the expansion of auditing markets (IBRACON, 2007). For instance, when in 1972 the BCB updated the requirements for registering auditors, the proof of professional experience in auditing could be substituted for a certificate of membership of the IAIB (Circular n. 178, 1972), evidencing the collaborative nature of the relationship between the State and the professional elite congregated at the IAIB.

Another important development in the field of accounting by this time was the introduction at the USP, in 1964, of a didactic approach to accounting based on American authors, under the responsibility of Professor José da Costa Boucinhas. As a consequence of this change, in 1971 a group of professors from the USP published a book of introductory accounting which came to be adopted in many faculties around the country, helping to popularise the American influence *vis-à-vis* the Italian tradition which prevailed in Brazilian accounting thought until then (Iudícibus, 2004). Professor Boucinhas was also a renowned practitioner who had a

relevant role in the initiatives taken to organise the profession, being referred to by the first president of the IAIB as a hero for the ICPB (IBRACON, 2007, p. 67). The USP also pioneered the offering of post-graduate courses in accounting: in 1970 it launched the first master's degree, and in 1978 it opened a doctoral course which would be the only one available in Brazil until 2007 (Peleias et al., 2007). With this monopoly of credentialisation, the USP assumed a central role in the academic field of accounting in Brazil, depriving competing discourses from the symbolic benefits of academic consecration. Besides, in 1974 professors from the USP Accounting Department created the Foundation Institute for Research in Accounting, Finance and Actuarial Sciences (*Fundação Instituto de Pesquisa Contábeis, Atuariais e Financeiras* – FIPECAFI), a private foundation through which they provide consultancy for public entities and the private sector (Ribeiro, 2009).

The reforms of financial markets promoted by the military regime in its early years led to a fast and continuous increase of share prices from 1970 to 1971, attracting to capital markets many new companies and investors. In 1971, 291 share offerings were authorised. However, in July 1971 the stock exchanges of both Rio de Janeiro and São Paulo crashed, revealing a lack of prepare of companies and investors, and also an inefficient supervision. These crashes compromised the future development of the Brazilian capital market, and led to legal reforms implemented in the following years to regain investors' confidence (Andrezo & Lima, 1999). These reforms would have a high impact on the field of accounting regulation in Brazil, defining the most of its configuration during the next three decades. In May 1972, the CMN determined that the financial statements from every listed companies should mandatorily be audited (Resolução n. 220, 1972), and the BCB established the auditing and accounting norms to be followed (Circular n. 179, 1972). According to Iudícibus (2004), these norms marked the transition from the European to the American influence on the accounting rules enacted through Brazilian legislation, and a member of the IAIB at that time considers that the mandatory auditing determined by the BCB was the basis for the development of auditing in Brazil (IBRACON, 2007, p. 70).

A distinctive feature of the Brazilian military dictatorship, when compared with other Latin American countries, was the regular rotation of generals in the presidency, whereas other countries were commanded by a single dictator throughout the authoritarian period (e.g., Chile, Paraguay), or by military juntas that were changed due to the political conjuncture, following no previous schedule (e.g., Argentina, Uruguay). In Brazil, it was established

during Castelo Branco's term that the following presidential mandates would last five years. Costa e Silva did not finish his term due to his illness, but both Médici and his successor, General Ernesto Geisel, stayed in office for five years, and the last general who assumed the presidency, João Batista Figueiredo, had his term extended to six years in order to control the transition to democracy. This unusual arrangement, devised to provide the regime with an appearance of a regular democracy, had effective consequences in 1973, when Ulisses Guimarães, then president of the MDB, decided to run for the presidency against Geisel, who had been chosen by the military. Without any real chance to win, since a broad majority of the parliamentary responsible for the formal election of the president supported the regime, Guimarães nevertheless took advantage of the situation to campaign all over the country, denouncing the dictatorship and mobilising the opposition. Notwithstanding the confirmation of his certain defeat, the "anti-candidacy" of Guimarães helped the MDB to achieve a good electoral performance in the parliamentary elections held in 1974 and to increase its importance for the democratic resistance to the dictatorship (Fico, 2015).

Economic policies during Geisel's term were conducted by his Minister of Finance, Mário Henrique Simonsen, and his Minister of Planning, João Paulo dos Reis Veloso. They launched a national development plan that aimed to complete the process of imports substitution Brazil had been adopting, going further than consumer goods and searching for autonomy in basic supplies such as oil, steel, aluminium, fertilisers, etc. Incentives for private investments on the production of capital goods were granted through the BNDE, but investments of big state-owned companies were put at the centre of the Brazilian industrialisation. Even though the average annual growth of the GDP from 1974 to 1978 was of 6.7%, and the average annual inflation rate was of 37.9%, by the end of Geisel's government there were many economic problems to come: funding for expanding investments were obtained mainly through external debt, what increased both public and private indebtedment and the relevance of debt-servicing in the balance of payments; inflation rates were kept low through the offering of goods produced by state-owned companies for prices lower than their costs, making them unprofitable; and wages were adjusted for the inflation on an annual basis, creating dissatisfaction among the working classes. On the one hand, uncertainties about the conduction of the economic policy led many business owners to campaign against excessive State intervention on the economy, entering into a political arena monopolised until then by military and technocrats; on the other hand, the union movement regained strength, especially in the automobile industry, and huge strikes occurred in 1978

and 1979 in the metropolitan area of São Paulo, led by Luiz Inácio Lula da Silva (who would be elected for president more than twenty years later) (Fausto, 2015).

More intense measures to recover investors' confidence on capital markets, which was still damaged due to the crashes of 1971, were taken by the end of 1976, with the creation of the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários – CVM*) and the enactment of a new Corporations Act. With an institutional arrangement similar to the US SEC, the CVM was in charge of supervising the markets for private securities, including both stock exchanges and over-the-counter markets, whereas the BCB remained responsible for supervising financial institutions (Andrezo & Lima, 1999). Act No. 6,385, which created the CVM, determined that it would be responsible for registering independent auditors and for issuing accounting and auditing standards for listed companies (Lei n. 6.385, 1976), thus creating a conflict of competence with the BCB over listed financial institutions, only solved much latter through legal amendments: in 1997, Act No. 9,447 established that only the BCB would hold regulatory authority over financial institutions, but in 2001, Decree No. 3,995 determined that CVM's norms would also apply to them when not contradicting any rule from the BCB.

Act No. 6,404, by its turn, reformed the legal landmark for joint stock companies. The new Corporations Act was also influenced by the American legislation, in opposition to the European influence of the previous one, which had been in force since 1940. Aiming to strengthen Brazilian capital markets, new kinds of securities were created, but at the same time, to protect minority shareholders, the responsibilities of managers were increased. For Andrezo and Lima (1999), “the greatest merit of this act was that it complemented the previous one, in accordance with the evolution of the period. It conserved the existing institutions and broadened the number of alternatives for both entrepreneurs and investors” (p. 118, free translation<sup>3</sup>). Several accounting practices were legally determined by the Act, including the financial statements to be disclosed, their content and format, minimum contents to be disclosed in footnotes, norms for bookkeeping, and criteria for the valuation of assets and liabilities. It also determined, in Article 177, that any conflicting determination from tax legislation should be registered in ancillary books and should not affect the financial statements elaborated in accordance with the act (Lei n. 6.404, 1976). However, this

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<sup>3</sup> *O grande mérito dessa lei foi complementar a anterior, de acordo com a evolução do período. Ela conservou as instituições existentes, e ampliou o número de alternativas tanto para empresários, como para investidores.*

determination was virtually ignored when, a year later, Decree-Law No. 1,598 established that the income tax would be based on profits calculated in accordance with the commercial legislation, and then prescribed a set of criteria for the recognition of revenues and expenses (Decreto-Lei n. 1.598, 1977).

Geisel belonged to the moderate tendency within the Armed Forces, and started to promote a political overture he described as “slow, gradual and safe”. By that time, the opposition represented by the MDB was beginning to act with more independence, and the Catholic Church also played an important role in confronting the regime and its violent political repression. On the other hand, Geisel’s initiatives towards the restoration of democracy faced much resistance from the hard-line, and in 1975 a clear defiance took place in São Paulo. In October, amidst a repressive wave, journalist Vladimir Herzog was summoned to appear before the DOI-CODI to clarify his supposed ties to the PCB. After voluntarily going to an Army installation, Herzog was found dead in his cell. Although the official version was that he had hanged himself, it was clear that he had been tortured and murdered, what outraged the civil society and led the Catholic Church and the Order of Attorneys of Brazil (*Ordem dos Advogados do Brasil – OAB*) to denounce the systematic tortures and murders committed by governmental agents. A few months later, in January 1976, steelworker Manuel Fiel Filho was murdered in similar conditions, and an official version that he had hanged himself was presented once again. Geisel then substituted the Army Commander in São Paulo by an official of his confidence, what ceased the tortures within the DOI-CODI (Fausto, 2015).

In October 1978, Geisel revoked the AI-5 from January 1979 on, and by the end of his term a project of amnesty was developed, being approved by the National Congress in 1979, during the term of his successor. A campaign for the amnesty had started back in the mid-1970s and increasingly mobilised the civil society, but the project approved by the National Congress disappointed many actors who had campaigned for it, because it also forgave the crimes committed by governmental agents, precluding any punishment to torturers and murderers who acted on behalf of the very regime which assured their impunity. Furthermore, hard-line military dissatisfied with the political overture started, from 1976 on, to commit bomb attacks against organisations identified with the democratic resistance, such as the OAB and the Brazilian Press Association (*Associação Brasileira de Imprensa – ABI*), what only ceased in 1981, after a failed attack against a public celebration for the Labour Day in Rio de Janeiro killed one of the military responsible for it and severely injured the other one (Fico, 2015).

By the end of the military dictatorship, the field of accounting regulation in Brazil had acquired a configuration that would change very little for the next three decades. Whilst tax authorities remained impervious to external influences, financial and capital market supervisors worked together with the professional elite congregated at the IAIB and the academic community led by the USP to implement American-inspired reforms of accounting norms, forming what can be understood as an interpretative community,

made up of both producers and consumers of particular kinds of knowledge, of texts, often operating within a particular institutional context (such as the university, the legal system, religious groupings), within particular divisions of cultural labour (such as architecture, painting, theatre, dance), or within particular places (neighbourhoods, nations, etc.) (Harvey, 1989, p. 47).

The characterisation of this group as a distinct interpretative community is corroborated by Sá (2008), for whom “the Anglo-Saxonian cultural movement worked in another segment and already had some influence on Brazil by means of the multinational auditing companies which acted expressively because they had the largest share of the auditing market” (p. 139, free translation<sup>4</sup>). According to him,

The professors of the University of São Paulo, supported by the multinational auditing firms, began a strong actuation to modify the cultural situation, achieving success in their pretensions before the public power, where in key posts of the economy there were masters affiliated to the referred University, such as, among others, the illustrious professor Antônio Delfim Neto. (p. 142, free translation<sup>5</sup>).

That this arrangement was quite beneficial for this segment of the accountancy profession seems to be little disputable. Apparently, there was no change in the pattern of collaboration with the State that, at least since the first republic, accounting elites followed to advance their professional agenda. For instance, the writing of the accounting dispositions within Act No. 6,404 was commissioned by the Minister of Finance to two partners of Coopers & Lybrand (Sayed, Duarte, & Kussaba, 2017); and an accounting manual exposing these dispositions, written by professors from the USP Accounting Department and which achieved a widespread influence over the Brazilian accountancy profession, had its first edition, in 1979, funded by the CVM, and its second edition, in 1981, funded by the BCB (Iudícibus, Martins, & Gelbcke, 2007).

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<sup>4</sup> *O movimento cultural anglo-saxônico laborou em outro segmento e já possuía algumas influências no Brasil por meio de empresas multinacionais de auditoria que atuavam com expressão em razão de possuírem a maior fração do mercado de auditoria.*

<sup>5</sup> *Os professores da Universidade de São Paulo, apoiados pelas multinacionais de auditoria, iniciaram forte atuação para que se modificasse a situação cultural, conseguindo sucesso em suas pretensões junto ao poder público, onde em postos chaves da economia estavam mestres vinculados à referida Universidade, como, entre outros, o ilustre professor Antônio Delfim Neto.*

On the other hand, accounting continued to be instrumental for public authorities to implement their policies. According to testimonies from professors of the USP Accounting Department, registered by Sayed et al. (2017), the Minister of Finance by that time, Mário Henrique Simonsen, due to his commitment to develop the Brazilian capital market, was a key figure whose support guaranteed the success of the changes promoted through Act No. 6,404, in spite of the opposition from accounting practitioners not linked to international firms, and specially from traditional business owners, who claimed that the new disclosure requirements would reveal industrial secrets and thus destroy the national private sector. Without the inconveniences of a democratic arena of debate, however, not even this powerful constituency was able to have its concerns taken into consideration. As Fausto (2015) reminds us,

The military did not rule alone and many times they did not had a close control of the civilians with whom they shared the power. The regime installed in 1964 gave a lot of room for action and putted in the spotlight economic policymakers, men like Delfim Netto and Mário Henrique Simonsen. It privileged some sectors of the State bureaucracy, especially the managers of state-owned companies, to the point that it is possible to speak of a condominium of power between the military, as the final and most important decision-making group, and the technical bureaucracy of the State. (p. 284, free translation<sup>6</sup>).

Whether the collaboration between accounting elites and high-rank State bureaucrats resulted from an ideological support for the dictatorship or was just a matter of a profitable indifference to the authoritarian character of the regime remains as a question to be addressed by a historiography not committed to the cause of accountants. But I believe it is important to stress how superficial it is to describe the victory of the American inspiration over the European influence on Brazilian accounting regulation as simply the result of a battle of ideas, as it is frequently done, without specifying that the battleground was restricted to the offices of powerful ministers of an authoritarian regime which had very little tolerance for contestation.

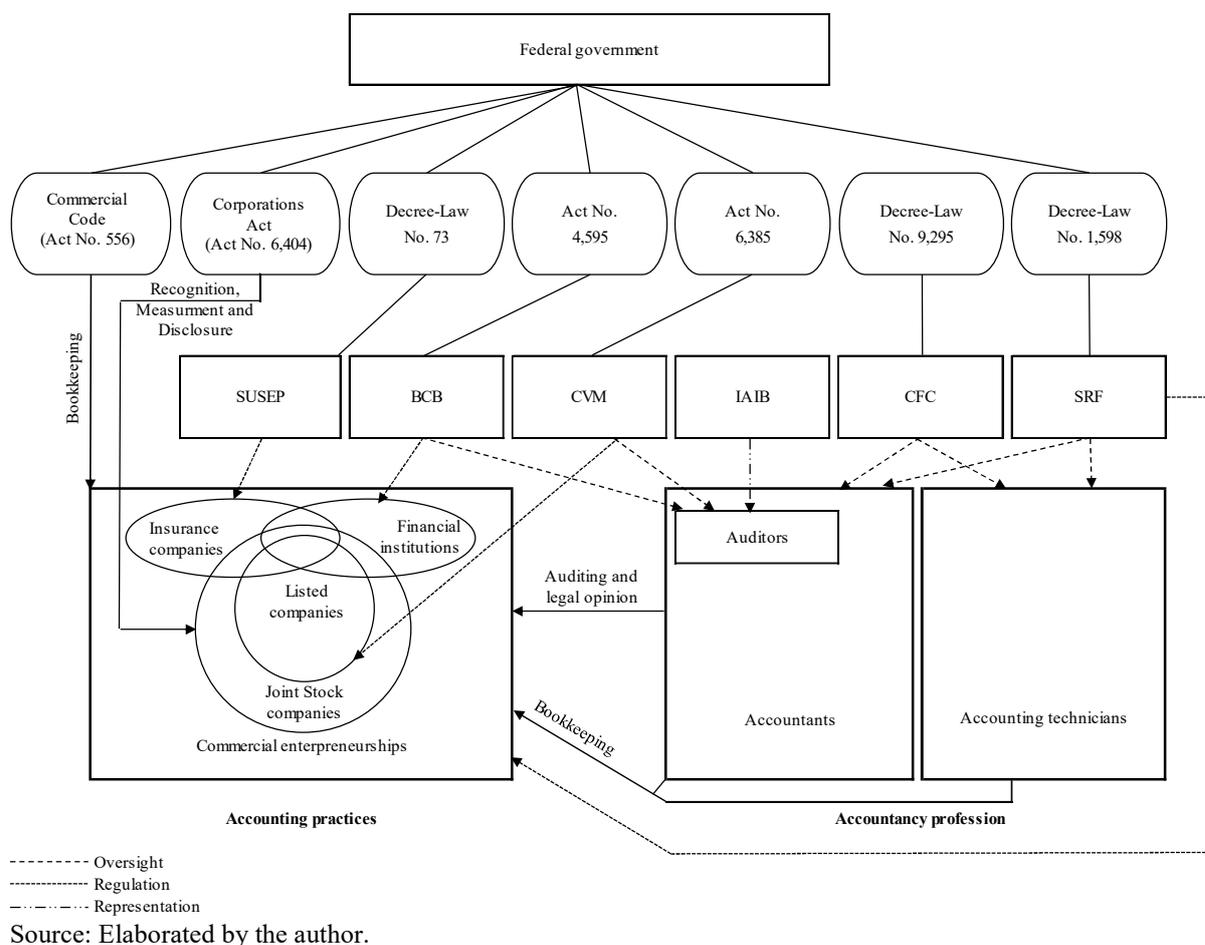
And at this point of my narrative I ask for your comprehension, my dear reader, but I feel like compelled to break with the constraints of the academic discourse and clarify my opinion about the different segments of the Brazilian accounting community – Not because I think my

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<sup>6</sup> *Os militares não governaram sozinhos e muitas vezes não controlaram de perto os civis que com eles partilharam o poder. O regime instalado em 1964 deu bastante campo de ação e pôs em destaque os formuladores da política econômica, homens como Delfim Netto e Mário Henrique Simonsen. Privilegiou setores da burocracia do Estado, em especial os dirigentes das empresas estatais, a ponto de ser possível falar de um condomínio do poder entre os militares, como grupo decisório final mais importante, e a burocracia técnica do Estado.*

opinion is relevant, but just because I do not want you to get me wrong. The last passages may suggest that I am sympathetic to the European-inspired segment, but actually it is quite the opposite. In my point of view, the outdated scientificism they employ to justify their positions mystifies accounting practices even more than the rudimentary empiricism employed by the Anglo-American-inspired segment. Either way, I consider that both traditions are informed by a mundane realism that ignores the linguistic turn of the Western philosophy in the 20<sup>th</sup> century and suffer from the same lack of academic autonomy which subjects their discourses to interests of different segments from the professional field. So, I dislike them both, but it does not preclude me from pointing to the fact that their dispute evolved in a tough socio-historical context from which the Anglo-American-inspired segment took advantage. But let's come back to what does matter for this thesis: In Figure 7, the configuration of the field of accounting regulation in Brazil by the end of this period is represented.

Figure 7 – Field of accounting regulation by the end of the Military Dictatorship



### **3.6 Re-democratisation and the new republic (1979 – 2000)**

The political overture which had begun during Geisel's period continued to be consolidated during Figueiredo's government. Actually, if considering that a dictatorship is a state of exception in which rulers can edit, revoke or ignore any legislation according to their free will, the end of the dictatorship in Brazil can be traced back to 1979, when the AI were revoked. From then on, the president no longer had exceptional powers to intervene in politics; by the end of the year, all political prisoners had already been set free; political exiles were allowed to return to the country after the amnesty; the Judiciary regained its autonomy; there was a plurality of unions and political parties; the opposition won elections and governed important states; freedom of press and freedom of speech were restored; and huge unionist, social and political movements arose. However, it would be misleading to consider that a full restoration of democracy had occurred, because several aspects of Brazilian social and political lives were still regulated by the dictatorial legislation. Thus, the period from 1979 to 1988, when a new constitution was promulgated, can be better described as a democratic transition that also had an important mark in 1985, when a civilian assumed the presidency for the first time in 21 years (Reis, 2014).

Figueiredo's presidency combined two relevant characteristics: the continuation of the political overture and a deepening of the economic crisis. He took office in March 1979 and kept Simonsen as Minister of Finance. However, Simonsen's attempts to impose restrictive economic policies were opposed by many sectors, and in August 1979 he was substituted by Delfim Netto, who still enjoyed the prestige of the period of the "economic miracle", but the economic situation he found both in Brazil and abroad was completely different. The raise of oil prices due to the crisis of 1979, associated with the raise of international interest rates, worsened the balance of payments. Difficulties for obtaining new foreign borrowings increased, and payment terms were shortened. By the end of 1980, a recessive policy was implemented, curtailing currency emissions and the investments of state-owned companies, together with a raise of national interest rates that also caused a decline of private investments. From 1981 to 1983, Brazil went through a recession, with an average annual decline of the GDP amounting to 1.6%. Nevertheless, there was not a significant decline of inflation rates during this period: the annual index of 110.2% in 1980 was slightly lowered to 95.2% in 1981 and to 99.7% in 1982. Only in 1984 the economy started to grow again, led by the growth of exports and the fall of oil prices and of oil importation. By the beginning of

1985, when Figueiredo left the presidency, the situation was of a temporary relief from the economic crisis, but during his term annual inflation rates rose from 40.8% in 1978 to 223.8% in 1984, and external indebtedness rose from US\$ 43.5 billion to US\$ 91 billion (Fausto, 2015).

In 1979, following the amnesty that allowed political exiles to come back to Brazil, the electoral system was also reformed, extinguishing the two-party system. Such a movement, however, was also instrumental for weakening the MDB, which congregated the opposition to the regime until then. The pro-regime party, ARENA, was renamed as Social Democratic Party (*Partido Democrático Social* – PDS), whereas the MDB only added the word “Party” to its denomination, as required by the new electoral law, becoming PMDB. Tancredo Neves, a politician who had been affiliated with the PSD during the democratic republic and opposed the military regime through the MDB, joined efforts with Magalhães Pinto, who was his adversary since before the *coup d'état* in 1964, being affiliated to the UDN and to the ARENA, and together they found the Popular Party (*Partido Popular* – PP), trying to constitute a centrist alternative reliable to the regime. However, the prohibition of electoral coalitions, also envisaged to weaken the opposition, made the PP unviable, and most of its members returned to the PMDB. Lenonel Brizola, the main remaining leader of the PTB, tried to relaunch the party, but the denomination was attributed to an obscure politician, and then he founded the Democratic Labour Party (*Partido Democrático Trabalhista* – PDT). Another relevant party created by that time was the Workers’ Party (*Partido dos Trabalhadores* – PT), under the leadership of Luiz Inácio Lula da Silva. In the general elections held in 1982, the PDS obtained the largest representation in the two houses of the National Congress, but the opposition elected the governors of relevant states such as Rio de Janeiro, São Paulo and Minas Gerais. In April 1983, a deputy proposed a constitutional amendment to establish direct elections for the presidency, and during 1984 huge mass manifestations occurred throughout the country in favour of this amendment, congregating different political tendencies. However, the government still controlled the majority of the National Congress, and the proposal obtained 298 favourable votes on April 25, 1984, but to be approved it needed to achieve 320 votes out of the 476 parliamentary. Thus, it was still through an indirect election in 1985 that, after 21 years, a civilian would assume the presidency (Fico, 2015).

On January 15, 1985, the candidate of the PMDB, Tancredo Neves, won the indirect election for president. He was supposed to take office on March 15, but the day before he was hospitalised and went through a surgery. He would end up dying on April 21, causing an

intense national mourning, and the elected vice-president, José Sarney, assumed the presidency. Sarney had made his political career supporting the military regime, being affiliated with the ARENA and, later on, the PDS, which he presided for a while before leaving the party due to disagreements over the conduction of the electoral process of 1985. Hence, the military dictatorship did not end with an effective rupture: the first civilian president had led the party that supported the regime, and during Sarney's term the military still kept on being highly influential (Fico, 2015).

Even though the Brazilian economy was slightly recovering from the recession of the early 1980s when Sarney assumed the presidency, the inflation rates were high, reaching 235.5% by the end of 1985. In February 1986, Sarney launched an economic plan substituting the Brazilian currency, Cruzeiro, by a new currency denominated Cruzado, at an exchange rate of 1,000 to 1. Indexation of wages was abolished, prices and exchange rates were frozen for an indeterminate period, and rents were frozen for a year. The president called the population to help enforcing the price-controlling mechanism, and his popularity hugely increased. However, due to the expansion of household consumption, the price-freezing started to be violated, and the growth of importations due to the artificial valorisation of the currency negatively affected the balance of payments. By November 1986, when elections for the parliament and state governments were held, the Cruzado Plan had already failed, but the government postponed the necessary adjustments, envisaging electoral results. The PMDB elected the governors of all states but one, as well as an absolute majority of the National Congress. Right after the elections, the adjustments of taxes and public tariffs contributed for an intense rise of the inflation, and in February 1987 Brazil declared a debt moratorium (Fausto, 2015).

In the field of accounting regulation, in 1981 the CFC determined that practitioners should follow the statements of technical procedures the Council would issue from then on (Resolução CFC n. 529/81, 1981), and issued a statement defining sixteen "Fundamental Principles of Accounting" (*Princípios Fundamentais de Contabilidade – PFC*) (Resolução CFC n. 530/81, 1981). Until then, a Code of Ethics issued in 1970 (Resolução CFC n. 290/70, 1970) and a statement of audit procedures issued by the IAIB and endorsed by CFC in 1972 (Resolução CFC n. 321/72, 1972) were the main initiatives the Council had taken to regulate accounting practitioners. Thus, the CFC started to dispute the regulation of accounting practices with the IAIB, which had been issuing accounting standards since the 1970s. On the

other hand, in 1982 the IAIB changed its denomination to Brazilian Institute of Accountants (*Instituto Brasileiro de Contadores – IBRACON*<sup>7</sup>) and started to accept associates from other segments of the accountancy profession, such as internal auditors, forensic accountants, private-company and public-sector accountants, and accounting scholars, aiming to expand its representativeness (IBRACON, 2007). Hence, a veiled dispute for the regulation of accounting practices and for the representation of accounting practitioners emerged during the 1980s, which was further evidenced in 1986, when the IBRACON issued an alternative statement of accounting principles, called Basic Conceptual Framework of Accounting (*Estrutura Conceitual Básica da Contabilidade – ECB*), which was endorsed by the CVM (IBRACON, 2007); and in 1993, when the CFC issued an updated version of the PFC, then resumed to seven principles (Resolução CFC n. 750/93, 1993).

The ECB had a clear Anglo-American inspiration. In its first paragraph, in line with the tendency of connecting accounting standard-setting to financial statements' users and decision usefulness, which was forged during the 1970s in the USA and prevailed there ever since (Young, 2006), the ECB defined an objective for accounting in the following terms: “**Accounting** is, objectively, a system of information and valuation aimed at providing its users with economic, financial, physical, and productivity statements and analyses, regarding the entity being accounted for” (Instituto Brasileiro de Contadores, 1986, p. 1, free translation<sup>8</sup>). The bibliographic references presented at the end of the text also evidence its source of inspiration: 8 out of the 12 references are to authors and institutions from Anglo-American backgrounds, whereas 3 are to Brazilian authors or institutions and one is to an Italian author.

The PFC, on the other hand, both in its original and in its updated version, did not make any explicit reference to financial statements' users. Instead, the updated version reveals an Italian inspiration, defining accounting as a science whose object is the *patrimony*<sup>9</sup> of entities, as follows:

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<sup>7</sup> In 2001, the institute changed its name back to *Instituto dos Auditores Independentes do Brasil* but kept on using the acronym IBRACON.

<sup>8</sup> A *Contabilidade* é, objetivamente, um sistema de informação e avaliação destinado a prover seus usuários com demonstrações e análises de natureza econômica, financeira, física e de produtividade, com relação à entidade objeto de contabilização.

<sup>9</sup> Patrimony “relates to a concept central to traditional accounting thought in many European countries and languages, including also France, Italy, Spain and Portugal, but at best incomprehensible in English speaking countries (where patrimony relates explicitly to money received from one’s dead father)” (Albu, Albu, &

The Fundamental Principles of Accounting represent the essence of the doctrines and theories regarding the Science of Accounting, according to the prevailing understandings in the scientific and professional universes of our country. They refer, thus, to Accounting in its broader sense of a social science whose object is the patrimony of entities (Resolução CFC n. 750/93, 1993, free translation<sup>10</sup>).

The ECB and the PFC did share similar dispositions: the ECB also defined accounting principles (10 principles were listed, disposed in a hierarchy of 2 postulates, 4 principles and 4 conventions), and in an appendix to the PFC, issued in 1994, usefulness for users of financial statements was acknowledge as an objective of accounting practices – even though it was not ascribed with the status of a scientific objective, but just of a pragmatic one:

The scientific objective of Accounting is manifested in the correct presentation of the Patrimony and in the apprehension and analysis of the causes of its mutations. Yet under a pragmatic perspective, applying Accounting to a particularised Entity seeks to provide users with information about economic, financial and physical aspects of the Entity's Patrimony and its mutations, what comprehend registers, statements, analyses, diagnoses and prognoses, expressed under the form of reports, opinions, tables, and other means (Resolução CFC n. 774/94, 1994, free translation<sup>11</sup>).

The different views held by the CFC and the IBRACON may be interpreted in light of their respective constituencies: whereas all accounting practitioners, including both accountants and accounting technicians, had to be registered in the CFC to be allowed to practice, the IBRACON was restricted to voluntarily associated accountants, mostly representing the very small professional segment of auditing. Arguably, whereas the CFC represented the interests of small practitioners who worked mainly for small and medium enterprises, the IBRACON represented the interests of a professional elite whose clients were multinational and/or listed companies. The emphasis put by the CFC on the scientific nature of accounting, in this sense, can be interpreted as not just a reminiscence of the Italian schools of thought, but also as a search for symbolic capital by a constituency which enjoyed a lower social status in comparison with more traditional professions, or even with the professional elite represented by the IBRACON and which searched, by its turn, to advance conceptions linked to the capital markets and held by Anglo-American auditing firms.

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Alexander, 2014, p. 505). The Balance Sheet is often described as a static representation of the Patrimony, and Equity is labeled as Net Patrimony.

<sup>10</sup> *Os Princípios Fundamentais de Contabilidade representam a essência das doutrinas e teorias relativas à Ciência da Contabilidade, consoante o entendimento predominante nos universos científico e profissional de nosso País. Concernem, pois, à Contabilidade no seu sentido mais amplo de ciência social, cujo objeto é o patrimônio das entidades.*

<sup>11</sup> *O objetivo científico da Contabilidade manifesta-se na correta apresentação do Patrimônio e na apreensão e análise das causas das suas mutações. Já sob ótica pragmática, a aplicação da Contabilidade a uma Entidade particularizada, busca prover os usuários com informações sobre aspectos de natureza econômica, financeira e física do Patrimônio da Entidade e suas mutações, o que compreende registros, demonstrações, análises, diagnósticos e prognósticos, expressos sob a forma de relatos, pareceres, tabelas, planilhas, e outros meios.*

In this dispute for the primacy to represent accounting and accountants, the academic field led by the USP was clearly associated to the financial and capital markets pole: the ECB was based on a document developed by a professor from the USP (Iudícibus, 2004), and so was the Full Inflation Adjustment (*Correção Monetária Integral* – CMI), a technique through which all accounts were adjusted for the variations of the purchase power of money, and which the CVM endorsed in 1986, demanding listed companies to disclose supplementary financial statements applying it (A. dos Santos & Ribeiro, 2014). Furthermore, some professors from the USP Accounting Department became directors of the BCB and of the CVM for a while, and former directors of these supervisory authorities joined the department latter on (Sayed et al., 2017). Commenting the scenario of accounting regulation in Brazil during the 1980s, a professor from the USP Accounting Department interviewed by Sayed et al. (2017) stated the following:

*Everyone was sensational, in this phase they helped a lot, IBRACON helped a lot (...) and obviously with a help from people from abroad also (...) they were extremely important, because **they somehow disconnected from the CFC** [emphasis added] (...) which was **the other force** [emphasis added], (...) they joined with **the CVM and the university itself** [emphasis added], and that provided a great strength (...) so that the pronouncement or bulletin (from IBRACON), I don't remember the name anymore, it became a technical pronouncement, it became a normative resolution, it became a resolution from the CVM to all listed companies, and later it ended up becoming into law, then it really helped a lot. (p. 261, free translation<sup>12</sup>).*

Notwithstanding these covert disputes, the relationship with governmental authorities continued to be instrumental for advancing the interests of the accountancy profession throughout the 1980s: In 1980, the CMN determined that all financial institutions supervised by the BCB should be audited; in 1984, the CVM reinforced that auditors should follow the professional rules established by the CFC, as well as the technical rules endorsed by the Commission; and in 1985, a Statement of Auditing Procedures issued by the IBRACON was endorsed by the CFC, the BCB and the CVM (Niyama, Costa, Dantas, & Borges, 2011). Governmental authorities, by their turn, continued to regulate accounting practices in order to implement and achieve the objectives of their policies. In 1987, for instance, in a prerogative delegated by the CMN, the BCB established the Chart of Accounts for Institutions of the National Financial System (*Plano Contábil das Instituições do Sistema Financeiro Nacional*

<sup>12</sup> *Todos foram sensacionais, nessa fase ajudaram muito, o IBRACON ajudou muito (...) e obviamente com a ajuda de pessoas de fora também (...) eles foram extremamente importantes, porque eles **de certa forma se desligaram do CFC** [grifos nossos] (...) que era **a outra força** [grifos nossos], (...) se juntaram com **a CVM e a própria universidade** [grifos nossos] e isso deu uma força grande (...) tanto é que o pronunciamento ou boletim (do IBRACON), não lembro mais como é o nome, virava pronunciamento técnico, virava uma resolução normativa, virava uma resolução da CVM para as companhias abertas e depois acabava se transformando em lei, então isso realmente ajudou bastante.*

– COSIF), standardising the accounting practices of financial institutions, from bookkeeping rules to the format of financial statements (Circular n. 1.273, 1987), thus enhancing its supervisory abilities.

In the political scenario, the National Congress elected in November 1986 was also a Constitutional Assembly, which met for the first time on February 1<sup>st</sup>, 1987, and promulgated a new constitution on October 5, 1988, whose text was criticised for including many subjects that would not suit as constitutional matters, but this reflected the pressures from different social groups to guarantee the enforcement of their demands. Notwithstanding its flaws, the Federal Constitution of 1988 put an end to the last formal vestiges of the authoritarian regime and definitively restored the democracy (Fausto, 2015). By granting social and political rights typical of a welfare state, and maintaining the corporatist and national-statist Brazilian traditions, the new constitution was out of fashion with the international scenario in the 1980s, which was marked by a worldwide propagation of neoliberal ideals by President Ronald Reagan, in the USA, and Prime-Minister Margaret Thatcher, in the UK (Reis, 2014). Thus, whereas the military conducted the transition to democracy according to their will and the democratic resistance apparently failed to speed up this process, the new constitution was clearly influenced by the resurgence of the social movements in the early-1980s, and the granting of social rights such as a universal health system, for example, can be attributed to the social mobilisation of these times (Fico, 2015).

On November 15, 1989, the first direct presidential election since 1960 was held. From more than 20 candidates who ran for the presidency, the two most voted were then considered as outsiders in the political system: Fernando Collor de Mello, for the National Reconstruction Party (*Partido da Reconstrução Nacional* – PRN), and Luiz Inácio Lula da Silva, for the PT. As none of them achieved an absolute majority of votes, they disputed a second round. Collor de Mello was young and had a good rhetoric, obtaining support among both the working classes and the elites, sustaining a program of trade opening and weakening of the regulatory and interventionist roles of the State. Lula was also a good communicator with a strong popular appeal, especially amongst the labour movement organised during the 1980s, and he proposed a radical reformist program which included the annulment of external debts, an intense agrarian reform, and a change of the development model based on social inequality. By different ways, both represented the dissatisfaction with the political system and the hope for better days. Mobilising the threat that some social segments perceived in Lula's

candidacy, Collor de Mello won the second round and assumed the presidency on March 15, 1990 (Reis, 2014).

Right after taking office, Collor de Mello announced a drastic measure to combat inflation: a freezing of bank deposits for 18 months. Associated with a freezing of prices and wages, a decrease of public expenditures and an increase of taxes, the Collor Plan had little success in dropping inflation rates, but surprised and scared the Brazilian population for years. Bank deposits were liberated after the 18 months, but they were devalued due to the inflation during that period. Collor de Mello also started to implement neoliberal economic policies, such as the privatisation of state-owned companies and a trade opening through the reduction of administrative restrictions on importations and the lowering of import taxes. However, in 1992 his younger brother denounced that a corruption scheme had been established in the government, personally benefiting the president. A parliamentary committee of inquiry was created in the Chamber of Deputies, and a popular movement asking for his impeachment arose throughout the country, mainly composed by the middle-class youth. Having little support within the National Congress, Collor de Mello resigned by the end of 1992, but the Parliament ignored his resignation and approved his impeachment, suspending his political rights for eight years (Fausto, 2015).

Thus, once again a vice-president had to assume the presidency. Differently from Collor de Mello, Itamar Franco had convictions closer to the national-statist ideal and withdrew from the government ever since its beginning. Also lacking parliamentary support, Franco proposed a government of national unity and reunited all political tendencies with a national expression, except from the PT, which considered Franco's programme and alliance policies unclear, and chose to keep in opposition. During Franco's term, an effective plan to combat inflation was finally developed: taking various steps from August 1993 to July 1994, the Real Plan substituted the Brazilian currency, sharply reduced inflation rates and also promoted a noticeable income redistribution (Reis, 2014).

Political dividends for the success of the Real Plan accrued to Fernando Henrique Cardoso, Franco's Minister of Finance and responsible for coordinating the plan. Cardoso was affiliated to the Brazilian Social Democracy Party (*Partido da Social Democracia Brasileira* – PSDB), which was created in 1988 as a centre-leftist dissidence from the PMDB, led by politicians from São Paulo. In 1994, Cardoso run for the presidency in a coalition with the Liberal Front

Party (*Partido da Frente Liberal – PFL*), whose origins could be traced back to supporters of the military dictatorship. Lula da Silva was also running once again, and led the polls until June. However, due to PT's opposition to the Real Plan, Cardoso was able to win the elections in the first round held in October (Fausto, 2015).

During his first term, Cardoso formed a large and heterogenous coalition to gain support for the reforms he intended to implement. Although bargaining governmental posts for parliamentary support, he tried to preserve the conduction of economic policies from political pressures, granting to the BCB a *de facto* autonomy, and filling the posts in the Ministry of Finance with personnel who had developed the Real Plan. In 1995, constitutional amendments and legislative reforms were approved to extinguish both State-monopolies in economic sectors and the distinctions between national and foreign capital companies, as well as to allow the transfer of control to private capital, under State-concession, of infrastructure investments in tele-communications, oil and gas, electric energy, ports, etc. The end of the State-monopoly in oil and gas was resisted through a strike of workers from Petrobras, but the government did not concede and, after the Judiciary found the strike illegal, Army troops were sent to liberate oil refineries that workers had occupied. It represented an important political victory for the government, due to the close ties of the unions with the PT. After the legislative reformation, when the processes of privatisation began the opposition was not able to mobilise many protesters, having to resort to extensive judicial disputes as a strategy to prevent them. Nevertheless, the government was quite successful in its plans, privatising tele-communications and mining companies, among others (Fausto, 2015).

More difficulties were faced by Cardoso to approve reforms in social security, public administration, and labour legislation, areas in which a strong opposition from the labour movement was able to preserve most of the rights guaranteed by law until then. In 1997, a constitutional amendment allowing re-elections was approved, and in October 1998 Cardoso defeated Lula da Silva in the first round of the presidential elections once again. However, from the mid-1990s on successive financial crises started in specific regions (Mexico in 1995, Asia in 1997, Russia in 1998) and, through globally integrated financial markets, had worldwide effects. Thus, by the beginning of Cardoso's second term, in 1999, the Brazilian currency suffered a speculative attack that raised fears of a return of high inflation rates, and rumours of a bank run started to circulate. The government progressively devalued the currency and ended up abandoning the control of exchange rates. By mid-1999, when the

threat of a runaway inflation was overcome, the government established an inflation target regime. In May 2000, a Fiscal Responsibility Law was approved, establishing broad rules for fiscal and financial management in all governmental levels, thus consolidating a “triad” which characterised Cardoso’s macroeconomic policies: floating exchange rates, primary surplus, and an inflation target regime. However, denunciations of corruption during the processes of privatisation, of bribery of deputies to approve the constitutional amendment that allowed re-elections, and the devaluation of the currency in 1999 contributed for the loss of popularity of Cardoso during his second term, which was characterised by a lower impetus for reforms (Fausto, 2015).

Another instance of the instrumental approach taken by government authorities when regulating accounting was the extinction of the monetary correction of financial statements from 1996 on, through Act No. 9,295. Once again, accounting practices were seen by government officials as a means for implementing their desired policies – in this case, monetary correction was forbidden to prevent the inflationary memory experienced in previous periods, thus helping to consolidate the results of the Real Plan, despite the criticism it raised from accounting scholars who claimed that this prohibition would distort annual reports (A. dos Santos & Ribeiro, 2014). It is interesting to notice, however, that the CVM allowed listed companies to keep on publishing supplementary financial statements applying the CMI, although it was not mandatory anymore (Instrução CVM n. 248, 1996). According to Santos and Ribeiro (2014), the CVM adopted this posture because it knows “the best informative capacity of financial statements when considering the inflationary effects” (p. 344) – a further evidence to corroborate the view that accounting scholars and capital market supervisors belong to a common interpretative community.

The seemingly harmonious relationship that representatives of the accountancy profession developed with the supervisors of financial and capital markets was impaired by three major accounting scandals revealed during the mid-1990s: between the end of 1995 and the beginning of 1996, misstatements were identified in the financial reports of banks Econômico, Noroeste, and Nacional, which were audited by Ernst & Young, Price Waterhouse, and KPMG, respectively (Ricardino & Carvalho, 2004). In response to these incidents, in 1996 the CMN determined that financial institutions supervised by the BCB should substitute their independent auditors after a maximum period of four years after hiring them, starting to count from 1997. The CVM followed this initiative in 1999, establishing for listed companies a

mandatory rotation of auditors after periods no longer than five years, besides specifying the situations in which auditors would be forbidden to provide services due to conflicts of interests (Niyama et al., 2011). However, notwithstanding the opposition of practitioners to the mandatory rotation of auditors (cf. IBRACON, 2011), supervisors and the accountancy profession continued to follow a pattern of collaboration, as evidenced by the complementary demands from the CVM for auditors to take a qualifying exam and to participate in continued education and peer-review programs jointly developed by the CFC and the IBRACON (Niyama et al., 2011).

New institutional agents were introduced to the field of accounting regulation in Brazil in the 1990s, when the neoliberal policies implemented during Cardoso's term included a reform of the public administration inspired by the managerialist approach developed throughout the 1980s in the UK and the USA, and which spread throughout Europe and Latin America in the following years (Paula, 2005). In the context of these reforms, since 1996 ten regulatory agencies were created to supervise public services provided by the private sector. However, even though some of these agencies were granted the authority to regulate the accounting practices of companies under their jurisdiction, they largely remain in the periphery of the Brazilian field of accounting regulation: as summarised in Table 3.1, six of these agencies have established standardised charts of accounts so far, but only three of them have not fully endorsed the accounting standards issued by the CPC.

Table 3.1 – Regulatory agencies created since the 1990s

Agency	Created		Accounting regulation	Source
	in	by		
National Electric Energy Agency ( <i>Agência Nacional de Energia Elétrica – ANEEL</i> )	1996	Act No. 9,427	Since its inception, ANEEL establishes an accounting manual which contains a standardised chart of accounts and determines criteria for recognition and measurement of assets and liabilities. Since 2010, regulatees must disclose full financial reports in accordance with ANEEL's manual, which prescribes accounting policies that differ from those issued by the CPC.	Agência Nacional de Energia Elétrica (ANEEL, 2015)
National Telecommunication Agency ( <i>Agência Nacional de Telecomunicações – ANATEL</i> )	1997	Act No. 9,472	Since 2005, ANATEL establishes a standardised chart of accounts and determines costing criteria, but only some regulatees are required to file their reports annually, and these reports are not fully disclosed to the public.	Resolução n. 619 (2013)

To be continued

## Conclusion

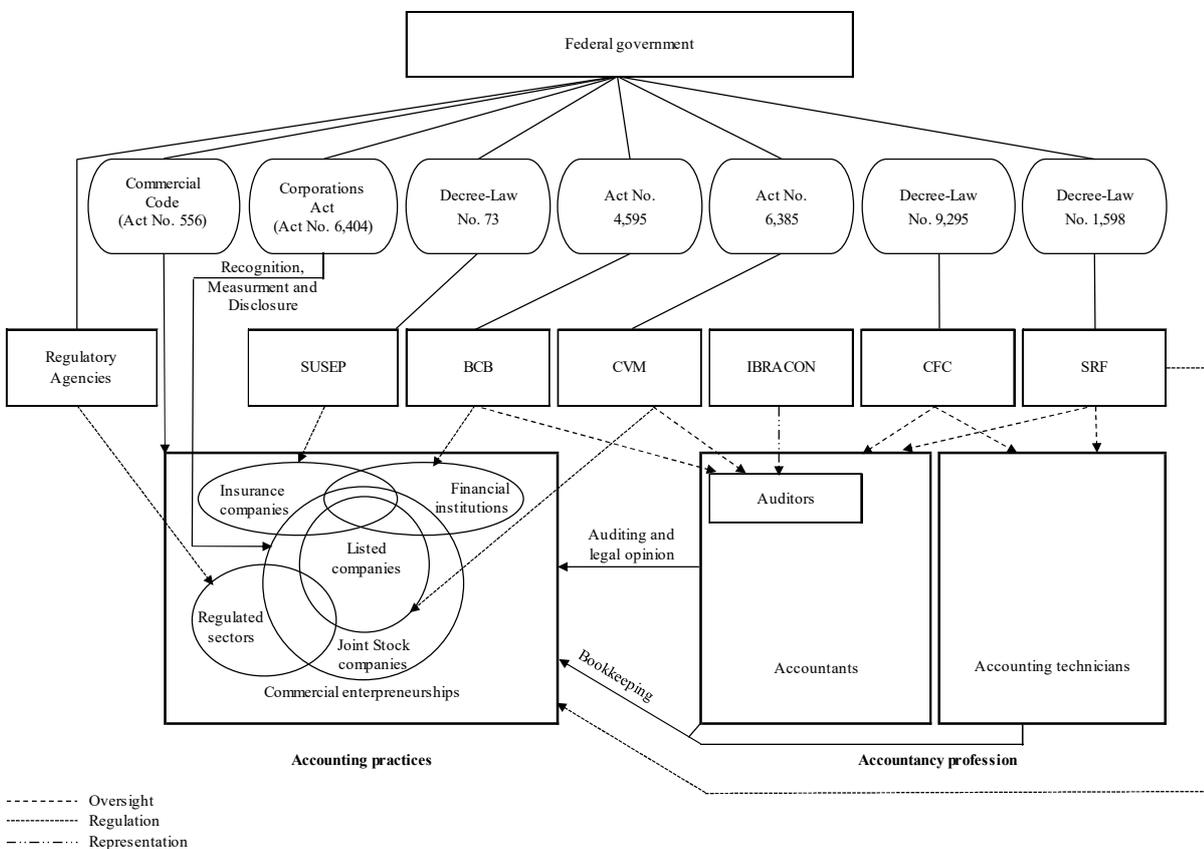
Agency	Created		Accounting regulation	Source
	in	by		
National Agency of Petroleum, Natural Gas and Biofuels ( <i>Agência Nacional do Petróleo, Gás Natural e Biocombustíveis – ANP</i> )	1997	Act No. 9,478	Since 1999, ANP defines a standardised chart of accounts and exerts the right to inspect regulatees' books.	Portaria ANP n. 11 (1999)
National Health Regulatory Agency ( <i>Agência Nacional de Vigilância Sanitária – ANVISA</i> )	1999	Act No. 9,782	Act No. 9,782 explicitly confers to ANVISA the right of inspecting regulatees' accounting books.	
National Regulatory Agency for Private Health Insurance and Plans ( <i>Agência Nacional de Saúde Suplementar – ANS</i> )	2000	Act No. 9,961	Since its inception, ANS establishes an accounting manual which contains a standardised chart of accounts and determines criteria for recognition and measurement of assets and liabilities, prescribing accounting policies that differ from those issued by the CPC.	Resolução de Diretoria Colegiada - RDC n. 38 (2000) and Resolução Normativa - RN n. 418 (2016)
National Water Agency ( <i>Agência Nacional de Águas – ANA</i> )	2000	Act No. 9,984	ANA does not regulate accounting practices.	
National Agency for Waterway Transportation ( <i>Agência Nacional de Transportes Aquaviários – ANTAQ</i> )	2001	Act No. 10,233	ANTAQ included the development of an accounting manual into its regulatory agenda for the period 2016-2017.	Resolução n. 4.502 (2015)
National Land Transportation Agency ( <i>Agência Nacional de Transportes Terrestres – ANTT</i> )	2001	Act No. 10,233	Since 2008, ANTT establishes an accounting manual which contains a standardised chart of accounts and determines criteria for recognition and measurement of assets and liabilities, prescribing accounting policies that differ from those issued by the CPC.	Resolução n. 1.773 (2006)
National Cinema Agency ( <i>Agência Nacional do Cinema – ANCINE</i> )	2001	Provisional measure No. 2228-1	ANCINE only requires cultural producers to account for the funds they receive from the agency.	Instrução Normativa n. 124 (2015)
National Civil Aviation Agency ( <i>Agência Nacional de Aviação Civil – ANAC</i> )	2005	Act No. 11,182	Since its inception, ANAC establishes a standardised chart of accounts, but it does not prescribe accounting policies different from those issued by the CPC. Regulatees' reports are disclosed for the public.	Resolução n. 342 (2014)

Source: Elaborated by the author.

### 3.7 Configuration of the field of accounting regulation in Brazil in the early-2000s

Except from an arguably stricter control of practitioners, the configuration of the field of accounting regulation in Brazil did not change substantially from the end of the military dictatorship until the early-2000s, since the main institutional agents remained the same as in the late-1970s. As represented in Figure 8, a noticeable change during this period was the creation of new regulatory agencies, but as I claim in Section 3.6, they occupied peripheral positions within the field.

Figure 8 – Field of accounting regulation in the early-2000s



Source: Elaborated by the author.

This field, as construed in this thesis, is structured by the dispute for the power to regulate accounting practices and, to a lesser extent, accounting practitioners. In the Brazilian context, given the Code-Law tradition and the often-authoritarian character of the political regimes that ruled the country, supporting from different fractions of the State apparatus is the most effective resource within the field, whereas the support from accounting practitioners or from business leaders play minor roles. And although specific agendas of the different fractions of

the State apparatus engaged with the field are conflicting sometimes, all of them seem to perceive accounting regulation as instrumental for achieving their policy goals.

The National Congress is the uttermost formal source of the regulatory powers disputed within this field, but it does not seem to adopt any consistent approach to accounting regulation. Instead, it can be better described as an arena of contingent disputes for this power, with the characteristics of a regulatory space as conceptualised by Hancher and Moran (1989), whereas the role of developing and proposing changes to accounting regulation has historically been played by different segments of the Executive Power.

As the main “breadwinner” of the federal government, so to say, the SRF evidently occupies a privileged position within the State apparatus itself, what allows it to operate with a high level of autonomy. In the field of accounting regulation, throughout its history the SRF constructed accounting as a calculative technique to control taxation, remaining impervious to representatives of the accountancy profession. And even though it did not have an explicit legal mandate to regulate accounting practices, the SRF made tax deductions to be contingent upon book entries, having little difficulty to obtain the adherence of taxpayers to its accounting prescriptions.

The BCB, by its turn, established a more collaborative relationship with the accountancy profession, playing a relevant role in the consolidation of auditing practice in Brazil. With such a support for the profession, the BCB helped to establish a market for services that are targeted at building up the public confidence, thus fulfilling its own mandate to promote the stability of the Brazilian financial system. However, the BCB kept on exerting its power to regulate accounting practices by its own, constructing accounting, through the COSIF, as a tool for enacting its supervisory activities.

The CVM, on the other hand, often outsourced its power to regulate accounting practices and simply endorsed the standards developed by the accountancy profession. To fulfil its mandate to promote the development of the Brazilian capital market, the CVM seems to always have tried to emulate regulatory arrangements from the USA, including the delegation of accounting regulation to the accountancy profession. Furthermore, it also needs to be considered that, due to the more restricted scope of its legal mandate, the CVM has a much smaller structure than either the SRF or the BCB. CVM’s personnel expenses in 2004, for

example, amounted to R\$ 0.04 billion (Comissão de Valores Mobiliários [CVM], 2017), whereas BCB's amounted to R\$ 1.0 billion (Banco Central do Brasil [BCB], 2005) and SRF's amounted to R\$ 1.8 billion (Secretaria da Receita Federal do Brasil [SRF], 2016). Hence, delegating the development of accounting standards to representatives of the accountancy profession allows the CVM to save its scarcer resources.

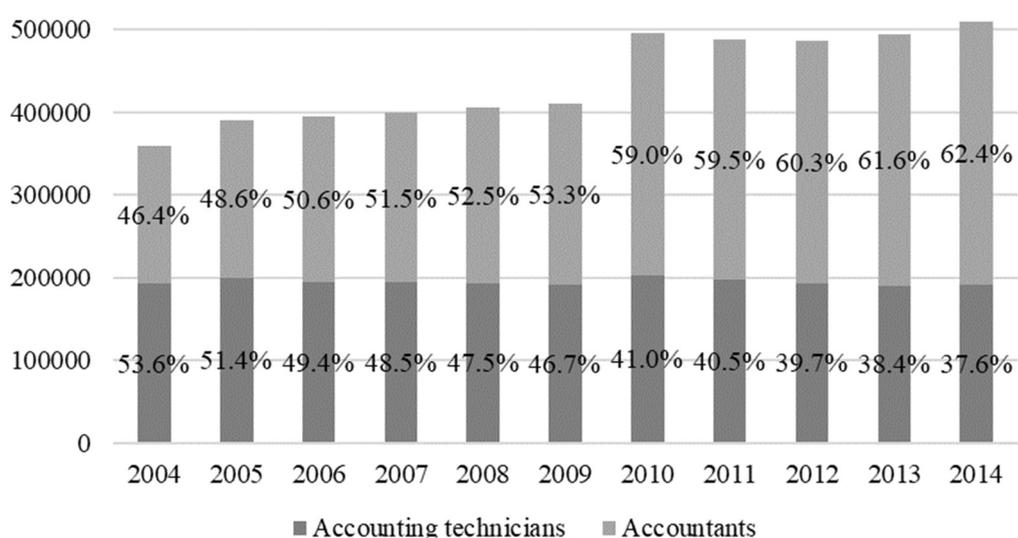
The CVM and, to a lesser extent, the BCB, have been the main fringes through which the accounting elite represented by the IBRACON infiltrates the State apparatus to advance its professional agenda. Especially in the case of the CVM, there may be a temptation to describe this relationship in terms of a “capture” of the regulator by its regulatees, but I do not believe it is a useful metaphor, because it is difficult to assess “who captured whom” when analysing the historical development of this relationship. On the one hand, the profession has clearly benefited from the establishment and expansion of an auditing market promoted by the regulators; on the other hand, regulators seem to have counted on the help from the accountancy profession to expand their capacity to enforce their own regulatory powers. Furthermore, the developments that followed the accounting scandals of the mid-1990s, when both the BCB and the CVM determined a mandatory rotation of auditors which was fiercely opposed by the profession, evidence that regulators only keep this relationship of mutual accommodation as long as they perceive to be benefited: when they felt the need to restore the public confidence after those scandals, they did not hesitate to impose stricter controls over auditing practitioners. Thus, I believe that this relationship, which has been mutually beneficial most of the time, is better described by the notion of an interpretative community in which regulators and the professional elite share essentially the same assumptions and understandings about their respective roles – a similar habitus, to stick to the Bourdiesian framework.

A key role to cement this interpretative community is played by the USP Accounting Department. Offering the only Brazilian doctoral program in accounting for three decades, it virtually monopolised the academic discourse on accounting, accumulating a symbolic capital that allowed it, through the FIPECAFI, to get more access to economic capital to fund its activities than any other accounting department in Brazil. In turn, it reinforced its ability to dominate the symbolic production of academic discourses and granted it a relevant role in the field of accounting regulation, as producer and especially as disseminator of the accounting standards developed by this interpretative community. Throughout the years, the USP faculty

ostracised the discourses of the European-inspired segment of the Brazilian accounting community, authoring several textbooks that, with the help from their alumni, were adopted in undergraduate courses all over the country. Furthermore, some professors sporadically assumed directive posts in the BCB and the CVM, reinforcing the ties between these regulators and the accountancy profession.

Although the professional elite represented by the IBRACON dominates the arguably most profitable sector of the market for accounting services (i.e., the auditing of financial statements of multinational and/or listed companies), numerically they constitute a very small proportion of Brazilian accounting practitioners – in 2007, IBRACON had nearly 2,000 associates only (IBRACON, 2007). The CFC, on the other hand, having a jurisdiction over all accounting practitioners, was arguably dominated by the interests of small practitioners whose main clients are small and medium-sized enterprises, since they outnumber auditors by far. But the CFC itself, due to the two-tiered structure of the Brazilian accountancy profession, was subjected to an internal dynamic of conflicting interests. As represented in Figure 9, during the decade from 2004 to 2014 the proportion of practitioners registered as accountants surpassed the proportion of accounting technicians, in the context of a general expansion of higher education in Brazil. However, even by the end of this period accountants represented less than 2/3 of all practitioners registered, and yet they occupy 2/3 of CFC's directive posts, as established by law.

Figure 9 – Number of practitioners registered at the CFC: 2004 – 2014



Source: Elaborated by the author, based on data from Conselho Federal de Contabilidade (CFC, 2017).

Therefore, the CFC was led by a constituency that occupied an intermediary position in the Brazilian accountancy profession: outside the auditing market, the higher educational credentials of accountants were nearly indistinguishable from those of accounting technicians, whose professional prerogatives were essentially the same. Aiming to improve the generally low social status of accountancy *vis-à-vis* other liberal professions, the CFC tried to build up a greater respectability for the profession through the adoption of a discursive strategy mostly influenced by the European-inspired segment, defining accounting as a scientific endeavour. However, this strategy clashed with the approach taken by the interpretative community to which IBRACON belonged: representing a professional segment that enjoyed a higher social status and adopted, probably to protect its higher symbolic capital, the differentiating label of “independent auditors”, IBRACON followed the pragmatic stance of the regulators of financial markets, declaring the decision-usefulness of financial statements for market participants to be the primary purpose of accounting regulation.

By prioritising the definition of accounting as a science over the decision-usefulness of financial statements, the CFC was the main challenger of the interpretative community that dominated the field of accounting regulation in Brazil ever since the 1970s. Thus, the adoption of the IFRS in Brazil, as will be discussed in Chapter 4, can be briefly summarised as a process of homogenisation between these two opposing poles in the field of accounting regulation, alongside the exclusion of tax authorities from the field.

## 4 RECONSTITUTION OF THE FIELD OF ACCOUNTING REGULATION IN BRAZIL

*“Hegel remarks somewhere that all great world-historic facts and personages appear, so to speak, twice. He forgot to add: the first time as tragedy, the second time as farce” (Marx, 1852/1999).*

This chapter addresses the reconstitution of the field of accounting regulation in Brazil during the adoption of the IFRS, and is divided into six sections. Firstly, I analyse Draft 3,115/1997, through which the National Congress approved reforms of the Corporations Act in the early-2000s that were accompanied by an unsuccessful attempt to create a private accounting standard-setter. Then I analyse Draft 3,741/2000, which provided the legal support necessary for the adoption of the IFRS in Brazil, after being processed by the National Congress for seven years. The third section deals with the efforts conducted to implement the reforms approved in 2007, and the fourth section analyses some conflicts within the field during and/or after this implementation. In the fifth section, I summarise the discussions of this chapter and construct the current structure of the field. Finally, in an epilogue I analyse an episode of conflict between the CPC and the IASB and discuss its possible implications for the future of the field.

### 4.1 Initial attempt to create a private standard-setter

In December 1999, Deputy Emerson Kapaz presented to the Commission on Economy, Industry and Commerce (*Comissão de Economia, Indústria e Comércio – CEIC*) of the Chamber of Deputies his report on Draft 3,115/1997. The proposal that originated this Draft, presented by Deputy Luiz Carlos Haully, dealt only with the rights attributed to the different classes of shares according to the Corporations Act. However, during 1999 two other proposals to alter the Corporations Act (Drafts 3,519/1997 and 1,000/1999) were joined with Draft 3,115/1997, and in his report Mr. Kapaz presented a substitutive proposal for a much more extensive reform of the Corporations Act, followed by another substitutive proposal, from Deputy Antônio Kandir to the Commission on Finance and Taxation (*Comissão de Finanças e Tributação – CFT*), which also included reforms of the legal status of the CVM (Câmara dos Deputados, 2001a).

Their parliamentary origin was a distinctive feature of these proposals, discussed and approved by the National Congress during the last years of President Cardoso's term, since major legislative reforms in Brazil are usually proposed by the Executive power. And their main justification, i.e., the necessity to develop the Brazilian capital market, was a highly consensual objective, being praised even by the parliamentary opposition – throughout the processing of Draft 3,115/1997 in the National Congress, the arguments that a strong capital market is a necessary condition for promoting economic development, as exemplified by the textual evidences presented in Table 4.1, were not contested.

Table 4.1 – The necessity to develop the Brazilian capital market

Textual evidence	Free translation
<p>Deputy Emerson Kapaz Report on Draft 3,115 to the CEIC, Chamber of Deputies – 12/9/1999</p> <p><i>De fato, o custo do financiamento produtivo no Brasil é, infelizmente, como sabemos todos, dos mais elevados do mundo. Se assim é, o incentivo e a expansão do mercado de capitais – mecanismo, como sabemos todos, de autofinanciamento do empreendimento, no sentido de que feito através da captação de sócios, com conjugação dos riscos, e não da formação de credores – torna-se, mais do que nunca, a alternativa sadia por excelência para que as imensas oportunidades de investimento existentes na economia nacional não sejam desperdiçadas, sufocadas pelos juros estratosféricos de uma forma ou de outra impostos por nossa condução macroeconômica</i></p>	<p>In fact, the cost of productive funding in Brazil is, unfortunately, as we all know, one of the highest in the world. If it is so, the incentive and the expansion of capital markets – a mechanism, as we all know, of self-funding for the enterprise, in the sense that it occurs through the capitation of partners, with a sharing of risks, and not with the formation of creditors – becomes, more than ever, the healthy alternative by excellence for the huge investment opportunities there are in the national economy not to be wasted, suffocated by the stratospheric interest rates imposed in a way or another by our macroeconomic conduction.</p>
<p>Mr. José Luís Osório – President of the CVM Public hearing at the CFT, Chamber of Deputies – 4/13/2000</p> <p><i>Em nome do colegiado da CVM, declaro meu total apoio às propostas apresentadas pelo Deputado Emerson Kapaz, confiante em que esta Comissão certamente contribuirá para o aprimoramento do projeto. Considero extremamente saudável e fundamental a troca de idéias entre grupos com interesses comuns no desenvolvimento do Brasil, já que todos sabemos que o mercado de capitais desenvolvido proporciona real alternativa de financiamento às empresas do País.</i></p>	<p>On behalf of the CVM board, I declare my total support for the proposals presented by Deputy Emerson Kapaz, being confident that this Commission will certainly contribute to improve the project. I consider it is extremely healthy and fundamental to exchange ideas among groups with common interests in Brazil's development, since we all know that a developed capital market propitiates a real funding alternative to the enterprises of the Country.</p>
<p>Deputy Aloísio Mercadante Plenary discussion, Chamber of Deputies – 3/28/2001</p> <p><i>Não compartilhamos com a expectativa anunciada pelo Governo de que a mudança na Lei das Sociedades Anônimas possa trazer grande mudança no comportamento do mercado de capitais no Brasil, mas era evidente a necessidade de uma mudança e a adaptação da legislação, mesmo porque as mudanças casuísticas provocadas pelo Governo em 1997 acabaram esmagando os acionistas minoritários,</i></p>	<p>We do not share with the expectation announced by the Government that the changes in the Corporations Act can bring about a big change to the behaviour of the capital market in Brazil, but there was an evident necessity of a change and adaptation of the legislation, even because the casuistic changes brought about by the Government in 1997 ended up smashing minority shareholders,</p>

To be Continued

## Conclusion

Textual evidence	Free translation
<i>debilitando a participação do mercado de capitais e restringindo ainda mais esse instrumento poderoso numa economia contemporânea de financiamento da produção. O objetivo da nova Lei das S/A, em última análise, é baixar o custo de capitalização das empresas, como forma de melhorar a sua eficiência e a sua produtividade e, por via de consequência, aumentar a capacidade de produção com a oferta de maior número de empregos para os brasileiros.</i>	debilitating the share of the capital market and restraining even more this powerful instrument in a contemporary economy of production funding. The objective of the new Corporations Act, in a last analysis, is to lower the cost of equity for enterprises, as a way to improve their efficiency and their productivity and, as a consequence, to increase the capacity of production with the offer of a higher number of jobs for Brazilians.

Source: Câmara dos Deputados (2000, 2001a, 2001b).

The convenience of providing a higher level of autonomy for the CVM, however, was subjected to some criticism. Nevertheless, the view that it was necessary in order to achieve the objective of strengthening the capital market also prevailed. Table 4.2 presents illustrative examples of this debate.

Table 4.2 – A higher level of autonomy for the CVM

Textual evidence	Free translation
Deputy Antônio Kandir Opinion on the Amendments to Draft 3,115 at the CFT, Chamber of Deputies – 6/6/2000 <i>O presente Substitutivo contém diversas modificações na Lei das S.A., com o objetivo de revigorar o mercado de capitais brasileiro. Algumas alterações nas normas de funcionamento da Comissão de Valores Mobiliários (CVM) também foram apresentadas, dentro desse mesmo escopo, com o intuito de conferir maior autonomia e independência à esta autoridade reguladora, tendo em vista que de sua eficiente atuação depende, em grande parte, o sucesso das medidas ora propostas.</i>	Chamber of Deputies – 6/6/2000 The present Proposal contains several modifications to the Corporations Law, with the purpose of invigorating the Brazilian capital market. Some changes in the rules of operation of the Securities and Exchange Commission (CVM) were also presented, within the same scope, with the aim of granting greater autonomy and independence to this regulatory authority, since upon its efficient performance, to a large extent, the success of the measures proposed by now depend.
Mr. Modesto Carvalhosa – Lawyer Public hearing at the Commission on Constitution, Justice and Citizenship ( <i>Comissão de Constituição, Justiça e Cidadania – CCJ</i> ), Federal Senate – 5/15/2001 <i>A CVM aqui será uma entidade absolutamente autônoma, com um mandato de cinco, embora os Srs. Senadores tenham um mandato maior que esse. Com essa autonomia que eles têm, pode haver a série absurda de abuso de poder, de não ter nenhuma relação de prestar contas a ninguém . . . . Aqui, na CVM, o Governo não terá, portanto, ascendência sobre o que está na CVM. Ela será um índice autônomo com mandato. O Presidente da República tem um mandato de quatro anos; ela terá de cinco. Assim, criamos aqui um monstro, para falar português claro, onde haverá uma tendência, ou à desídia absoluta desses mandatários, que ficarão lá por cinco anos sem fazer nada, ou, então, a exercer um abuso de poder enorme.</i>	Mr. Modesto Carvalhosa – Lawyer The CVM will be here an absolutely autonomous entity, with a five-year mandate, although you Mr. Senators have a longer mandate than this. With this autonomy they have, there can be an absurd series of power abuse, of not having any accountability to anyone . . . . Here, in CVM, the Government will not have, thus, ascendancy over what is in CVM. It will be an autonomous index with a mandate. The President of the Republic has a mandate of four years; it will have a five-year one. Thus, we create here a monster, to speak a clear Portuguese, where there will be a tendency either to an absolute negligence of these officials, who will be there for five years without doing anything, or, then, to exert a huge power abuse.

To be continued

## Conclusion

Textual evidence	Free translation
<p>Mrs. Carmem Silvia Parkinson – Lawyer            Joint public hearing at the CCJ and the Commission on Economic Issues (<i>Comissão de Assuntos Econômicos – CAE</i>), Federal Senate – 8/22/2001</p> <p><i>Agora, eu queria abordar apenas alguns poucos aspectos das alterações propostas pela Lei nº 6.385. O problema fundamental, que está sendo muito questionado, é se a CVM deve ou não deve ser uma agência autônoma, enfim, a questão da autonomia da relação que deixa de ser autarquia vinculada. Como fui da CVM por muitos anos, já advogávamos isso poucos anos depois de ela ter sido constituída. Não entrarei no mérito da discussão se é constitucional ou não, apenas deixarei meu testemunho aqui de que a CVM só poderá exercer efetivamente seus poderes na forma como a sociedade deseja no dia em que ela for uma agência autônoma. No passado não existiam agências autônomas e foi muito difícil discutir essa matéria junto ao Governo. Hoje existem muitos agentes reguladores. O modelo pode ser aplicado à CVM sem prejuízo de ninguém.</i></p>	<p>Now, I would like to address only a few aspects of the amendments proposed by Act No. 6,385. The fundamental problem, which is being questioned, is whether the CVM should or should not be an autonomous agency, in other words, the question of the autonomy of the relationship [with the Federal Government] that will no longer be binding. Since I was a member of the CVM for many years, we already advocated for this a few years after it was constituted. I will not enter into the merits of the discussion if it is constitutional or not, I will just leave my testimony here that the CVM can only effectively exercise its powers in the way that society wishes in the day that it is an autonomous agency. In the past, there were no autonomous agencies and it was very difficult to discuss this matter with the Government. There are many regulatory agents today. The model can be applied to CVM without prejudice to anyone.</p>

Source: Câmara dos Deputados (2001a) and Senado Federal (2001a, 2001b).

Alongside the proposed amendments to the legal status of the CVM, Mr. Kandir's substitutive proposal to the CFT included the creation of the Committee of Accounting Standards (*Comitê de Padrões Contábeis – CPC*), defined as a not-for-profit organisation aimed to study, elaborate and disseminate accounting principles, procedures and standards. The CPC board were to be constituted by a maximum of nine members, appointed by the Minister of Finance, including representatives from the CVM, the CFC, from national associations of preparers, auditors and analysts of financial reports, and from universities and research institutes.

The CFC fiercely opposed to the creation of the CPC. According to CFC officials, the CPC would undermine the self-regulation of the accountancy profession, since in its board there would be non-accountants developing the accounting standards that accounting practitioners would have to follow. Furthermore, they also argued that the CFC was already playing the role of a standard-setter, competently enacting high-quality Brazilian Accounting Norms (*Normas Brasileiras de Contabilidade – NBCs*) with no costs for the State. At first, the CFC lobbied the National Congress to be granted, instead of the CPC, the legal authority to set accounting standards, since it did not have an explicit legal mandate to do so – the NBCs were enacted based on a questionable interpretation of the legal act that created the CFC (Decree-Law No. 9,295/46). But the CFC failed to achieve this objective, only managing to get the

assurance that most of the CPC members would have to be accountants – what was described as a victory in CFC’s newspaper, as evidenced in Table 4.3.

Table 4.3 – The CFC lobbies against the creation of the CPC

Textual evidence	Free translation
<p>“<i>Contadores são maioria no Comitê de Padrões Contábeis</i>” (“Accountants are the majority in the Accounting Standards Committee”)            CFC’s Newspaper, year 4, No. 36, April 2001, p. 3.</p> <p><i>Um trabalho de acompanhamento insistente e eficiente com as principais lideranças parlamentares do país, tendo à frente o presidente do Conselho Federal de Contabilidade, José Serafim Abrantes, deu aos contadores uma posição de destaque no Comitê de Padrões Contábeis, criado pelo Projeto de Lei 3.115-B/97 (Lei das S.A.), aprovado no dia 28 de março último pelo plenário da Câmara dos Deputados. . . . O CPC será integrado por nove membros, a maioria formada por contadores, e será integrado pelo órgão federal de fiscalização do exercício da profissão contábil (CFC), pelo órgão regulador do mercado de capitais (Comissão de Valores Mobiliários - CVM), por entidades nacionais representativas de quem elabora, audita e analisa informações e demonstrações contábeis e por universidades e institutos de pesquisa. . . . O trabalho de acompanhamento ao projeto da nova Lei das S.A. começou quando o projeto foi apresentado na Câmara, há três anos. O CFC enviou aos líderes parlamentares, por meio de ofício e de visitas pessoais, todas as reivindicações que achava justas. . . . Na véspera da votação, o presidente Serafim entregou pessoalmente ao deputado Kandir um ofício com duas alternativas de propostas: uma, que seria a ideal, e outra, uma alternativa que também satisfaria a classe contábil. “Fomos além dos nossos limites em termos de pressão sobre o Congresso Nacional. Conseguimos uma vitória importante que deve ser entendida pela nossa categoria como mais um passo em direção à valorização do nosso profissional”, garantiu o presidente José Serafim Abrantes.</i></p>	<p>An insistent and efficient following-up work with the Country’s main parliamentary leaders, headed by the president of the Federal Council of Accounting, José Serafim Abrantes, gave accountants a prominent position in the Committee of Accounting Standards, created by Draft 3,115/1997 (Corporations Act), approved on last March 28 by the plenary of the Chamber of Deputies. . . . The CPC will be composed by nine members, the most of them being accountants, and will be integrated by the federal supervisory body of accounting practice (CFC), by the regulator body for the capital market (Securities and Exchange Commission – CVM), by national entities representing preparers, auditors and analysts of financial reports, and by universities and research institutes. . . . The following-up work for the project of the new Corporations Act began when the project was presented in the Chamber, three years ago. The CFC sent to the parliamentary leaders, through letters and personal visits, all the revindications it thought were fair. . . . The day before the voting, president Serafim personally handed to deputy Kandir a letter with two alternative proposals: one, that would be the ideal, and another, an alternative that would also satisfy the accountancy profession: “We went beyond our limits in terms of pressure on the National Congress. We obtained an important victory that must be understood by our category as one more step towards the appreciation of our professionals”, assured president José Serafim Abrantes.</p>

Source: CFC (2001).

Yet this celebrated “victory” was not enough to please the CFC. During the processing of Draft 3,115/1997 in the Federal Senate, the CFC kept on lobbying against the creation of the CPC in the terms the Chamber of Deputies had approved it. In a public hearing at the CCJ of the Federal Senate, Mr. Ynel Alves de Camargo, representing the CFC, exposed his contrariety to the project in the terms presented in Table 4.4.

Table 4.4 – CFC’s opposition to the creation of the CPC as proposed in Draft 3,115/1997

Textual evidence	Free translation
<p>Mr. Ynel Alves de Camargo – Former president of the CFC and coordinator of its standard-setting working-group Public hearing at the CCJ, Federal Senate – 6/19/2001</p> <p><i>Em primeiro lugar, Sr. Presidente, Sr<sup>as</sup> e Srs. Senadores, deixo claro aqui que os Conselhos de Contabilidade entendem, com absoluta clareza, a necessidade de se mudar e atualizar a Lei das Sociedades por Ações e a lei que cria a CVM, ambas promulgadas em 1976. . . . Infelizmente, Sr. Presidente, o projeto também apresenta graves equívocos, que é necessário relevar aqui e que, a nosso ver, merecem correção. O art. 27-A, acrescido pelo Projeto-Lei nº 6.385/76, contém um vício insanável. Cria, sob o controle da CVM, um órgão, o Comitê Padrões Contábeis, que se sobrepõe ao Conselho Federal de Contabilidade, atribuições que foram definidas ao Conselho desde 1946 pelo Decreto-Lei nº 9.295, de 1946, como órgão regulamentador e fiscalizador da profissão contábil. . . . O Conselho Federal gera, moderniza, publica e difunde normas brasileiras de contabilidade, princípios e normas que extrapolam as nossas fronteiras e ajudam a sedimentar o conhecimento científico contábil internacional. Se o art. 27, “a”, do PLC nº 23 de 2001, não for suprimido totalmente ou substituído com uma nova redação, que reconheça a atribuição e o trabalho dos Conselhos de Contabilidade, estar-se-á cometendo um ledô engano, um grave equívoco, pois estar-se-á construindo sob o controle da CVN [sic] um organismo, cujos os objetivos já são cumpridos desde 1981, de forma competente e sem gastos para o Estado pelo grupo de trabalho de estudo das normas de contabilidade pelo Conselho Federal de Contabilidade, que investido de sua competência vem elaborando e editando, há 20 anos, com enfoque científico, os princípios fundamentais de contabilidade e as normas brasileiras de contabilidade. . . . Cria-se, com isso, um dispensável paralelismo de ações com a sociedade e, o que é pior, abre-se uma nova fonte de despesas para a União. Para que ter mais um problema, mais custos para o Estado? Para que ter mais uma preocupação? Para que ter mais despesas, se já existe um organismo fazendo isso? Criar uma entidade paralelamente para fazer a mesma atividade do Grupo de Trabalho e de Estudos do Conselho Federal de Contabilidade? Criar mais custos? Isso não tem sentido. O Grupo de Trabalho e de Estudos não cria despesas para ninguém, porque o Conselho Federal de Contabilidade custeia tudo, com as suas diárias. Os objetivos são plenamente atendidos pelo grupo, sem criar custos, uma vez que o trabalho é honorífico. Em consequência, nada justificaria a criação de um</i></p>	<p>First of all, Mr. President, Mr. and Mrs. Senators, I make it clear here that the Accounting Councils understand, with absolute clarity, the need to change and update the Corporations Act and the act that established the CVM, both of which were promulgated in 1976. . . . Unfortunately, Mr. President, the project also presents serious misconceptions, which need to be highlighted here and, in our view, must be corrected. Article 27-A, added by Draft-Law No. 6,385/76, contains an insurmountable flaw. Under the control of the CVM, it creates a body, the Accounting Standards Committee, which overlaps with the Federal Council of Accounting, [and the] attributions that have been granted to the Council since 1946 by Decree-Law No. 9,295 of 1946, as the regulatory and supervisory body of the accountancy profession. . . . The Federal Council generates, modernises, publishes and disseminates Brazilian accounting standards, principles and norms that go beyond our borders and help to consolidate the international scientific accounting knowledge. If Article 27-A, of PLC No. 23 of 2001, is not completely eliminated or replaced by a new wording, recognising the attribution and work of the Accounting Councils, an unintended misunderstanding and a serious mistake will be made, because it will construct under CVM’s control a body whose objectives are already fulfilled since 1981, in a competent manner and without expenses for the State, by the working-group for studying accounting standards of the Federal Council of Accounting which, invested in its competence, has been elaborating and publishing, for 20 years, with a scientific approach, the fundamental principles of accounting and the Brazilian accounting standards. . . . This creates an unnecessary parallelism of actions with society and, what is worse, a new source of expenditure for the Union opens up. Having one more problem, more costs for the State, what for? What having one more worry for? Why to bear more expenses, if there already exists a body doing this? Creating an entity in parallel to do the same activity of the Working and Studies Group of the Federal Council of Accounting? Creating more costs? This makes no sense. The Working and Studies Group does not create expenses for anyone, because the Federal Council of Accounting funds everything with their daily expenses. The objectives are fully met by the group, without creating costs, since the work is honorific. As a result, nothing would justify the creation of a parallel body, the Committee of Accounting Standards, to study, elaborate, and</p>

To be continued

## Conclusion

Textual evidence	Free translation
<p><i>órgão paralelo, Comitê de Padrões Contábeis, para estudar, elaborar e divulgar os princípios, normas e padrões contábeis, pois isso já é atribuição do Conselho Federal de Contabilidade desde 1931 [sic], e essas normas estão sendo aplicadas e respeitadas pelo poder público . . . . Por conseguinte, para quê criar um Comitê de Padrões Contábeis, se já existe o Conselho Federal de Contabilidade, que cumpre, eficientemente, os mesmos objetivos propostos? O que se deve fazer é dar continuidade, com afinco, às atribuições legais do Grupo de Trabalho e de Estudos do Conselho Federal de Contabilidade. . . . Como pode o projeto do eminente Deputado partir do zero, como se nada existisse? Como pode ignorar a existência do Conselho Federal de Contabilidade, que já tem essas atribuições? Como pode este projeto tentar descartar ou deixar de lado, fazendo, a um lado, uma dilatada história de brilhante luta de trabalho regulador e fiscalizador e inegável acúmulo de experiências no estudo, elaboração e divulgação dos princípios, normas e padrões contábeis? O projeto do Deputado Luiz Carlos Hauly está desconhecendo e ignorando, como se não existisse, o insigne labor patriótico que vêm desenvolvendo os Conselhos de Contabilidade pelo Brasil afora.</i></p>	<p>disseminate accounting principles, norms and standards, since it is already attributed to the Federal Council of Accounting since 1931 [sic], and these norms are being applied and respected by public authorities. . . . Therefore, why creating a Committee of Accounting Standards, if there already exists the Federal Council of Accounting, which efficiently meets the same objectives proposed? What must be done is to give continuity, keenly, to the legal attributions of the Working and Studies Group of the Federal Council of Accounting. . . . How can the project of the eminent Deputy start from zero, as if nothing had existed before? How can it ignore the existence of the Federal Council of Accounting, which already has these attributions? How can this project try to discard or put aside a long history of brilliant regulatory and supervisory working struggle and an undeniable accumulation of experiences in the study, elaboration and dissemination of accounting principles, norms and standards? The project of Deputy Luiz Carlos Hauly is ignoring, as if it did not exist, the emblematic patriotic work that the Accounting Councils have been developing throughout Brazil.</p>

Source: Senado Federal (2001a).

CFC's dissatisfaction with the creation of the CPC were expressed with even more emphasis in two amendments to Draft 3,115/1997, presented at the CAE of the Federal Senate by Senator José Fogaça: Amendment No. 24 aimed to determine that the CPC should be coordinated by the CFC and all its members should be accountants, whereas Amendment No. 25 aimed to grant the legal authority to set accounting standards directly to the CFC. A highly emphatic passage from the latter, in which the CPC is described as "odd" ("*esdrúxulo*"), is presented in Table 4.5.

None of these amendments were approved, though. Table 4.6 presents evidences which suggest that CFC's demands were probably perceived as corporatists: during a public hearing in the Federal Senate, the president of the CVM claimed that the fact that most of the CPC board members were to be accountants created jealousy among other professional councils, and Senator José Agripino, rapporteur of Draft 3,115/1997 at the CAE of the Federal Senate, deemed the autonomy of the CPC as a distinctive and desired characteristic of its proposed governance structure in his justification to reject these amendments.

Table 4.5 – “O esdrúxulo CPC” (“the odd CPC”)

Textual evidence	Free translation
<p>Senator José Fogaça Amendment No. 25 to Draft 3,115/1997 at the CAE, Federal Senate – 2001</p> <p>6. <i>O Capítulo VIIA, com os arts. 27A e 27B acrescentados à Lei nº 6.385/76, constantes do Projeto de Lei da Câmara nº 23, de 2001, do Deputado Luiz Carlos Hauly, que cria o exdrúxulo [sic] CPC (Comitê de Padrões Contábeis), <b>desrespeita a essência da regulamentação profissional</b>, na medida em que o CPC, sendo constituído por quase 50% (cinquenta por cento) de não-contadores – leigos no nosso linguajar corrente – , <b>teremos, ao final, uma situação paradoxal de não-profissionais estabelecendo normas técnicas para profissionais.</b></i></p>	<p>6. Chapter VIIA, with articles 27A and 27B, added to Act No. 6,385/76, contained in the Draft from the Chamber of Deputies No. 23 of 2001, by Deputy Luiz Carlos Hauly, which creates the odd CPC (Committee of Accounting Standards), <b>disrespects the essence of professional regulation</b>, in so far as the CPC, being constituted of almost 50% (fifty percent) of non-accountants – laymen in our current language – , <b>we will have, in the end, a paradoxical situation of non-professionals establishing technical norms for professionals.</b></p>

Source: Fogaça (2001).

Table 4.6 – Support for the creation of the CPC as proposed in Draft 3,115/1997

Textual evidence	Free translation
<p>Mr. José Luiz Osório de Almeida Filho – President of the CVM Public hearing at the CCJ, Federal Senate – 5/15/2001</p> <p><i>Senador José Fogaça, farei alguns comentários. Primeiramente, o objetivo do Comitê de Padrões Contábeis é canalizar as opiniões que vêm do Conselho dos Contabilistas, do Ibracon e de outros setores. Será uma entidade privada, nomeada por... Não há orçamento público envolvido nessa questão. Acredito que será criado um órgão canalizador. Há a exigência de que 51% dos membros sejam contadores, o que cria certa ciúmeira dos diferentes Conselhos. Todas as sugestões, que são muito boas, serão estudadas por esse órgão.</i></p>	<p>Senator José Fogaça, I will make some comments. Firstly, the objective of the Committee of Accounting Standards is channelling the opinions originated from the Accountant’s Council, the Ibracon and other sectors. It will be a private entity, appointed by... There is no public budget involved in this question. I believe that a channelling body will be created. There is the exigency for 51% of its members to be accountants, what creates a kind of jealousy from different Councils. All the suggestions, which are very good, will be studied by this body.</p>

<p>Senator José Agripino Opinion on the Amendments to Draft 3,115 at the CCJ, Federal Senate – 9/12/2001</p> <p><i>O art. 27-A tem por como objetivo a criação de uma entidade independente, que, ao lado das instituições já estabelecidas e com longa tradição em matéria contábil, como é, reconhecidamente, o Conselho Federal de Contabilidade, terá a atribuição a realização de estudos e a elaboração e divulgação de princípios, procedimentos e padrões de contabilidade. Como se observa do dispositivo em análise, o CPC não será subordinado a nenhuma instituição, sendo, portanto, uma entidade de cooperação, de natureza privada, com atribuições de interesse público. Em sua concepção, a independência é um elemento marcante, haja vista a ausência de subordinação até mesmo ao Ministro de Estado da Fazenda. A pretendida coordenação do CFC sobre o Comitê de Padrões Contábeis redundaria na total inutilidade de sua criação, pois este culminaria por se tornar um mero departamento daquele. O que se pretende, com efeito, é</i></p>	<p>Article 27-A has as its objective the creation of an independent entity, which, alongside institutions already established and with a long tradition in accounting issues, as the Federal Council of Accounting admittedly is, will have the attribution of conducting studies and of elaborating and disseminating accounting principles, procedures and standards. As can be seen from the commandment under analysis, the CPC will not be subordinated to any institution, being, therefore, a cooperative entity, of a private nature, with public interest attributions. In its conception, independence is a distinctive element, given the absence of subordination even to the Minister of Finance. CFC’s intended coordination of the Committee of Accounting Standards would result in the utter futility of its creation, as the latter would end up becoming a mere department of the former. What is intended, in fact, is the creation of</p>
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To be continued

## Conclusion

Textual evidence	Free translation
<p><i>a criação de uma nova entidade, que venha a somar esforços com as entidades já existentes, no sentido do aperfeiçoamento das normas contábeis. Ao meu ver, não procede a preocupação manifestada no corpo da justificação da emenda, de evitar que as decisões estratégicas tomadas no seio do Comitê de Padrões Contábeis sejam provenientes de elementos estranhos ao ambiente contábil e ao mercado de capitais, posto que o projeto condiciona a ocupação do cargo de membro do órgão deliberativo do referido Comitê ao atendimento dos requisitos de ílibada reputação e reconhecida capacidade técnica.</i></p>	<p>a new entity, which will join efforts with the already existing ones, in order to improve accounting standards. In my opinion, there is not a point in the concern expressed in the justification of the amendment, of avoiding that the strategic decisions made within the Committee of Accounting Standards will come from elements that are foreign to the accounting environment and the capital market, since the project conditions the occupation of the post of member of the deliberative body from the referred Committee to the fulfilment of the requirements of unimpaired reputation and recognised technical capacity.</p>

Source: Agripino (2001) and Senado Federal (2001b).

In fact, all the 45 amendments presented to Draft 3,115/1997 during its processing in the Federal Senate were rejected. According to the legislative procedures, if any of these amendments had been accepted the draft would have to be appreciated by the Chamber of Deputies once again, postponing its approval. During the final debate in the plenary of the Federal Senate, the view prevailed that the matter had been extensively discussed in the Chamber of Deputies, and although the draft could not be considered the ideal one, it represented an advance for the regulation of the capital market that deserved to be enacted as soon as possible. Thus, Draft 3,115/1997 was approved by the National Congress in September 2001, becoming Act No. 10,303.

Nevertheless, Articles 27-A and 27-B of Act No. 10,303, which determined the creation of the CPC, were vetoed by the President of the Republic on juridical grounds: the articles were not clear about the legal status of the CPC, whether it would be a public or a private entity, and in the first case, according to the Federal Constitution, its creation could not have been proposed by a parliamentary, but only by the President of the Republic himself. The same argument was deployed to veto all the articles of Act No. 10,303 which dealt with the legal status of the CVM, but in this case the vetoed content was re-enacted through a provisory measure<sup>13</sup>.

Given that the National Congress approved the creation of the CPC, and that the subsequent veto to its creation was due to a juridical technicality, instead of a claim of contrariety to the public interest, it seems fair to conclude that the Brazilian political establishment was

<sup>13</sup> A provisory measure is a proposal from the President of the Republic, to be used for relevant and urgent issues, which enters into force immediately, being appreciated by the National Congress afterwards.

receptive to such a re-arrangement of the field of accounting regulation. However, when this issue was not re-enacted through a provisory measure, as was the case with the provisions about the legal status of the CVM, it lost the “parliamentary momentum” that led to the approval of Act No. 10,303 and was put aside in the legislative agenda.

But the creation of the CPC kept on being articulated in the context of the discussions about another project: Draft 3,741/2000, proposing reforms focused on the accounting provisions of the Corporations Act, had been elaborated by the CVM and sent to the National Congress in 2000. The original proposal included the following reforms:

- a) financial reports should include a statement of changes in equity, a statement of cash flows and a statement of value added;
- b) corporations would be allowed to adjust the registers from their commercial books to eliminate the influence of tax legislation before preparing their financial reports;
- c) the CVM would be entitled to issue complementary norms for the preparation and disclosure of financial statements and management commentaries;
- d) large-sized entities would have to prepare and disclose audited financial statements according to the Corporations Act and the complementary norms enacted by the CVM (Câmara dos Deputados, 2009b).

In Draft 3,741/2000, another approach was taken to allow the creation of a private accounting standard-setter: differently from Draft 3,115/1997, board members would not be appointed by the Minister of Finance; instead, the CVM and other regulators would be allowed to endorse accounting standards issued by a private-sector entity. Such an entity should meet some due-process criteria when developing its standards; its members were to be appointed by associations of accountants, auditors and analysts of financial reports, and could also include representatives from universities and research institutes; and it should be accorded, contingent upon a previous opinion of the CVM about the fulfilment of these conditions, the legal status of a Civil Society Organisation in the Public Interest.

The explanatory memorandum for Draft 3,741/2000, presented in Table 4.7, contained many of the arguments for the adoption of international standards that would characterise, during the following years, the linguistic habitus associated to the interpretative community gathered around the capital market in the Brazilian field of accounting regulation: the accounting

dispositions of the Corporations Act were outdated and needed to be modernised; it was an urgent necessity due to economic globalisation; it was broadly supported by the interested parties; it would improve the quality of accounting information; it would strengthen the capital market and promote economic development. Notwithstanding the commitment and the efforts taken by this interpretative community, though, it took them nearly eight years to set Draft 3,741/2000 as a priority in the legislative agenda and convert it into law – they also needed, as will be discussed in section 4.2, a little help from foreign friends.

Table 4.7 – Justification for reforming the accounting dispositions of the Corporations Act

Textual evidence	Free translation
<p>Mr. Pedro Sampaio Malan – Minister of Finance Explanatory memorandum for Draft 3,741 – 1/19/2000</p> <p><i>Excelentíssimo Senhor Presidente da República,</i> <i>A Comissão de Valores Mobiliários – CVM elaborou Anteprojeto de Lei de reforma da Lei nº 6.404, de 15 de dezembro de 1976, que disciplina as sociedades por ações, a partir de trabalho realizado pela Comissão Consultiva sobre Normas Contábeis.</i></p> <p><i>2. A proposição tem por finalidade modernizar e harmonizar as disposições da lei societária em vigor com os princípios fundamentais e melhores práticas contábeis internacionais, o que constitui medida inadiável para uma inserção eficiente do Brasil no atual contexto de globalização econômica.</i></p> <p><i>3. A idéia de se efetuar uma ampla revisão da lei societária surgiu como resultado de seminários promovidos pela CVM e que contaram com a participação de entidades públicas e privadas. Assim, a partir de amplo debate público e governamental, que conferiu alto grau de legitimidade ao processo, foi definida a redação final do Projeto ora encaminhado.</i></p> <p><i>4. A reformulação proposta deve-se, portanto, à necessidade de se introduzir, na lei em vigor, modificações com o escopo de corrigir impropriedades e erros que remanesceram na lei societária desde a sua edição, em 1976, bem como adaptar a lei às mudanças sociais e econômicas decorrentes da evolução dos usos e costumes mercantis, objetivando o fortalecimento do mercado de capitais, mediante a implementação de princípios, normas e padrões de contabilidade e auditoria reconhecidos internacionalmente. Desta forma, será melhorada a qualidade das informações contábeis e, por conseguinte, a consistência do processo decisório de alocação de recursos, com vistas à promover o desenvolvimento econômico do país.</i></p> <p><i>5. Diante do exposto, submeto à apreciação de Vossa Excelência a minuta de Projeto de Lei anexa para a operacionalização da proposta de reforma da Lei nº 6.404, de 1976.</i></p>	<p>Your Excellency, the President of the Republic, The Securities and Exchange Commission – CVM prepared a draft for the reform of Act No. 6,404 of December 15, 1976, which governs joint-stock companies, based on a work carried out by the Advisory Committee on Accounting Standards.</p> <p>2. The purpose of the proposal is to modernise and harmonise the provisions of the corporate law in force with the fundamental principles and best international accounting practices, which is an urgent measure for an efficient insertion of Brazil in the current context of economic globalisation.</p> <p>3. The idea of carrying out a broad review of the corporate law came about as a result of seminars promoted by the CVM and attended by public and private entities. Thus, from a broad public and governmental debate, which conferred a high degree of legitimacy to the process, the final drafting of the Project has been defined.</p> <p>4. The proposed reformulation is due, therefore, to the need to introduce, in the current law, modifications with the scope of correcting improprieties and errors that have remained in the corporate law since its publication in 1976, as well as to adapt the law to the social and economic changes that resulted from the evolution of commercial practices and customs, aiming at strengthening the capital market through the implementation of internationally recognised accounting and auditing principles and standards. This way, the quality of accounting information will be improved and, consequently, so will the consistency of the process of decision-making on resource allocation, with the aim of promoting the country's economic development.</p> <p>5. In the light of the foregoing, I hereby submit to you the attached draft for the operationalisation of the proposal for the reform of Act No. 6,404 of 76.</p>

Source: Malan (2000).

#### 4.2 Draft 3,741/2000 and the external pressure to set the legislative agenda

In the first moments of the discussions about Draft 3,741/2000, the CFC kept on opposing the creation of a private standard-setter, on the same grounds it had opposed Draft 3,115/1997: it was argued that a private accounting standard-setter would undermine the self-regulation of the accountancy profession because there would be non-accountants developing accounting standards, and that the CFC was competently playing a standard-setter role with no costs for the State. On April 04, 2001, Deputy Agnelo Queiroz proposed an amendment to Draft 3,741/2000 at the CEIC of the Chamber of Deputies, aiming to grant the legal authority to set accounting standards directly to the CFC. It reproduced pretty much the same texts of the amendments presented to Draft 3,115/1997 by Senator José Fogaça (although a private standard-setter was no longer labelled as “*esdrúxulo*”) (Câmara dos Deputados, 2009b).

Table 4.8 reproduces an editorial from the 135<sup>th</sup> edition of the Brazilian Accounting Review (*Revista Brasileira de Contabilidade*), authored by Mr. Alcedino Gomes Barbosa, president of the CFC from 2002 to 2003, which is a quite informative example of the posture adopted by the CFC in the early days of the discussions about the international harmonisation of accounting standards in Brazil.

Table 4.8 – CFC’s early-view on the international harmonisation of accounting standards

Textual evidence	Free translation
<p>Mr. Alcedino Gomes Barbosa – President of the CFC            Editorial – <i>Revista Brasileira de Contabilidade</i> (Brazilian Accounting Review), No. 135, May/Jun., 2002</p> <p><i>Ao defender a harmonização mundial das normas contábeis, o CFC demonstra não temer a investida global, nem o confronto das normas brasileiras com as internacionais, pois, as Normas Brasileiras de Contabilidade são de alta qualidade, estão dentre as mais completas do mundo e aproximam-se sobremaneira do padrão internacional.</i></p> <p><i>A importância da Contabilidade, até que enfim, chegou além da profissão contábil. No entanto, a especulação acerca das normas contábeis é tão grande que todo mundo se sente no direito de se intrometer no assunto. O Congresso Americano, para não perder o embalo, agora apressa-se em manifestar-se sobre o assunto. O Fundo Monetário Internacional (FMI) e o Banco Mundial, na defesa de seus interesses, como grandes credores do mundo, sob o manto de fomentador da harmonização das normas, investem fundo no assunto, chegando a “sugerir” aos países endividados que sigam as</i></p>	<p>In defending the global harmonisation of accounting standards, the CFC demonstrates not to fear the global onslaught nor the confrontation of the Brazilian norms with international ones, since the Brazilian Accounting Standards are of high quality, are among the most complete in the world, and are highly close to the international standard.</p> <p>The importance of Accounting reached beyond the accountancy profession at last. However, speculation about accounting standards is so great that everyone feels entitled to meddle in the subject. The American Congress, in order not to lose the momentum, is now hastening to speak on the subject. The International Monetary Fund (IMF) and the World Bank, in defence of their interests, as major creditors of the world, under the mantle of promoting harmonisation of norms, invest heavily on the subject, even “suggesting” for indebted countries to follow international accounting standards.</p>

To be continued

## Conclusion

Textual evidence	Free translation
<p><i>normas contábeis internacionais.</i></p> <p><i>No Brasil, a CVM, o Banco Central, a Receita Federal e outros órgãos do Governo Federal também são contaminados por esse interesse específico, há algum tempo. Bem, interesses à parte, o que o momento atual nos ensina é que vivemos numa comunidade global, destarte, querendo ou não, temos que nos adaptar à nova regra. As ações de importantes organismos internacionais, como a IFAC, IASB, IOSCO, etc., deverão acelerar a edição de normas contábeis, internacionalmente aceitas, ainda mais agora, depois da decisão da União Européia de tornar obrigatórias tais normas para todas as grandes empresas dos 15 países que compõem o bloco.</i></p> <p><i>A harmonização defendida pelo CFC além de impulsionar, em escala mundial, uma maior compreensão sobre a Contabilidade, resultará no aumento da transparência, da qualidade e da utilidade das peças contábeis.</i></p> <p><i>Estar sintonizado com as tendências mundiais, enfrentar os novos tempos e vivenciar as mudanças advindas são premissas básicas para nossa sobrevivência, como profissional ou profissão. No entanto, nunca devemos nos esquecer que a Contabilidade é uma ciência que precisa aprimorar e didatizar sua linguagem. Precisamos falar a língua do mundo, e o mundo falar a nossa língua; é uma via de mão dupla.</i></p> <p><i>Embora nesta sintonia global, a profissão contábil parece não ser compreendida, pois, ao tempo que produz normas tecnicamente modernas, investe maciçamente em educação continuada, age com rigor quando algum profissional sai dos trilhos, enfrenta de contra-peso os interesses dos ditos “usuários”, que se sentem no direito de refutar nossas normas, defendendo apenas as que lhe pareçam benéficas ou que sejam patrocinadas por eles.</i></p> <p><i>Fala-se hoje em dia que para a edição de uma norma deve-se extrapolar o mundo corporativo de uma profissão, para vislumbrar os seus usuários quer sejam aqueles que utilizam, analisam ou auditam, e o mundo acadêmico, com o que concordo plenamente. No entanto, a prerrogativa, legal ou moral, para a edição dessa norma jamais deverá sair da alçada da profissão.</i></p> <p><i>É imperativo, a meu ver, que a profissão contábil assuma de vez a completa regulação sobre as normas contábeis no Brasil e no mundo, pois é ela, de forma inquestionável, a única capaz, técnica e legalmente, para tanto.</i></p>	<p>In Brazil, the CVM, the Central Bank, the Federal Revenue Service and other Federal Government agencies have also been contaminated by this specific interest for some time. Well, interests apart, what the current moment teaches us is that we live in a global community, thus, whether we want to or not, we must adapt to the new rule. The actions of important international organisations, such as the IFAC, IASB, IOSCO, etc., should speed up the edition of internationally accepted accounting standards, especially now, following the decision of the European Union to make such standards mandatory for all large companies from the 15 countries that make up the bloc.</p> <p>The harmonisation advocated by the CFC, further than boosting, in a global scale, a greater understanding of accounting, will increase the transparency, quality and usefulness of accounting documents.</p> <p>Being attuned to the world trends, facing the new times and experiencing the changes that come are basic premises for our survival, as a professional or profession. However, we must never forget that Accounting is a science that needs to improve and clarify its language. We need to speak the language of the world, and the world needs to speak our language; it is a two-way road.</p> <p>Although in this global tune the accountancy profession does not seem to be understood, since at the same time that it produces technically modern norms, invests massively in continuing education, acts with rigour when a professional goes off the rails, it is confronted by the counterweight of the interests of the so-called “users”, who feel the right to refute our norms, defending only those that seem beneficial or that are sponsored by them.</p> <p>It is nowadays said that for the edition of a norm one must extrapolate the corporate world of a profession, to glimpse its users whether they are those who use, analyse or audit, and the academic world, what I fully agree with. However, the prerogative, legal or moral, to issue this standard should never leave the professional jurisdiction.</p> <p>It is imperative, in my opinion, that the accountancy profession assumes once and for all the full regulation of accounting standards in Brazil and in the world, since it is unquestionably the only one capable, technically and legally, for this purpose.</p>

Source: Barbosa (2002).

In Mr. Barbosa's text, the argumentation in favour of the professional self-regulation and of the high-quality of the NBCs is reinforced by a nationalist tone. However, notwithstanding the defence of the quality of the NBCs, in its whole his text suggests that the authority to issue accounting standards, rather than their content, was the main concern for the CFC. And it must also be noticed that even though Mr. Barbosa's discourse was framed by the view of accounting as a science, which prevailed in the pole led by the CFC, it also contained some characteristic elements from the linguistic habitus of the opposite pole in the Brazilian field of accounting regulation: the international harmonisation of accounting standards was deemed as an unavoidable consequence of the economic globalisation that would lead to better, more useful and transparent accounting reports – the acceptance of these arguments can be interpreted as an early indicative of CFC's future adherence to the adoption of the IFRS in Brazil. One year later, in a public hearing at the CFT of the Chamber of Deputies, CFC's representatives would adopt a much less confrontational tone, evidencing a sort of capitulation from their resistance against the creation of a private standard-setter. Table 4.9 presents some excerpts from their hearings.

Table 4.9 – CFC's capitulation to the creation of a private standard-setter

Textual evidence	Free translation
<p>Mr. Alcedino Gomes Barbosa – President of the CFC Public hearing at the CFT, Chamber of Deputies – 8/20/2003</p> <p><i>As normas brasileiras de contabilidade, mesmo com a nossa identidade, são de padrão internacional. Então, a questão da harmonização realmente está consonante com os pensamentos do Conselho Federal de Contabilidade. . . . O Sistema busca defender o seu ponto de vista, em termos de edição de normas, mas nunca no aspecto corporativo. . . . A preocupação que temos na edição de normas no Brasil diz respeito ao seu caráter abrangente. Há vários órgãos que editam normas específicas aplicadas ao segmento que coordenam: o Banco Central para as companhias por ele supervisionadas, assim como a CVM e também as agências. Nossa preocupação, no Conselho Federal de Contabilidade, é que a ciência contábil é única. Precisamos editar uma norma compatível não só com o segmento, mas com o espírito da ciência. E é nessa visão que o Conselho Federal se torna bastante abrangente. Quando se posiciona acerca de uma norma, ele olha não só o caráter específico de determinado segmento que tenha interesse nela, mas a norma como um todo. Com isso, temos compartilhado com os demais órgãos interessados, que têm também editado normas, essa harmonia interna no Brasil. Em relação a esse projeto, entendemos que há necessidade apenas de alguns ajustes operacionais,</i></p>	<p>Brazilian accounting standards, even having our identity, are world-class. So, the issue of harmonisation is really consonant with the thoughts of the Federal Council of Accounting. . . . The [CFC] System seeks to defend its point of view, in terms of standard-setting, but never in a corporatist aspect. . . . The concern that we have with standard-setting in Brazil deals with its comprehensive character. There are several bodies that publish specific standards applied to the segment they coordinate: The Central Bank for the companies it supervises, as well as the CVM and also the agencies. Our concern, in the Federal Council of Accounting, is that the accounting science is unique. We need to edit a standard compatible not only with the segment, but with the spirit of the science. And it is in this view that the Federal Council becomes quite comprehensive. When it positions itself on a standard, it looks not only at the specific character of a particular segment that has a stake in it, but at the standard as a whole. With this, we have shared with the other interested bodies, which have also published standards, this internal harmony in Brazil. In relation to this project, we understand that there is only a need for some operational adjustments,</p>

To be continued

## Conclusion

Textual evidence	Free translation
<p><i>quanto à instituição da entidade reguladora, que pode transformar o que já fazemos na prática. Em princípio, achamos estranho a criação de outra entidade ou a possibilidade de criação de outra entidade para edição de Norma Brasileira de Contabilidade, já que temos o Conselho Federal, sem nenhum custo adicional para o contribuinte ou para quem quer que seja, que edita as normas no Brasil há mais de 20 anos. Assim, estranhamos essa idéia. Mas sabemos que essa tendência poderá trazer benefício para a própria profissão contábil, para a execução desse trabalho de forma harmônica [grifos nossos]. Por isso, partilhamos desta discussão com muita propriedade. Queremos contribuir para aprimorar o projeto. . . . Há concordância com o projeto, apenas com algumas questões operacionais, até para torná-lo mais exequível. Nesse sentido, acredito que com a própria junção dos órgãos que hoje editam normas talvez possamos também eliminar esse tipo de conflito da norma de interesse fiscal com a norma contábil pura. Acredito que por esse caminho poderemos chegar a uma lei de grande importância para o empresariado, para a sociedade, para os próprios profissionais, porque também não aplaudimos volume de impostos ou dificuldade de sua apuração, uma vez que cria grande barreira para o próprio exercício profissional da contabilidade.</i></p>	<p>regarding the inception of the regulatory entity, which can transform what we already do in practice. In principle, we find it strange the creation of another entity or the possibility of creating another entity for issuing Brazilian Accounting Norm, since we have the Federal Council, at no additional cost for the taxpayer or for whomever it is, which issues the standards in Brazil for more than 20 years. Thus, we find this a strange idea. <b>But we know that this trend can benefit the accountancy profession itself, to perform this work in a harmonious way [emphasis added].</b> That is why we share this discussion with great propriety. We want to contribute to improve the project. . . . There is an agreement with the project, except only from some operational issues, to make it even more feasible. In this sense, I believe that with the very combination of the bodies that issue standards today maybe we may also be able to eliminate this kind of conflict between the fiscal norm and the pure accounting standard. I believe that this way we can reach a law of great importance for the business community, for society, for the professionals themselves, because we also do not applaud the volume of taxes or the difficulty to calculate them, since it creates a great barrier to the professional practice of accounting.</p>
<p>Mr. Irineu De Mula – Vice-President of the CFC Public hearing at the CFT, Chamber of Deputies – 8/20/2003 <i>O anteprojeto de lei tem uma modernidade, que virá em benefício do trabalho que já vem sendo feito, sobre a harmonização das normas de contabilidade. Já foi dito que as normas de contabilidade emanam no Brasil de diversas fontes e nem sempre seguem a linha da contabilidade como ciência, mas sim como alvo de algum interesse, às vezes até episódico, que acompanha essas entidades. . . . A harmonização terá o condão de traduzir de forma única todos os procedimentos contábeis. Preocupa-nos, no anteprojeto, a distinção entre as sociedades abertas e as demais. A criação de uma entidade que congregue quem estuda, define, divulga e audita demonstrações contábeis é uma necessidade natural, até universal. Ela ocorre nos países de economia mais avançada, e não há muita razão para não tê-la no Brasil [grifos nossos], consubstanciada basicamente nesses 20 anos de Normas Brasileiras de Contabilidade, do Conselho Federal de Contabilidade. O próprio Conselho não resiste ao convite de que todas as demais entidades que militam na contabilidade estejam presentes e participem dessas normas. Aliás, há trabalho em conjunto com o Conselho Federal de Contabilidade e o Instituto Brasileiro dos Auditores Independentes – IBRACON, no sentido de constituir essa entidade na forma de fundação. Certamente, isso irá resolver nosso problema.</i></p>	<p>The draft law has a modernity, which will come to benefit the work that has already been done, on the harmonisation of accounting standards. It has been said that accounting standards emanate in Brazil from a variety of sources and do not always follow the line of accounting as a science, but rather as the target for some stake, sometimes even episodic, which accompanies these bodies. . . . Harmonisation will have the ability of translating all accounting procedures. We are concerned, in the draft, with the distinction between listed companies and the others. <b>The creation of an entity that congregates those that study, define, disseminate and audit accounting statements is a natural, even universal need. It occurs in the countries with the most advanced economies, and there is not much reason not to have it in Brazil [emphasis added],</b> basically embodied in these 20 years of Brazilian Accounting Norms, from the Federal Council of Accounting. The Council itself does not resist the invitation for all other entities involved in accounting to be present and participate in these standards. Moreover, there is a joint work between the Federal Council of Accounting and the Brazilian Institute of Independent Auditors – IBRACON, in order to establish this entity in the form of a foundation. Certainly, this will solve our problem.</p>

Source: Câmara dos Deputados (2003a).

The textual evidences presented in Table 4.9 show a transformation in the linguistic habitus associated with the CFC. Both Mr. Barbosa and Mr. De Mula still emphasised the scientific nature of accounting, resorting to this discursive strategy to characterise the CFC, in opposition to other bodies, as a scientifically-driven and disinterested standard-setter. But they also adhered to the arguments that there was an undesired multiplicity of accounting standard-setters in Brazil, and that the creation of a single body to conduct this task could benefit the accountancy profession and curtail the tax influence on Brazilian accounting practices, being in line with an international trend.

By the time of this public hearing, negotiations to create a private accounting standard-setter in Brazil were already going on, as Mr. De Mula told the deputies. Besides Mr. Barbosa and Mr. De Mula, three other persons participated in this hearing: Mr. Roberto Teixeira da Costa, who then was a trustee of the IASC Foundation and had been the first president of the CVM; and Mrs. Norma Jonssen Parente and Mr. Antônio Carlos Santana, respectively a board member and the Superintendent of Accounting Standards of the CVM at that time. Mr. Costa was in charge to expose the reasoning for adopting the IFRS – excerpts from his hearing are transcribed in Table 4.10.

Table 4.10 – The case for the adoption of the IFRS in Brazil

Textual evidence	Free translation
<p>Mr. Roberto Teixeira da Costa – Trustee of the IASC Foundation Public hearing at the CFT, Chamber of Deputies – 8/20/2003</p> <p><i>Acredito que ainda esteja viva na memória de todos os Deputados a crise dos países asiáticos, inicialmente na Tailândia, em 1977 [sic]. Ela veio demonstrar, entre outras fraquezas e deficiências, que não existiam normas contábeis de padrão mundial. Muito embora as companhias locais fossem auditadas, os padrões de contabilidade seguidos por essas empresas não eram internacionais e mostraram deficiência, assim como os sistemas de controle e de fiscalização, na área bancária.</i></p> <p><i>Criou-se, então, uma situação de fato. Era preciso iniciar um processo para que o mundo tivesse harmonização de normas contábeis. Evidentemente, como tudo o que ocorre neste universo globalizado em que vivemos, a posição norte-americana é importante, de certa maneira até predominante. E o sistema americano, chamado FASB, era adotado por grande parte das empresas.</i></p> <p><i>As primeiras perguntas que se fazem, tendo em vista esse sério problema nos países asiáticos são: por que não foi adotado o padrão americano e por que foi</i></p>	<p>I believe that the crisis in the Asian countries, initially in Thailand in 1977 [sic], is still alive in the memory of all Deputies. It demonstrated, among other weaknesses and shortcomings, that there were no world-class accounting standards. Although the local companies were audited, the accounting standards followed by these companies were not international and showed deficiency, and so did the control and supervisory systems in the banking area.</p> <p>A <i>de facto</i> situation was then created. It was necessary to start a process for the world to have a harmonisation of accounting standards. Of course, like everything else that happens in this globalised universe in which we live, the American position is important, to some extent even predominant. And the American system, called FASB, was adopted by most companies.</p> <p>The first questions that are asked in view of this serious problem in Asian countries are: Why the American standard was not adopted and why it was decided that we should follow an international</p>

To be continued

## Continuation

Textual evidence	Free translation
<p><i>decidido que deveríamos seguir um padrão internacional que não fosse necessariamente o americano? Em primeiro lugar, porque o padrão americano atendia muito especificamente às necessidades das companhias americanas. O FASB está localizado em Connecticut, nos Estados Unidos; portanto, muito influenciável pelos interesses da comunidade de negócios daquele país. E a partir do momento em que fosse transplantado para um sistema mundial, provavelmente estaria sujeito às necessidades, aos reclamos das companhias americanas e não da comunidade internacional. Então, chegou-se à conclusão de que seria importante criar um órgão mundial que, a partir do zero, estabelecesse padrão e norma mundiais de contabilidade.</i></p>	<p>standard that was not necessarily American? In the first place, because the American standard was very specific to the needs of American companies. The FASB is located in Connecticut, United States; therefore, it is very much influenced by the interests of the business community of that country. And from the moment it were transplanted into a world system, it would probably be subjected to the needs, to the claims of American companies and not to the international community. It was then concluded that it would be important to create a global body that, from scratch, would set the world's accounting norm and standard.</p>
<p><i>Existia de maneira oficial, mas não com o mesmo poder de enforcement do FASB americano, o sistema europeu IASC. Eliminou-se o IASC e criou-se o International Accounting Standards Board, basicamente por iniciativa de empresários e pela confederação das comissões de valores de todo o mundo, a IOSCO. Essa confederação tomou a iniciativa de juntar um grupo de empresários líderes do mundo e criar o Conselho Curador, que lançou as raízes para a criação do IASB. O primeiro a ser convidado foi o Sr. Paul Volcker, ex-Presidente do Federal Reserve Bank. A partir daí, estabeleceu-se que o Conselho Curador seria constituído por 19 pessoas: 6 dos Estados Unidos, 6 da Europa e 7 do resto do mundo. . . .</i></p>	<p>There existed in an official manner, but not with the same enforcement power as that of the American FASB, the European IASC system. The IASC was eliminated and the International Accounting Standards Board was created, primarily on the initiative of businessmen and the worldwide confederation of securities commissions, IOSCO. This confederation took the initiative to bring together a group of world business leaders and create the Board of Trustees, which laid the groundwork for the creation of the IASB. The first to be invited was Mr. Paul Volcker, former President of the Federal Reserve Bank. From then on, it was established that the Board of Trustees would consist of 19 people: 6 from the United States, 6 from Europe and 7 from the rest of the world. . . .</p>
<p><i>Como vão conviver estes 2 sistemas: o IASB, que possui força e presença no mercado internacional, e o FASB americano, existente há tantos anos, seguido pela maior parte das empresas que vão buscar capital no exterior? Sabem V.Exas. que o mercado americano é o mais importante, do ponto de vista de mobilização de capitais. E todas as empresas brasileiras, quase 50 registradas na Bolsa de Nova Iorque, têm de se filiar a esse sistema americano. Há possibilidade de haver um sistema harmônico no mundo que atenda a todas as necessidades das companhias e não haja essa dualidade de sistemas? Antes dos escândalos ocorridos nos Estados Unidos, essa postulação seria mais difícil. Curiosamente, todos esses escândalos – mais tarde na Europa, de certa maneira – fizeram com que a busca da convergência se tornasse importante aspecto, porque ficou evidente que 2 sistemas de contabilidade no mundo não são positivos. Deve-se buscar convergência.</i></p>	<p>How will these two systems coexist: the IASB, which has strength and presence in the international market, and the American FASB, which exists for so many years, followed by most of the companies that seek to raise capital abroad? Your excellencies know that the US market is the most important, from the point of view of capital movement. And all Brazilian companies, almost 50 registered on the New York Stock Exchange, have to join this American system. Is there a possibility of a harmonious system in the world that meets all the needs of companies and does not have this duality of systems? Before the scandals that happened in the United States, this postulation would be more difficult. Curiously, all these scandals – later in Europe, in a sense – made the pursuit for convergence to become an important aspect, because it became clear that 2 accounting systems in the world are not positive. Convergence must be sought.</p>
<p><i>No ano passado, o IASB e o FASB decidiram que até 2007 haverá harmonização de normas contábeis de padrão mundial. Até agora 5 normas foram discutidas: 3 do IASB, adotadas pelo FASB, e duas do FASB, adotadas pelo IASB.</i></p>	<p>Last year, the IASB and the FASB decided that by 2007 there will be a harmonisation of world-class accounting standards. So far, 5 standards have been discussed: 3 from the IASB, adopted by the FASB, and 2 from the FASB, adopted by the IASB.</p>
<p><i>Para os senhores terem idéia, 91 países já estão</i></p>	<p>To give you sirs an idea, 91 countries are already</p>

## Continuation

Textual evidence	Free translation
<p><i>filiados ao sistema IASB. Os 15 países da União Européia, com possibilidade de serem ampliados para 25, também se filiarão; inclusive todas as companhias não abertas da União Européia.</i></p>	<p>affiliated to the IASB system. The 15 countries of the European Union, with the possibility of being extended to 25, will also join; including all non-listed companies in the European Union.</p>
<p><i>Por que essa busca de padrão único de contabilidade? Primeiro, por economia de custos; segundo, para tornar as empresas mais transparentes; terceiro, para realmente melhorar os mecanismos de gestão.</i></p>	<p>Why this search for a unique accounting standard? First, for cost savings; second, to make businesses more transparent; third, to really improve management mechanisms.</p>
<p><i>Há 1 mês debati essa questão com o Deputado Eliseu Resende e algo me surpreendeu: quando se busca uma norma contábil de padrão universal, não se está querendo impor nenhuma alquimia, do ponto de vista contábil. Simplesmente o que se está desejando é que aquela norma contábil, considerada a mais eficaz do mundo, seja adotada pelo IASB. Com isso, haverá um mecanismo em que as empresas poderão olhar sua realidade com outro ângulo e não serem escamoteadas, voluntária ou involuntariamente, com números que não refletem a realidade.</i></p>	<p>One month ago, I debated this question with Deputy Eliseu Resende, and something surprised me: you do not want to impose any alchemy, from an accounting point of view. Simply what is being wished is that the accounting standard considered the most effective in the world is adopted by the IASB. With this, there will be a mechanism in which companies will be able to look at their reality from another angle and not be retracted, voluntarily or involuntarily, with figures that do not reflect reality.</p>
<p><i>Por que, no Brasil, devemos caminhar na busca de harmonização de normas contábeis? Por que esse projeto, em discussão no Congresso Nacional, é importante?</i></p>	<p>Why, in Brazil, should we pursue the search for harmonisation of accounting standards? Why is this project under discussion in the National Congress important?</p>
<p><i>Não preciso lembrar aos Srs. Deputados que o Brasil é um receptor de capitais. Sendo assim, precisamos de normas contábeis que inspirem segurança e dêem tranquilidade aos investidores, a fim de que eles saibam o que estão comprando e que aqueles números refletem a realidade das empresas. Há um grande questionamento no exterior sobre essa questão do marco regulatório no País. Isso está afugentando investidores.</i></p>	<p>I do not need to remind you Mr. Deputies that Brazil is a recipient of capital. Therefore, we need accounting standards that inspire security and give investors peace of mind, so that they know what they are buying and that those figures reflect the reality of the companies. There is a great questioning abroad on this issue of the regulatory framework in the country. This is scaring investors away.</p>
<p><i>O economista Myron Scholes, que recebeu o Prêmio Nobel de Economia, está no Brasil e fará um seminário em Campos do Jordão. Segundo ele, ainda é arriscado investir no Brasil devido às inseguranças quanto à questão do marco regulatório. O investidor quer previsibilidade, quer ter segurança de que o que comprou reflete a realidade do País e não haverá mudanças.</i></p>	<p>Economist Myron Scholes, who received the Nobel Prize in Economics, is in Brazil and will hold a seminar in Campos do Jordão. According to him, it is still risky to invest in Brazil due to the insecurities about the issue of the regulatory framework. An investor wants predictability, he wants to be sure that what he has bought reflects the reality of the country and there will be no change.</p>
<p><i>Ouçõ no exterior muitas críticas de que a maior dificuldade brasileira não é prever o futuro, mas o passado, porque tudo aqui se altera. O que era realidade deixa de ser.</i></p>	<p>I hear abroad a lot of criticism that the greatest difficulty in Brazil is not to predict the future, but the past, because everything here changes. What was reality ceases from being.</p>
<p><i>Portanto, buscar harmonização de normas contábeis, filiar-se a padrões mundiais de normas contábeis é um avanço, um sinal de progresso. Não significa nenhum tipo de submissão. O Fundo Monetário Internacional não está envolvido nisso.</i></p>	<p>Therefore, seeking harmonisation of accounting standards, adhering to global accounting standards is a breakthrough, a sign of progress. It does not mean any kind of submission. The International Monetary Fund is not involved in this.</p>
<p><i>O IASB, sediado em Londres, tem um board composto de representantes de todo o mundo. Por isso, não representa uma corrente de pensamento. Como disse anteriormente, o FASB americano não foi usado, porque representa especificamente os interesses das empresas norte-americanas.</i></p>	<p>The IASB, which is based in London, has a board composed of representatives from around the world. Therefore, it does not represent a current of thought. As I said earlier, the American FASB was not used, because it specifically represents the interests of US companies.</p>

## Conclusion

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<p><i>Quais as dificuldades enfrentadas no País?</i></p> <p><i>Na semana que passamos com o representante do IASB – 2 dias no Rio de Janeiro, 1 dia em Brasília e 2 dias em São Paulo –, as dificuldades talvez estivessem ligadas ao projeto original, desmembrado em projeto de reforma da CLM [sic], da Lei do Mercado de Capitais. Impunha que empresas de certa dimensão publicassem seu balanço financeiro como empresas abertas e também que essas publicações não fossem mais para o Diário Oficial.</i></p> <p><i>Não estou nesta Casa para discutir esse tipo de posição. Minha preocupação, como analista internacional e como homem que, nos últimos anos, investiu muito do seu tempo em relações internacionais, é no sentido de que o Brasil precisa dar esse salto qualitativo, para as empresas abertas terem condições de buscar normas contábeis de padrão mundial.</i></p> <p><i>O País não dará salto qualitativo nem quantitativo sem recriar o mercado de capitais. Não se trata de capricho de meia dúzia de iniciados que acreditam no mercado acionário. Ele é fundamental como instrumento de captação [sic] de poupança.</i></p> <p><i>Evidentemente, o projeto de normas contábeis não solucionará todos os problemas, mas é o encaminhamento correto e deve representar a aprovação do Congresso brasileiro o mais rápido possível. Quanto mais depressa o Brasil caminhar nessa direção, melhor.</i></p>	<p>What are the difficulties faced in the country?</p> <p>In the week we spent with the IASB representative – 2 days in Rio de Janeiro, 1 day in Brasília and 2 days in São Paulo – the difficulties might have been linked to the original project, dismembered in the project of reform of the CLM [sic], of the Capital Markets Act. It required companies of a certain size to publish their financial statements as public companies do and also that these publications were no longer to the Official Gazette.</p> <p>I am not in this House to discuss this type of position. My concern, as an international analyst and as a man who, in recent years, has invested much of his time in international relations, is in the sense that Brazil must make this qualitative leap, so that public companies will have the conditions for seeking world-class accounting standards.</p> <p>The country will not make a qualitative or quantitative leap without re-creating the capital market. This is not the whim of half a dozen initiates who believe in the stock market. It is fundamental as an instrument for capturing savings.</p> <p>Obviously, the accounting standards project will not solve all problems, but it is the correct route and should represent the approval of the Brazilian Congress as soon as possible. The faster Brazil walks in that direction, the better.</p>

Source: Câmara dos Deputados (2003a).

Initially, Mr. Costa presented the international harmonisation of accounting standards both as a necessary consequence of and as a solution for financial crises, evoking a characteristic element of neoliberal discourses that framed much of the debate about the adoption of the IFRS in Brazil: the “there is no alternative” (TINA) principle, which was subsequently reinforced by his references to an international tendency to converge towards the IFRS. In the case of the USA, however, time would prove him wrong: the FASB and the IASB did follow alternative paths and seem to be ever further away from accomplishing a full convergence of their standards. To sustain the case for the IFRS instead of the US GAAP, Mr. Costa characterised the IASB, in opposition to the FASB, as a coalition of geographically diversified interests. It is interesting to notice that he described the IASB as a private-sector initiative supported by the IOSCO, but denied that the IMF was playing any role in the convergence process, thus contradicting CFC’s previous criticism of this process as a threat to national sovereignty (see Table 4.8). However, Mr. Costa’s description of international

standard-setting as a selection of the best national practice for each case as a benchmark better describes the approach the IASC used to take, whereas the IASB, ever since its inception, was committed to eliminate the diversity of accounting practices allowed by the IFRS, establishing a full-time board to develop accounting standards by its own (cf. Botzem, 2012).

When describing the benefits of the IFRS, Mr. Costa resorted to usual arguments in favour of their adoption: it would lead to savings with transaction costs, and it would reduce the cost of equity capital by promoting an increase of investors' confidence on financial reports of a higher quality in terms of transparency, reliability, comprehensibility, etc. Also as usual in the Brazilian public debates, these terms were not clearly defined, and the claims about the benefits of the IFRS were not supported by robust empirical evidences. To give the convergence to the IFRS a sense of urgency, Mr. Costa adopted another discursive strategy associated to the linguistic habitus of the capital market pole in the field of accounting regulation in Brazil: the Brazilian business environment in general, and its capital market more specifically, was characterised in a condition of inferiority in relation to “developed economies”, and the adoption of the IFRS was portrayed as a step forward towards the progress of the country.

The discussions about which companies should disclose their financial reports and where they should be disclosed were dismissed by Mr. Costa as a minor issue. For CVM's representatives, however, this was also an important aspect of Draft 3,741/2000 – excerpts from their hearings at the CFT of the Chamber of Deputies are transcribed in Table 4.11.

Table 4.11 – CVM's view on the international harmonisation of accounting standards

Textual evidence	Free translation
<p>Mrs. Norma Jonssen Parente – CVM Board Member Public hearing at the CFT, Chamber of Deputies – 8/20/2003</p> <p><i>Inicialmente, desejo ressaltar a importância da participação da CVM nesta audiência pública. Primeiro, porque ela é o órgão do Governo encarregado de regular e fiscalizar o mercado de valores mobiliários, em que se incluem as informações contábeis e as demonstrações financeiras prestadas pelas sociedades anônimas abertas. Segundo, porque esse projeto se originou da própria CVM.</i></p> <p><i>Na verdade, desde 1990 já se constatava a necessidade de se modificarem as demonstrações financeiras e a própria Lei de Sociedades Anônimas, no que concerne à ampliação dos direitos dos acionistas minoritários.</i></p>	<p>Initially, I would like to emphasise the importance of CVM's participation in this public hearing. Firstly, because it is the government body responsible for regulating and supervising the securities market, which includes the accounting information and financial statements provided by publicly traded corporations. Second, because this project originated from the CVM itself.</p> <p>In fact, since 1990 the need to modify the financial statements and the Corporations Act itself was already found, regarding the expansion of the rights of minority shareholders. Regrettably there was no</p>

To be continued

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<p><i>Lamentavelmente não houve continuidade no projeto elaborado naquela ocasião por uma comissão de especialistas. Contudo, em 1996, voltou-se a pensar na necessidade de realmente se reformular a área de mercado de capitais. Contou-se também com a participação da Secretaria do Tesouro, do Banco Central, do BNDES, da Procuradoria da Fazenda. Então, elaborou-se novo projeto, que compreendia a ampliação dos direitos dos acionistas minoritários e também a reforma na parte das demonstrações financeiras.</i></p>	<p>continuity in the project drawn up at that time by a committee of experts. However, in 1996, there was a return to thinking on the need to really reshape the capital market area. The Secretariat of the Treasury, the Central Bank, the BNDES and the Treasury Attorney's Office also participated. Then, a new project was elaborated, which included the expansion of the rights of minority shareholders and also the reform in the financial statements part [of the Corporations Act].</p>
<p><i>Porém, julgou-se conveniente dividir o projeto em uma parte para os acionistas minoritários e outra para demonstrações financeiras. Em 1997, foi implementada a primeira reforma societária em relação aos direitos minoritários. À época, estava-se em pleno processo de desestatização e basicamente essa primeira reforma procurou viabilizar esse procedimento.</i></p>	<p>However, it was considered convenient to divide the project into one part for minority shareholders and another for financial statements. In 1997, the first corporate reform was implemented in relation to minority rights. At the time, the process of privatisation was going on and basically this first reform sought to make this procedure viable.</p>
<p><i>Em 2001, houve uma grande reforma na Lei das Sociedades Anônimas, com a ampliação dos direitos minoritários, e ficou pendente esse processo de reforma das demonstrações financeiras.</i></p>	<p>In 2001, there was a major reform in the Corporations Act, with the expansion of minority rights, and this process of reform of the financial statements was pending.</p>
<p><i>Em 1996, houve a decisão de cindir os 2 projetos. Formou-se então uma comissão constituída pela ABRASCA, pela ABAMEC – hoje IPIMEC –, pelo IBRACON, pelo CFC e pela própria USP, e fizeram o embrião desse projeto discutido aqui hoje. Foi submetido a audiência pública, e a Receita Federal também opinou. No entanto, aquele projeto enviado inicialmente ao Congresso era muito detalhado. Descia a detalhes que, em vez de facilitar o que queríamos, ou seja, a harmonização das normas contábeis, prejudicava, porque o mundo evolui de forma muito rápida, especialmente nesse campo. Então, estávamos novamente estratificando normas.</i></p>	<p>In 1996, the decision was made to split the two projects. A commission was formed by ABRASCA, ABAMEC – today IPIMEC –, IBRACON, CFC and USP itself, and made the embryo of this project discussed here today. It was submitted to a public hearing, and the Federal Revenue also opined. However, that draft that was initially sent to the Congress was very detailed. It went to details that, instead of facilitating what we wanted, that is, the harmonisation of accounting standards, was detrimental, because the world evolves very fast, especially in this field. So, we were again stratifying standards.</p>
<p><i>Dessa forma, a CVM, em conjunto com o Deputado Emerson Kapaz e alguns Congressistas, ajudou a reformular aquele projeto enviado pelo Executivo ao Congresso. E resultou basicamente no projeto do Deputado Emerson Kapaz, já aprovado na Comissão de Economia.</i></p>	<p>Thus, the CVM, together with Deputy Emerson Kapaz and some Congressmen, helped to reformulate that project sent by the Executive to the Congress. And it basically resulted in Deputy Emerson Kapaz's draft, already approved by the Committee on Economy.</p>
<p><i>É importante ressaltar que nos Estados Unidos estamos assistindo a uma grande reformulação da legislação nessa área, com a Lei Sarbanes-Oxley. O interessante é que já tínhamos nos antecedido nessa preocupação de fazer a reformulação das normas contábeis.</i></p>	<p>It is important to stress that in the United States we are witnessing a major reformulation of the legislation in this area, with the Sarbanes-Oxley Act. The interesting thing is that we had already preceded in this concern to reformulate the accounting standards.</p>
<p><i>A IOSCO, organismo internacional das Comissão de Valores Mobiliários, recomenda enfaticamente que se adotem normas harmônicas pelos motivos já expostos pelo Dr. Roberto Teixeira, que faz parte dessa comissão. Basicamente, repetindo o que foi dito, esse projeto visa criar padrões internacionais aceitos, ter regras claras de transparência, para que seja fácil</i></p>	<p>IOSCO, the international body of the Securities Commissions, strongly recommends that harmonised standards are adopted for the reasons already set forth by Dr. Roberto Teixeira, who is part of this committee. Basically, repeating what was said, this project aims to create accepted international standards, to have clear rules of transparency, so that it is easy to examine a financial report. The financial report should provide</p>

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<p><i>examinar um balanço. O balanço deve trazer o máximo de informações possíveis, para os investidores avaliarem adequadamente os investimentos que estão sendo feitos. Como disse o Roberto, os investidores são atraídos para países em que confiam. A confiança básica é o balanço. O produto que eles estão comprando é refletido naquele balanço. Se o balanço não é verdadeiro, o produto não é representado adequadamente e pode estar havendo ilusão na sua aquisição. Então, isso é fundamental para que haja maiores investimentos. Que nossas normas reflitam padrões de qualidade, transparência, sejam fáceis de serem entendidas. Isso reduz o custo de capital das empresas.</i></p>	<p>as much information as possible for investors to properly evaluate the investments being made. As Roberto said, investors are attracted to countries they trust. The basic trust is on the financial report. The product they are buying is reflected in that report. If the report is not true, the product is not represented properly and there may be an illusion in its acquisition. So, this is critical for attracting more investments. That our norms reflect standards of quality, transparency, which are easy to understand. This reduces the cost of capital for companies.</p>
<p><i>Também é importante lembrar que na Europa essa preocupação com a harmonização das demonstrações financeiras é tão fundamental que o Parlamento da União Européia decidiu que deverá haver total harmonização até o ano de 2005. Já é algo a ser adotado na área da comunidade européia. Não vou fazer exposição sobre os detalhes, até porque o Santana, nosso Superintendente de Normas, é muito mais capaz de responder sobre essa questão. Mas desejo ressaltar um artigo que me parece fundamental para nosso objetivo: o art. 177, §5º, que dá poderes à CVM para regulamentar a lei, segundo as práticas adotadas nos principais mercados de valores mobiliários.</i></p>	<p>It is also important to remember that in Europe this concern with the harmonisation of financial statements is so fundamental that the European Parliament decided that there shall be full harmonisation by the year 2005. It is already something to be adopted in the area of the European community. I am not going to give an account of the details, because Santana, our Superintendent of Standards, is much more capable of answering this question. But I want to highlight an article that seems fundamental to our goal: article 177, paragraph 5, which entitles the CVM to regulate the law, according to the practices adopted in the main securities markets.</p>
<p><i>Portanto, o poder de regulamentar da CVM, em decorrência de ser uma agência regulamentadora, nesse caso específico, é delimitado para padrões internacionais, porque essa é a finalidade da reforma que estamos discutindo.</i></p>	<p>Therefore, the regulatory power of the CVM, due from being a regulatory agency, in this specific case, is delimited to international standards, because that is the purpose of the reform we are discussing.</p>
<p><i>Também é importante ressaltar que a implantação dessa reforma não é abrupta e vai ser feita em razão de cada companhia, dos valores que ela emite.</i></p>	<p>It is also important to emphasise that the implementation of this reform is not abrupt and will be done for each company, the securities it issues.</p>
<p><i>Outra questão é a tributária. Há preocupação de que essa reformulação do projeto das demonstrações financeiras da companhia não afete a carga tributária da empresa. Ela continua podendo fazer sua demonstração financeira com observância de princípios contábeis, desde que isso seja plenamente transparente e retratado.</i></p>	<p>Another issue is taxation. There is a concern that this reformulation of the draft on the financial statements of the company will not affect a company's tax burden. It keeps being able to prepare its financial statements with observance of accounting principles, provided that this is fully transparent and portrayed.</p>
<p><i>Outro ponto importante desse projeto é a necessidade de empresas de grande porte, que não são necessariamente companhias abertas, também divulgarem suas demonstrações financeiras. O grande questionamento da CVM, sob o ângulo das companhias abertas, diz respeito à assimetria de informação. Enquanto as companhias abertas são obrigadas a ter divulgação plena, ampla, transparente, companhias de idêntico porte não têm a mesma obrigação. As companhias abertas, muitas vezes, sentem-se prejudicadas, porque têm de abrir toda sua contabilidade, suas demonstrações financeiras e as demais, não. Não há assim tratamento</i></p>	<p>Another important point of this project is the need for large companies, which are not necessarily public companies, to also disclose their financial statements. The great questioning from the CVM, from the point of view of public companies, concerns the asymmetry of information. While public companies are required to have full, wide, transparent disclosure, companies of similar size do not have the same obligation. Public companies often feel prejudiced because they have to open all their accounts, their financial statements, and the rest, they do not. Thus, there is not a uniform, egalitarian treatment, as the Constitution assures the citizen. A company is treated differently, despite having the same size.</p> <p>Another aspect concerns the publication of the</p>

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<p><i>uniforme, igualitário, conforme a Constituição assegura ao cidadão. Uma empresa é tratada diferentemente, apesar de ter o mesmo porte.</i></p> <p><i>Outro aspecto diz respeito à publicação das demonstrações financeiras em jornais de grande circulação, em Diários Oficiais.</i></p> <p><i>O questionamento das empresas é o seguinte: qual o custo da publicação no Diário Oficial? Conseguimos descobrir que 3 países exigem a publicação no Diário Oficial. O Brasil tem posição que não é absolutamente da maioria, representa um ônus para as empresas. ACVM enfatiza a sua posição de não considerar esse fato relevante.</i></p> <p><i>Tendo em vista o custo e até o aumento das informações que o projeto acarreta com as publicações, nosso pensamento também é no sentido de que deveria ser autorizada apenas a publicação condensada. Esses 2 aspectos, que não estão contemplados no substitutivo, deveriam retornar ao debate nesta Comissão.</i></p>	<p>financial statements in newspapers of great circulation, in Official Gazettes.</p> <p>The questioning of companies is the following: what is the cost of publication in the Official Gazette? We have found that 3 countries require publication in the Official Gazette. Brazil has a position that is not absolutely of the majority, it represents a burden for the companies. The CVM emphasises its position of not considering this fact as relevant.</p> <p>Considering the cost and even the increase of information that the project brings with the publications, our thinking is also in the sense that just condensed publication should be allowed. These 2 aspects, which are not covered by the substitutive draft, should return to the debate in this Commission.</p>
<p>Mr. Antônio Carlos Santana – CVM’s Superintendent of Accounting Standards Public hearing at the CFT, Chamber of Deputies – 8/20/2003</p>	
<p><i>Bom-dia a todos. Sobre a obrigatoriedade para as empresas de capital fechado, já foi dito qual seria a importância, na visão do Conselho, da transparência das informações das outras empresas que não sejam sociedade por ações. Na verdade, a empresa de capital fechado é obrigada a divulgar demonstração; a limitada, não. A lei societária serve para companhia aberta e fechada. Essas realmente estão fora.</i></p> <p><i>Na visão da CVM, contemplada na proposta, esse fato cria simetria informacional com as companhias abertas. Mas, numa visão global, a eficiência dos mercados depende essencialmente de informação – seja mercado de crédito, financeiro ou de valores mobiliários.</i></p> <p><i>Falta de informação gera custo. A grande proposição hoje, em âmbito mundial, é a transparência. A atenção está nela focada. Não importa qual seja a configuração jurídica da empresa e sim sua importância no cenário nacional e internacional. Essa a grande defesa.</i></p> <p><i>Realmente, no campo da companhia aberta, temos preocupação com o minoritário, mas há interesse maior da sociedade e de investidores – e não só de investidores de valores mobiliários, mas também de investidores em estruturas que dependam de informação. Para haver informações comparativas, a fim de que o mercado seja mais eficiente, é importante essas empresas se agregarem ao processo. . . .</i></p> <p><i>Vou falar um pouco mais sobre a segregação entre a parte fiscal e a parte contábil. Na verdade, a atual lei societária já contempla essa segregação. O art. 77 dispõe que a companhia, a sociedade por ação, deve observar a lei comercial, os princípios contábeis e, se</i></p>	<p>Good morning everyone. Regarding the obligation for private companies, it has already been said what would be the importance, in the Council’s view, of the transparency of the information of other companies that are not joint-stock companies. In fact, the private company is required to disclose a financial report; the limited liability company, no. The corporate law is for both public and private companies. These [limited liability companies] really are out.</p> <p>In the view of the CVM, contemplated in the proposal, this fact creates informational symmetry with publicly traded companies. But overall, the efficiency of markets depends essentially on information – whether it is a credit, financial or securities market.</p> <p>Lack of information generates costs. The big proposition today, worldwide, is transparency. Attention is focused on it. No matter what the legal configuration of the company, but its importance in the national and international scenario. That is the great defense.</p> <p>Indeed, in the public company’s field, we are concerned about the minority shareholder, but there is a greater interest of society and investors – not just securities investors, but also investors in structures that depend on information. For having comparative information, to make the market more efficient, it is important for these companies to join the process. . . .</p> <p>I will talk a bit more about the segregation between the tax part and the accounting part. In fact, the current corporate law already contemplates this</p>

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<p><i>houver disposição emanada da lei tributária ou de legislação específica, isso deve ser tratado num livro à parte.</i></p>	<p>segregation. Article 77 states that the company, the joint-stock company, must observe the commercial law, the accounting principles and, if there is a provision emanating from the tax law or specific legislation, this must be treated in a separate book.</p>
<p><i>Existe ainda grande interferência, necessidade por parte da lei tributária de que a sua disposição seja contemplada a uma escrituração mercantil, para que haja possibilidade de trilha, de fiscalização, de registro formal. Muito pouco vai para o registro auxiliar, o chamado LALUR – Livro de Apuração do Lucro Real. O projeto cria, então, a alternativa de a empresa, ao adotar procedimentos da lei societária, promovê-los na sua estruturação [sic] mercantil. Porém, para efeito de apresentação de demonstrações contábeis, fins societários, distribuição de dividendos, informação ao mercado, ela deve fazer ajuste que compatibilize essa escrituração aos princípios internacionais por nós pretendidos.</i></p>	<p>There is also a great deal of interference, a need on the part of the tax law that its dispositions are contemplated in a commercial bookkeeping, so that there is the possibility of tracking, of inspecting, of formal registration. Very little goes to the ancillary registry, called LALUR – Book of Calculation of Real Profit. The project creates, then, the alternative that the company, when adopting procedures of the corporate law, to promote them in its commercial books. However, for the purpose of presenting financial statements for corporate purposes, dividend distribution, market information, it must make an adjustment that makes this accounting consistent with the international principles we intend [to adopt].</p>
<p><i>Na verdade, trata-se de mecanismo para não criar barreiras. A CVM não quer que o lado fiscal seja uma barreira nesse processo de harmonização. Se considerarmos que esse primeiro passo é essencial, temos de procurar outros mecanismos que não firam o atual status da empresa. A CVM julgou ser esse o caminho ideal para atender a esse requisito, aos princípios internacionais, sem que houvesse reflexo tributário imediato por conta da adoção da mudança de procedimentos contábeis.</i></p>	<p>In fact, it is a mechanism for not creating barriers. The CVM does not want the fiscal side to be a barrier in this harmonisation process. If we consider that this first step is essential, we must look for other mechanisms that do not affect the current status of the company. The CVM considered this to be the ideal way to meet this requirement, to international principles, without there being an immediate tax reflection due to the adoption of the change of accounting procedures.</p>
<p><i>Quanto à questão de se a CVM está apta para emitir normas, posso afirmar que ela vem fazendo isso ao longo da sua criação. A área em que atuo é responsável por emitir normas contábeis, embora tenhamos estrutura que necessita de aperfeiçoamento, de crescimento.</i></p>	<p>As for the question of whether the CVM is able to issue standards, I can say that it has been doing so ever since its creation. The area in which I am acting is responsible for issuing accounting standards, although we have a structure that needs improvement, growth.</p>
<p><i>Na CVM temos procurado harmonizar nossas práticas contábeis, as companhias abertas com as práticas internacionais, naquilo em que a própria lei societária não cria impedimento. Existem alguns impedimentos na lei para esse avanço. Naquilo em que não há, porém, fazemos de forma bem democrática.</i></p>	<p>In the CVM, we have sought to harmonise our accounting practices, [and the] publicly traded companies with international practices, in what the corporate law itself does not create an impediment. There are some impediments in the law for this advancement. In what there are not, however, we do it in a very democratic way.</p>
<p><i>Há uma comissão consultiva que auxilia a CVM nesse processo. Essa comissão é integrada por representantes de diversas entidades, como o Instituto dos Auditores Independentes do Brasil – IBRACON, o Conselho Federal de Contabilidade, a ABAMEC, a ABRASCA, além de professores acadêmicos da USP e outros. Esse conjunto de pessoas se reúne regularmente. Todo projeto normativo da CVM é submetido a essa comissão e apresentado em audiência pública para debate, antes de se transformar em norma.</i></p>	<p>There is an advisory committee that assists the CVM in this process. This committee is made up of representatives of several entities, such as the Institute of Independent Auditors of Brazil – IBRACON, the Federal Council of Accounting, ABAMEC, ABRASCA, as well as academic professors from USP and others. This group of people meets regularly. Every normative project of the CVM is submitted to this committee and presented at a public consultation for discussion, before becoming a norm.</p>

## Conclusion

Textual evidence	Free translation
<p>Mrs. Norma Jonssen Parente – CVM Board Member Public hearing at the CFT, Chamber of Deputies – 8/20/2003</p> <p><i>Apenas para complementar a questão de a CVM ser ou não apta, quero dizer que no art. 7º do próprio projeto, fica criada uma comissão para justamente estabelecer princípios, normas e padrões de contabilidade e de auditoria que poderão ser seguidos pela CVM. Portanto, na verdade, o órgão que está sendo criado por lei vai funcionar um pouco como um IASB – International Accounting Standards Board, em âmbito brasileiro, para dar orientação à CVM.</i></p> <p><i>A CVM deverá consultar esse órgão, que vai ser constituído por contadores, na maior parte, e por representantes da categoria dos auditores, do IBRACON, e das universidades. Um grupo de profissionais técnicos vai prestar assessoria à CVM, que terá bom amparo nesse aspecto.</i></p> <p><i>Voltando um pouco à questão da sociedade limitada, realmente a simetria de informações é importante. Existe também um outro lado, o de a sociedade brasileira ter conhecimento das demonstrações financeiras das grandes empresas que se revestem sob a forma limitada.</i></p> <p><i>Concordo quando V.Exa. diz que este é um projeto de lei de sociedades anônimas que busca defender minoritários e que, por exemplo, especialmente sobre o ponto de que estou falando, há um aspecto que ultrapassa o minoritário, que apresenta maior satisfação à sociedade brasileira, na medida em que atende ao minoritário e, vamos dizer, torna simétricas as informações das grandes empresas. Vamos parar de ouvir as empresas de capital aberto reclamar que as outras não divulgam, que, em termos concorrenciais, elas ficam prejudicadas pelo excesso de informação.</i></p>	<p>Just to complement the issue of whether the CVM is fit or not, I want to say that in Article 7 of the project itself, a commission is created precisely to establish accounting and auditing principles, norms and standards that can be followed by the CVM. So, in fact, the body being created by law will work somewhat like an IASB – International Accounting Standards Board, in the Brazilian ambit, to give guidance to the CVM.</p> <p>The CVM should consult this body, which will be mostly composed by accountants, and by representatives of the category of auditors, from IBRACON, and from universities. A group of technical professionals will advise the CVM, which will have a good support in this regard.</p> <p>Going back a bit to the issue of private companies, the symmetry of information is really important. There is also another side, that of Brazilian society being aware of the financial statements from large private companies.</p> <p>I agree when Your Excellency says that this is a corporate law that seeks to defend minority interests and that, for example, especially on the point I am talking about, there is an aspect that goes beyond the minority shareholders, that presents greater accountability to Brazilian society, insofar as it meets the minority shareholder and, let's say, makes the information of large companies symmetrical. We will stop listening to publicly traded companies complaining that the others do not disclose, that, in competitive terms, they are hampered by the excess of information.</p>

Source: Câmara dos Deputados (2003a).

The discourses of CVM's representatives about the benefits of adopting the IFRS can also be identified with the linguistic habitus associated to the capital market pole within the field of accounting regulation in Brazil: the harmonisation process was described as an international tendency that would lead to a reduced cost of equity capital for firms, due to an enhanced reliability, comprehensibility, and especially a greater transparency of their financial reports, whatever that means. However, it is another feature from their discourses that I find the most remarkable: notwithstanding their praise to the virtues of capital markets, they did not believe in a market solution for the IFRS, such as allowing companies to choose between the IFRS and the NBCs, for example. On the contrary, when supporting that the disclosure of financial

reports should become mandatory for large firms irrespective of their legal status, they argued that public companies considered to be prejudiced by the fact that their non-public competitors did not have such an obligation. Thus, eliminating a barrier for the development of the Brazilian capital market was presented as the main purpose of this proposal, whereas enhancing the accountability of large firms to Brazilian society was presented as simply “another side”, a complementary aspect of the proposal that seems to have been mobilised only to reinforce the arguments in favour of this measure.

Following this line of argumentation, though, one is led to construe the disclosure of financial reports as a disincentive for firms to list their shares, suggesting that they did not consider the alleged benefits of adopting the IFRS to be attractive. This unaddressed contradiction evidences another characteristic feature of the linguistic habitus associated to this pole of the field: the silencing about the costs of the transition to the IFRS – Mrs. Parente only superficially addresses them, when declaring CVM’s intention to gradually implement the proposed reforms and its opposition to the mandatory publication of financial reports in newspapers and Official Gazettes. A lack of enthusiasm from firms to adopt the IFRS is also consistent with the descriptions made about the elaboration of Draft 3,741/2000: the CVM was the main institutional agent responsible for this project, being committed to reform the accounting dispositions of the Corporations Act since a decade before Draft 3,741/2000 was sent to the National Congress. And even though the Brazilian Listed Companies Association (*Associação Brasileira das Companhias Abertas* – ABRASCA) was reported as one of the private entities which collaborated with the CVM in this process, it was outnumbered by representatives from the accountancy profession (CFC, IBRACON, and the USP Accounting Department).

Furthermore, the process described by Mrs. Parente and Mr. Santana can also be interpreted in the larger context of CVM’s quest for a greater autonomy, which had already been accomplished to quite a great extent through the provisory measure that followed Draft 3,115/1997: Mrs. Parente characterises a prior project to reform the accounting dispositions of the Corporations Act as excessively detailed, implying that the arena to regulate accounting practices should be shifted from the National Congress to the CVM itself in order to ensure a greater agility for the regulatory process; CVM’s recurrent articulation with representatives from the private sector it was supposed to supervise was labelled as a democratic relationship;

and the influence of tax legislation on accounting practices was deemed as an undue interference that had to be curtailed.

As can be noticed from Mr. Barbosa's hearing as well (see Table 4.9), depurating Brazilian accounting practices from their tax-orientation was a common objective for both the poles that disputed the primacy in the field of accounting regulation; thus, in the following years the undesired tax-orientation of Brazilian accounting practices would play a pivotal role in the linguistic habitus of the field as a whole, as a common enemy that facilitated the alliance between former adversaries in a crusade against it. In this sense, the respect to tax authorities shown by CVM's representatives, whose proposed solution to this issue was to give up the control of commercial books, so to say, allowing them to be kept according to the rules for taxation and then be adjusted in parallel for reporting purposes, evidences that the SRF, although being largely absent from the public debate about Draft 3,741/2000, was regarded a powerful adversary.

The mandatory publication of financial reports in Official Gazettes, dismissed by Mr. Costa as a minor issue (see Table 4.10) and regarded as irrelevant by Mrs. Parente (see Table 4.11), did become a major and relevant issue during the debates about Draft 3,741/2000, deserving a specific public hearing which was also held at the CFT of the Chamber of Deputies, on November 11, 2003. Excerpts from this public hearing are presented in Table 4.12.

Table 4.12 – The obligation to disclose financial reports

Textual evidence	Free translation
<p>Mr. Hubert Alquéres – President of the Brazilian Association of Official Press Companies (<i>Associação Brasileira de Imprensas Oficiais – ABIO</i>) Public hearing at the CFT, Chamber of Deputies – 11/11/2003</p> <p><i>A Associação Brasileira de Imprensas Oficiais – ABIO defende, com muita convicção, o espírito original do Projeto de Lei nº 3.741, de 2000, enviado pelo Poder Executivo ao Congresso Nacional e que tem o Deputado Armando Monteiro como Relator neste momento. A instituição tem fortes restrições com relação às emendas propostas e que distorcem a natureza inicial e original do projeto. O projeto original procurava reforçar algo muito importante: a visibilidade dos atos societários e das demonstrações contábeis das empresas de grande porte caracterizadas pela magnitude do capital (mais de R\$ 120 milhões), ou pela magnitude da sua receita bruta anual (empresas com mais de R\$ 150 milhões de receita anual), independentemente de estarem organizadas como</i></p>	<p>The Brazilian Association of Official Press Companies – ABIO defends, with much conviction, the original spirit of Draft 3,741, of 2000, sent by the Executive to the National Congress and which has Deputy Armando Monteiro as Rapporteur at the moment. The institution has strong restrictions on proposed amendments that distort the initial and original nature of the project. The original project sought to reinforce something very important: the visibility of corporate acts and financial statements of large companies characterised by the magnitude of capital (over R\$ 120 million), or by the magnitude of their annual gross revenues (companies with more than R\$ 150 million in annual revenues),</p>

To be continued

## Conclusion

Textual evidence	Free translation
<p><i>sociedades anônimas e de capital aberto, como companhias fechadas ou como sociedades por cotas de responsabilidade limitada. . . .</i></p>	<p>regardless of whether they are organised as joint-stock and publicly traded companies, as private companies or as limited liability companies. . . .</p>
<p><i>Para demonstrar o acerto dessa necessidade, a ABIO se sente obrigada a fazer, neste momento, uma denúncia de um verdadeiro escândalo que atenta contra a transparência das grandes empresas que atuam no Brasil.</i></p>	<p>To demonstrate the correctness of this need, ABIO feels obliged to make, at this moment, a denunciation of a real scandal that undermines the transparency of the large companies that operate in Brazil.</p>
<p><i>O que aconteceu a partir da década de 1980? Grandes companhias que deveriam ser sociedades anônimas começaram a adotar a forma de sociedade por cotas de responsabilidade limitada; transformaram-se em companhias limitadas, exatamente para fugir às obrigações inerentes às S/A. E passaram a esconder do público e da sociedade brasileira informações imprescindíveis para o conhecimento de sua situação econômica e financeira e bem como para a análise dos setores em que operam. Esse estratagema foi utilizado principalmente por empresas transnacionais atuantes em ramos decisivos, como o farmacêutico, o automotivo ou o de equipamentos de telecomunicações, justamente algumas das maiores e mais estratégicas no País. . . .</i></p>	<p>What happened from the 1980s onwards? Large companies that should be joint-stock companies have begun to take the form of limited liability companies; they have become limited companies, precisely to escape the obligations inherent to the joint-stock companies. And they began to hide, from the public and from Brazilian society, essential information for the knowledge of their economic and financial situation, as well as for the analysis of the sectors in which they operate. This stratagem was used mainly by transnational companies operating in decisive industries, such as pharmaceuticals, automotive or telecommunications equipment, precisely some of the largest and most strategic in Brazil. . . .</p>
<p><i>Nada temos, absolutamente, contra essas empresas. Pelo contrário. Nós, brasileiros, devemos ter orgulho e muita satisfação de vê-las atuando e funcionando no Brasil. Mas não dá para entender e aceitar que elas simplesmente omitam dados fundamentais, não exibam transparência para a nossa sociedade. São empresas de grande porte, cujas atividades de produção de bens e serviços interferem na vida do País de forma intensa e extensa. . . .</i></p>	<p>We have absolutely nothing against these companies. On the contrary. We Brazilians should be proud and very pleased to see them working and operating in Brazil. But one cannot understand and accept that they simply omit fundamental data, they do not show transparency to our society. They are large companies, whose activities of production of goods and services interfere in the life of the Country in an intense and extensive way. . . .</p>
<p><i>Contudo, interesses contrariados se mobilizaram prontamente e foram propostas emendas ao texto que, se aprovado pela Câmara dos Deputados, desfiguram o projeto. Uma das emendas pretende limitar a obrigatoriedade das publicações das demonstrações contábeis apenas às sociedades anônimas, excluindo as companhias fechadas e as sociedades por cotas de responsabilidade limitada. Outra emenda substitui a obrigatoriedade da dupla publicação em Diário Oficial e em jornal de grande circulação pela divulgação; isto é, apenas divulgar na rede mundial de computadores, que é a Internet, como se todo brasileiro a ela tivesse acesso a todo momento. . . .</i></p>	<p>However, vested interests were mobilised promptly and amendments were proposed to the text that, if approved by the Chamber of Deputies, will disfigure the project. One of the amendments is intended to limit the obligation to publish financial statements only to public companies, excluding private companies and limited liability companies. Another amendment replaces the obligation of double publication in an Official Gazette and in a newspaper of great circulation by the disclosure; that is to say, only divulge in the world-wide network of computers, that is the Internet, as if every Brazilian had access to it at any moment. . . .</p>
<p><i>Se as referidas emendas ao Projeto de Lei nº 3.741/00 forem aprovadas pela Câmara dos Deputados, a transparência dos balanços e de outros atos das grandes companhias será reduzida, o controle social dessas empresas será prejudicado e o conhecimento dos setores econômicos em que elas atuam ficará mais difícil.</i></p>	<p>If such amendments to Draft 3,741/00 are approved by the Chamber of Deputies, the transparency of the financial reports and of other acts of large companies will be reduced, the social control of these companies will be prejudiced and the knowledge of the economic sectors in which they operate will become more difficult.</p>

While the view that large firms considered the obligation to disclose their financial reports as a disincentive to list their shares can only be inferred from the discourses of CVM's representatives (see Table 4.11), Mr. Alquéres explicitly claimed that this was the case. Differently from CVM's representatives, however, Mr. Alquéres pointed to the enhancement of the accountability of large firms to Brazilian society, instead of the development of the capital market, as the main reason to justify the imposition of such an obligation on all of them. This discursive strategy allowed him to contradict CVM's view of the obligation of publishing financial reports in Official Gazettes as a source of unnecessary costs for a proper functioning of the capital market, and to characterise Official Gazettes as the ideal guarantors of society's need for the ever-recurring "transparency". He also suggested that the amendments proposed to Draft 3,741/2000 in order to avoid such an imposition had been lobbied by firms, but he did not address the vested interest of ABIO itself on the maintenance of the mandatory publication of financial reports from joint-stock companies, and in the extension of this obligation to all large firms, as an important source of revenues for the State-owned Official Gazettes.

After the two public hearings held in 2003, Draft 3,741/2000 would stay four more years in the National Congress before being converted into law. This period coincided with the first of the two consecutive terms of President Luiz Inácio Lula da Silva, who won the general elections in 2002 after being successively defeated for three times. During his government, President Lula conciliated the maintenance of the neoliberal economic order constructed during the terms of his predecessors with the adoption of policies to reduce poverty and activate the internal market: In 2010, his last year in office, the GDP grew 7.5%, the unemployment rate fell to 5.3%, and the accumulated growth of the minimum wage since 2003 was 50% above the inflation rate – Singer (2012) describes this process as a weak reformism that slowly and narrowly reduced social inequalities, discouraging the mobilisation of the subaltern classes and avoiding conflicts with the interests of capital. Therefore, Lula's government could (disputably) be described as having a centre-leftist orientation, and even though it was not marked by any tough confrontation with business, it was probably less attuned to the interests of financial markets, that being a conceivable cause for the loss of interest on Draft 3,741/2000 within the parliamentary agenda of his first term.

Meanwhile, the capital market pole of the field of accounting regulation in Brazil kept on championing the adoption of the IFRS, but they had to resort to foreign help to get the issue

back into the parliamentary agenda. A first relevant aid came from the World Bank, which in 2005 prepared a *Report on the Observance of Standards and Codes (ROSC): Accounting and Auditing* – Table 4.13. presents a summary of its recommendations and stated objectives.

Table 4.13 – World Bank’s recommendations about accounting and auditing in Brazil

Recommendations	Objectives
<p>Amend the Corporations Law to remove detailed accounting standards and financial reporting rules, which should be set forth by sub-legislative acts (i.e., regulations, and instructions).</p> <p>Establish an independent standard-setter with required authority to issue pronouncements for all general-purpose, corporate sector financial statements. Current standard-setters, as well as representative bodies of the financial, business and academic communities, would be closely associated to the standard-setting process.</p> <p>Amend the Corporations Law and other relevant legislation in order to allow for full alignment between Brazilian standards and IFRS.</p> <p>Adopt ISA in full, which should not pose any difficulty considering the high level of alignment that already exists.</p> <p>Adopt IFAC’s Code of Ethics for Professional Accountants.</p> <p>The Authorities should consider establishing a public oversight body for the auditing profession to ensure that statutory auditors in any type of company comply with their professional obligations; the oversight would include an active and formal monitoring of the quality control program managed by the national accounting professional body (CFC).</p> <p>Review existing regulations regarding auditors to incorporate the recent improvements introduced within the profession.</p> <p>Review existing regulations regarding auditors in light of the recent improvements introduced within the profession, to ensure such regulations bring actual benefits.</p> <p>Increase regulatory agencies’ enforcement capacity with respect to financial reporting.</p> <p>Establish a single accounting standard-setter to allow regulators to focus their resources on enforcement activities.</p> <p>Mandate the use of IFRS by all public interest entities (PIEs) for the publication of their consolidated financial statements. This requirement could be introduced through regulations by CVM, the Central Bank and other agencies in their respective domain.</p> <p>These IFRS statements should be audited.</p> <p>Clarify and strengthen the function of the <i>conselho fiscal</i> so that its role be aligned with that of an audit committee as internationally defined; this would require changes in the law.</p>	<p><b>A) Adapting the legal framework to current needs</b> – The constraints posed by the Corporations Law in its current form are such that any attempt at improving the accounting practice in Brazil would have limited results without certain amendments to the law.</p> <p><b>B) Simplifying the accounting standard-setting system</b> – Consolidating the current accounting standard-setting processes into one hand would clarify and simplify the body of existing standards. It would also help regulators in their efforts to enhance their enforcement activities.</p> <p><b>C) Achieving greater quality and comparability of corporate financial statements in Brazil</b> – In view of the growing acceptance of IFRS both internationally and in Brazil, they should be used as the base for developing the corporate financial information in Brazil. In the proposed move toward IFRS, Brazilian authorities should consider the following steps:</p> <ul style="list-style-type: none"> <li>• For the preparation of consolidated financial statements in all PIEs, adopt IFRS; this could be done through regulations, since consolidation is not addressed in the Corporations Law other than in a general way;</li> <li>• For legal entity financial statements, as noted above, an amendment to the Corporations Law is necessary; in addition, existing accounting pronouncements should be adapted in a way that would close some of the main areas of discrepancy with IFRS;</li> <li>• Additionally, in improving existing Brazilian GAAP, the proposed new standard-setter should address the specific needs of SMEs.</li> </ul> <p><b>D) Improving auditors’ accountability</b> – The CFC should adopt IFAC’s code of ethics which enjoys high international recognition. Moreover, an oversight body should be established to ensure licensed auditors meet their professional obligations and adequately discharge their public interest function.</p> <p><b>E) Developing the capacity of the accounting and audit profession</b> – Professional examinations and continuing education requirements should be strengthened in line with the standards of IFAC.</p>

Source: World Bank (2005).

As put by the World Bank (2005) itself,

This report provides an assessment of accounting, financial reporting and auditing practices within the corporate sector in Brazil, using International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) as benchmarks, and drawing on international experience and good practices in those fields. The main objective of this ROSC assessment is to assist the Government in strengthening private sector accounting and auditing practices, and in enhancing financial transparency in Brazil's corporate sector. The development objectives these efforts address are improving the investment climate, fostering competitiveness and furthering regional and international economic integration. (p. i).

Basically, World Bank's suggestions regarding the Corporations Act were an endorsement of Draft 3,741/2000, providing a higher symbolic capital for the claims that it would meet an international tendency. Discursively, a distinct feature of this report was a far more explicit support for the subcontracting of accounting regulation to the private sector: not just the National Congress, but also regulators were not deemed as an appropriate arena for regulating accounting practices; instead, it was argued that the decision-making process in accounting standardisation should be shifted directly to a private standard-setter, whereas regulators should only put their coercive powers in service of this body, "focusing their resources" on enforcing standards in whose elaboration they should not interfere.

World Bank's report was based on findings from a diagnostic review carried out in February and April 2005. It is dated June 20, 2005, and was cleared for publication by the Ministry of Finance on September 25, 2007. Between the end of World Bank's fieldwork and the conclusion of its report, another public hearing about Draft 3,741/2000 was held at the CFT of the Chamber of Deputies, on May 17, 2005. There was a high level of congruence between the discourses of public officials invited for this hearing, presented in Table 4.14, and the objectives the World Bank set forth in its ROSC. Furthermore, the leading institutional agents in the Brazilian field of accounting regulation started to follow most of the World Bank's suggestions from then on. Thus, although the evidences I was able to collect do not allow me to tell precisely whether World Bank's suggestions were innovative or not, they do allow to suppose that the ROSC may have been just an endorsement for an agenda previously established by local regulators. Given the previous efforts they had taken and their subsequent conformation to the suggestions made by the World Bank, what is possible to conclude for sure is that the prevailing habitus of the field had already been constituted in favour of the international harmonisation of accounting standards: the adoption of the IFRS in Brazil was an "inside job" to which foreign institutions provided just a little help.

Table 4.14 – Public officials’ view on the adoption of the IFRS

Textual evidence	Free translation
<p>Mr. Bernanrd Appy – Secretary of Economic Policy, Ministry of Finance Public hearing at the CFT, Chamber of Deputies – 5/17/2005</p>	
<p><i>Para compreender esse projeto, precisamos entender a situação das normas contábeis brasileiras. Embora sejam adequadas, têm-se distanciado das recomendações dos principais institutos internacionais de normas e padrões contábeis.</i></p>	<p>To understand this project, we need to understand the situation of the Brazilian accounting standards. While adequate, they have become distant from the recommendations of the major international institutes of accounting norms and standards.</p>
<p><i>Portanto, atualmente, embora tenhamos um sistema contábil que, no geral, atende aos requisitos de transparência, ele se diferencia daquele aceito pelos padrões internacionais. . . .</i></p>	<p>So today, although we have an accounting system that, in general, meets the requirements of transparency, it differs from that accepted by international standards. . . .</p>
<p><i>As normas brasileiras têm 2 problemas: são diferentes das internacionais e têm uma estrutura pouco eficiente, pouco flexível, de adequação das normas contábeis do País às mudanças no cenário econômico e às muitas inovações que existem nas operações financeiras, as quais exigem ajustes das contabilidades a uma realidade bastante dinâmica.</i></p>	<p>Brazilian standards have 2 problems: they are different from international ones and have a structure that is little efficient, little flexible, to adapt the accounting standards of the country to changes in the economic scenario and the many innovations that exist in financial operations, which require accounting to adjust to a very dynamic reality.</p>
<p><i>Os principais objetivos dessa proposta de normas contábeis são a adequação das normas brasileiras ao padrão internacional e o aumento da transparência das demonstrações financeiras das empresas e maior flexibilidade da adequação dessas demonstrações contábeis às mudanças no ambiente econômico.</i></p>	<p>The main objectives of this proposed accounting standards are the adequacy of Brazilian norms to the international standard and the increase of the transparency of firms’ financial statements and greater flexibility for the adaptation of these financial statements to changes in the economic environment.</p>
<p><i>O projeto não define normas contábeis. Não faria sentido definir, de forma rígida, normas contábeis num projeto de lei, exatamente pela necessidade de flexibilidade. O projeto define parâmetros – explicarei em seguida – sobre como criar uma estrutura para que as normas brasileiras se adaptem às normas internacionais.</i></p>	<p>The project does not define accounting standards. It would not make sense to strictly define accounting standards in a draft bill, precisely because of the need for flexibility. The project defines parameters – I will explain next – on how to create a framework for Brazilian norms to adapt to international standards.</p>
<p><i>A convergência do padrão contábil brasileiro ao padrão internacionalmente aceito traz algumas conseqüências. Primeiro, ela fortalece o ambiente de negócios no Brasil frente ao mercado internacional. De que forma? Ao permitir o acesso mais facilitado de empresas brasileiras aos mercados externos. Uma empresa brasileira que queira emitir títulos no exterior tem de se adequar às normas contábeis de outros países. Esse processo simplifica, reduz o custo do acesso das empresas brasileiras aos mercados externos, inclusive no que diz respeito a financiamento.</i></p>	<p>The convergence of the Brazilian accounting standards to the internationally accepted standards brings about some consequences. First, it strengthens the business environment in Brazil vis-à-vis the international market. In what way? By allowing easier access of Brazilian firms to foreign markets. A Brazilian firm that wants to issue securities abroad must comply with the accounting standards of other countries. This process simplifies, reduces the cost of access of Brazilian firms to external markets, also in regards to funding.</p>
<p><i>Quando os padrões contábeis das empresas se aproximam dos padrões internacionais, seus próprios credores passam a ter demonstrações mais claras sobre qual é de fato a situação econômica da empresa e têm mais capacidade de comparação com a situação de empresas que disputam recursos no mercado internacional de capitais.</i></p>	<p>When firms’ accounting standards get closer to international standards, their own creditors come to have clearer statements about what the firm’s economic situation in fact is, and are better able to compare it with the situation of firms disputing resources in the international capital market.</p>
<p><i>Em segundo lugar, essa medida facilita a atração de investimentos estrangeiros para o Brasil, na medida em que as empresas estrangeiras já estão habituadas a trabalhar com essas normas contábeis.</i></p>	<p>Secondly, this measure facilitates the attraction of foreign investments to Brazil, as foreign firms are already accustomed to working with these accounting standards.</p> <p>Third, it allows greater efficiency by making the accounting standards of several countries more</p>

To be continued

## Continuation

Textual evidence	Free translation
<p><i>Em terceiro, permite maior eficiência ao tornar mais homogêneos os padrões contábeis de vários países.</i></p>	<p>homogeneous.</p>
<p><i>O segundo objetivo, como havia dito, é aumentar a transparência das demonstrações contábeis no Brasil. O que se ganha com o aumento de transparência nas demonstrações contábeis? Com normas mais atualizadas, com mais clareza, a pessoa que analisa os balanços e as demonstrações contábeis das empresas passa a ter ganhos, na medida em que se reduz o que chamamos de assimetria de informações, ou seja, os participantes do mercado que têm acesso a balanços elaborados com base em normas atualizadas têm melhor noção da situação econômica da empresa do que se considerasse normas desatualizadas e mais clareza sobre quais os riscos e oportunidades econômicas.</i></p>	<p>The second objective, as I had said, is to increase the transparency of financial statements in Brazil. What is gained by increasing transparency in the financial statements? With more up-to-date, clearer standards, the person who analyses the firm's balance sheets and financial statements starts to have gains, insofar as it reduces what we call information asymmetry, that is, market participants who have access to financial reports prepared on the basis of up-to-date standards have a better understanding of the economic situation of the firm than if it were to consider outdated standards, and more clarity about which the risks and economic opportunities are.</p>
<p><i>O aumento da transparência também confere maior segurança às relações econômicas. Uma empresa que possui demonstrações contábeis bastante transparentes passa maior segurança ao credor ao buscar financiamento. Por quê? Esse possível credor passa a ter uma visão mais clara da situação econômica da empresa.</i></p>	<p>Increased transparency also gives greater security to economic relations. A firm that has fairly transparent financial statements gives the lender greater security when seeking funds. Why? This potential lender will have a clearer view of the firm's economic situation.</p>
<p><i>A transparência permite também maior comparação entre as demonstrações e, portanto, melhor alocação de recursos e de investimentos na economia. Isso significa que, do ponto de vista da agenda microeconômica do Ministério da Fazenda, esse projeto de normas contábeis melhora o ambiente de negócios e a eficiência econômica da economia brasileira. Ao fazer isso, ele cria condições para reduzir o custo dos investimentos, as incertezas e o custo do crédito. Portanto, ele é um instrumento a mais para apoiar o crescimento econômico do País.</i></p>	<p>Transparency also allows for a better comparison between financial reports and, therefore, a better allocation of resources and investments in the economy. This means that, from the microeconomic agenda of the Ministry of Finance, this project about accounting standards improves the business environment and the economic efficiency of the Brazilian economy. By doing so, it creates conditions to reduce the cost of investments, uncertainties, and the cost of credit. Therefore, it is an additional instrument to support the country's economic growth.</p>
<p><i>Da agenda de reformas microeconômicas do Ministério da Fazenda consta uma série de projetos. A Lei de Falências é um deles. Muitas vezes, esses projetos, analisados individualmente, parecem não ter um peso muito significativo, mas, em conjunto, significam expressiva melhora da eficiência da economia brasileira, o que possibilita, como consequência, redução do custo dos investimentos, melhoria da eficiência alocativa da economia. Portanto, isso faz com que a economia cresça de forma mais acelerada. Esse projeto faz parte da agenda. Desse ponto de vista, ele é bastante relevante. Sua aprovação tem grande importância para a agenda econômica do Governo. . . .</i></p>	<p>The Ministry of Finance's microeconomic reform agenda includes a number of projects. The Bankruptcy Act is one of them. Often these projects, when analysed individually, do not seem to have a significant weight, but, together, they mean a significant improvement in the efficiency of the Brazilian economy, which allows, as a consequence, to reduce the cost of investments, to improve the allocative efficiency of the economy. This, therefore, causes the economy to grow more rapidly. This project is part of the agenda. From this point of view, it is quite relevant. Its approval is of great importance to the Government's economic agenda. . . .</p>
<p><i>O que é importante nesse processo? A complexidade e a dinâmica das operações empresariais e o surgimento de novos instrumentos econômicos e financeiros exigem um ajuste permanente e especializado das normas contábeis. O projeto procura – explicarei isso posteriormente – propor a criação de um órgão privado que cria recomendações concernentes às normas contábeis.</i></p>	<p>What is important in this process? The complexity and dynamics of business operations and the emergence of new economic and financial instruments demand a permanent and specialised adjustment of accounting standards. The project seeks – I will explain it later – to propose the creation of a private body that makes recommendations regarding accounting standards. This is a body that would enter into an agreement with government's regulatory bodies, such as the Securities and Exchange Commission, the Central Bank, SUSEP. This private entity would aim to propose changes and adjustments to Brazilian accounting standards that</p>

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<p><i>Trata-se de um órgão que celebraria convênio com os órgãos reguladores do Governo, como a Comissão de Valores Mobiliários, o Banco Central, a SUSEP. Essa entidade privada teria como objetivo propor mudanças e adequações das normas contábeis brasileiras que poderiam ser aceitas ou não pelas entidades reguladoras, aquelas que determinam as normas que devem ser utilizadas pelas empresas. Obtém-se essa agilidade e eficiência ao se viabilizar que um organismo especializado que não é do Governo formule e apresente sugestões de mudanças, faça análises e discuta com órgãos governamentais. Ganha-se com a participação de agentes privados nessa discussão. Na medida em que se julguem relevantes as sugestões apresentadas por esse órgão, passa-se a ter um desenho bastante dinâmico, que se aproxima dos padrões internacionais adotados progressivamente pelos países.</i></p>	<p>could be accepted or not by regulatory entities, those that determine the standards that should be followed by firms. This agility and efficiency is achieved by enabling a specialised body which is not part of the Government to formulate and make suggestions for changes, analyse and discuss with government agencies. There are gains with the participation of private agents in this discussion. To the extent that the suggestions presented by this body are considered relevant, this will be a very dynamic design, which is close of the international standards progressively adopted by countries.</p>
<p><i>Esse desenho proposto para o Brasil é adotado em outros países, nos quais há órgãos privados que sugerem mudanças quanto às normas contábeis e que são incorporadas ou não pelo governos. . . .</i></p>	<p>This proposed design for Brazil is adopted in other countries, in which there are private bodies that suggest changes in accounting standards and that are incorporated or not by governments. . . .</p>
<p><i>O que vemos do ponto de vista internacional? Com a crise asiática e os escândalos contábeis ocorridos principalmente nos Estados Unidos, acelerou-se no mundo um processo de convergência dos países para as regras contábeis internacionalmente aceitas.</i></p>	<p>What do we see from the international point of view? With the Asian crisis and the accounting scandals that occurred mainly in the United States, a process of convergence of countries to internationally accepted accounting rules has accelerated worldwide.</p>
<p><i>A falta de transparência decorrente da existência de normas contábeis que não são padronizadas internacionalmente é um dos motivos pelos quais se gerou nas instituições asiáticas um refluxo muito grande de capitais para aqueles países. De uma hora para outra, houve mudança da visão da situação financeira. Essa mudança de visão, que decorre, em grande medida, da falta de transparência na divulgação da situação econômica das empresas, acabou levando a uma forte turbulência. O mesmo ocorre na situação dos escândalos contábeis das empresas americanas, em que se evidenciou a exigência de normas e regras contábeis bastante claras, de preferência homogêneas, que evitem que as empresas manipulem suas demonstrações, ocultando dos seus credores e das pessoas que se relacionam com a empresa a sua verdadeira situação econômica e os riscos.</i></p>	<p>The lack of transparency resulting from the existence of accounting standards that are not internationally standardised is one of the reasons why a very large backflow of capital from Asian institutions has been generated in these countries. All of a sudden, the vision of the financial situation changed. This change of vision, which is largely due to the lack of transparency in the disclosure of the economic situation of the firms, led to a strong turmoil. The same is true of the accounting scandals of American firms, where it has been evidenced the need for fairly clear, preferably homogeneous accounting norms and rules which prevents firms from manipulating their statements, hiding from their creditors and from people who relate to the firm its true economic situation and risks.</p>
<p><i>A partir de 2005, os 25 países da União Européia e a Austrália adotaram os princípios e as recomendações do International Accounting Standards Board – IASB – , órgão internacional que sugere a adoção de normas contábeis.</i></p>	<p>As of 2005, the 25 countries of the European Union and Australia have adopted the principles and recommendations of the International Accounting Standards Board – IASB –, an international body that suggests the adoption of accounting standards.</p>
<p><i>Depois dos escândalos, os Estados Unidos, que têm órgão próprio, como eu já disse, passaram a se aproximar das regras internacionais, por meio de convênio de que participa o FASB. Além disso, vários países em desenvolvimento, como China, Rússia e Índia, têm procurado ajustar-se a essa tendência de</i></p>	<p>After the scandals, the United States, which has its own body, as I have already said, began to approach international rules through an agreement in which the FASB participates. In addition, a number of developing countries, such as China, Russia and India, have sought to adjust to this trend towards internationally accepted accounting standards. . . .</p> <p>From the point of view of the Government, what are the main points that should be included in this project? . . .</p> <p>The first point, as I have already said, is the</p>

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<p><i>aproximação referente às normas contábeis internacionalmente aceitas. . . .</i></p>	<p>provision of a private entity, to study and disclose principles, norms and standards of accounting and auditing. This entity would have the function of recommending, to the regulatory bodies of the Government, accounting standards that should be accepted.</p>
<p><i>Do ponto de vista do Governo, quais os principais pontos que devem constar desse projeto? . . .</i></p>	<p>Second point. The project must predict that, for publication purposes, the accounting standards will prevail on tax and regulatory provisions. This is an extremely important point. There is an unfounded mistrust of some businessmen that the adequacy of Brazilian accounting standards to international standards had some effect that would lead to an eventual increase in corporate taxation. This is not the purpose of the project. It sets standards for the financial reports that must be published. This aspect is very relevant. . . .</p>
<p><i>O primeiro ponto, como eu já disse, é a previsão de uma entidade privada, de estudo e divulgação de princípios, normas e padrões de contabilidade e auditoria. Essa entidade teria como função recomendar aos órgãos reguladores do Governo normas contábeis que deveriam ser aceitas.</i></p>	<p>Third point. The project proposes rationalising the publication of financial statements in order to reduce the cost for firms to publicly disclose their statements. . . .</p>
<p><i>Segundo ponto. O projeto tem de prever que, para efeitos de publicação, prevalecerão as normas contábeis sobre as disposições tributárias e regulatórias. Esse é um ponto extremamente importante. Há uma desconfiança infundada de alguns empresários de que a adequação das normas contábeis brasileiras aos padrões internacionais tivesse algum efeito que levasse ao eventual aumento da tributação das empresas. Esse não é o objetivo do projeto. Ele estabelece normas para os balanços que devem ser publicados. Esse aspecto é muito relevante. . . .</i></p>	<p>A fourth point. We understand that the project should demand – I know that this is a somewhat controversial point, but it is important – that large firms, even private companies, disclose their financial statements according to the same principles of publicly traded companies. Why? This is a relevant issue regarding competition. There are benefits also for private companies. It is extremely important that large firms, although private, have transparency in their accounting disclosure, not only because this increases the economic efficiency of access to credit by these firms, but also because the competition between public and private companies becomes fairer – we are talking only about large firms – when they publish the standards and their financial statements following the same standards. It is a matter of isonomy, which makes the competitive environment more efficient and, therefore, helps in economic growth.</p>
<p><i>Terceiro ponto. O projeto propõe a racionalização da publicidade das demonstrações contábeis, de forma a reduzir o custo das empresas ao tornarem públicas suas demonstrações. . . .</i></p>	
<p><i>Quarto ponto. Entendemos que o projeto deve exigir – sei que esse é um ponto um pouco controverso, mas é importante – que empresas de grande porte, mesmo empresas fechadas, divulguem suas demonstrações contábeis atendendo aos mesmos princípios das empresas de capital aberto. Por quê? Essa é uma questão relevante no que diz respeito à concorrência. Há benefícios também para as empresas fechadas. É extremamente importante que as empresas de grande porte, ainda que fechadas, tenham transparência na sua divulgação contábil, não só porque isso aumenta a eficiência econômica quanto ao acesso ao crédito por essas empresas, como também porque se torna mais justa a concorrência entre empresas abertas e fechadas – estamos falando apenas de empresas de grande porte – quando publicam as normas e seus demonstrativos contábeis seguindo os mesmos padrões. Trata-se de uma questão de isonomia, que torna mais eficiente o ambiente competitivo e, portanto, ajuda no crescimento econômico.</i></p>	
<p>Mr. Marcelo Trindade – President of the CVM Public hearing at the CFT, Chamber of Deputies – 5/17/2005</p>	
<p><i>Esse projeto de lei, como foi destacado pelo Secretário Bernard Appy, é de iniciativa do Governo e foi apresentado em 2000. De lá para cá, muitos eventos ocorreram no mundo no que se refere aos padrões e normas contábeis internacionais, principalmente à relevância que se passou a atribuir crescentemente a essas sugestões adotadas como regras pelos agentes de mercado.</i></p>	<p>This draft, as highlighted by Secretary Bernard Appy, was initiated by the Government and was presented in 2000. Since then, many events have taken place in the world regarding international accounting standards and norms, mainly the relevance that has increasingly been attributed to these suggestions adopted as rules by market agents.</p>

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<p><i>Se em 2000 o projeto tinha um caráter inovador e colocava o Brasil na vanguarda de uma iniciativa de atualização no mundo, hoje não é exagero dizer que ele é uma necessidade, para que o Brasil não se coloque na retaguarda desse desenvolvimento econômico mundial. Naquele tempo, o projeto atualizaria e proporia a modernização das excelentes regras, como mencionado pelo Presidente Plöger, constantes da Lei das S.A., monumento legislativo que orgulha todos os brasileiros. Mas já se passaram 30 anos. Não se pode esconder-se num mundo corporativo. Naquele tempo, o projeto era capaz de colocar o Brasil adiante de seus competidores; hoje, contudo, estamos vendo todos os nossos competidores avançando. Precisamos avançar também. . . .</i></p>	<p>If in 2000 the project had an innovative character and put Brazil at the world's forefront of an updating initiative, today it is no exaggeration to say that it is a necessity, so that Brazil does not place itself in the rear-guard of this world economic development. At that time, the project would update and propose the modernisation of the excellent rules, as mentioned by President Plöger, contained in the Corporations Act, a legislative monument that prides all Brazilians. But it has been 30 years. One cannot hide in a corporate world. At that time, the project was capable of putting Brazil ahead of its competitors; today, however, we are seeing all our competitors moving forward. We need to move forward as well. . . .</p>
<p><i>Para que se tenha idéia, o México, um dos nossos principais competidores no que diz respeito a recursos internacionais, estava muito atrás de nós nessa matéria, mas já aprovou no Senado – lá o processo legislativo é invertido em relação ao nosso – o seu projeto referente à nova lei de mercado de valores mobiliários, que confere ampla liberdade para a Comissão Nacional de Bolsas de Valores – CNBV atualizar, sempre que necessário, os padrões contábeis mexicanos.</i></p>	<p>To give you an idea, Mexico, one of our main competitors with respect to international resources, was far behind us in this matter, but has already approved in the Senate – there the legislative process is reversed in relation to ours – its project related to the new securities market law, which grants broad freedom for the National Stock Exchange Commission – CNBV to update, when necessary, Mexican accounting standards.</p>
<p><i>Essa iniciativa já foi aprovada na Comissão própria do Senado e amanhã será submetida à Câmara mexicana. O mundo está movendo-se nessa direção. O Brasil necessita também, urgentemente, fazer esse mesmo movimento.</i></p>	<p>This initiative has already been approved in the proper Commission of the Senate and tomorrow will be submitted to the Mexican Chamber. The world is moving in that direction. Brazil also needs, urgently, to make this same move.</p>
<p><i>O projeto, entretanto, preserva – isso me parece uma qualidade a ser destacada – um núcleo legislativo intenso e não confere, ao contrário de outras iniciativas no mundo, uma liberdade completa aos órgãos reguladores das diversas atividades para que alterem os padrões contábeis. Com isso o Brasil ganha em segurança jurídica e conserva a segurança dos empresários nacionais que venham a investir no Brasil. Um grande conjunto genérico de regras continua preservado pelo projeto. Portanto, não há o risco de uma irresponsabilidade reguladora gerar impacto nas companhias brasileiras.</i></p>	<p>The project, however, preserves – this seems to me to be a quality to be highlighted – an intense legislative nucleus and does not confer, unlike other initiatives in the world, a complete freedom for the regulators of various activities to change accounting standards. With this, Brazil gains in legal security and preserves the security of the national entrepreneurs who come to invest in Brazil. A large generic set of rules is still preserved by the project. Therefore, there is no risk of a regulatory irresponsibility impacting Brazilian companies.</p>
<p><i>Esse me parece, em primeiro lugar, um aspecto positivo do projeto. Sem prejuízo desse aspecto, a proposição delega potencialmente a um órgão privado a ser constituído o poder de editar sugestões, que seriam avaliadas pelas entidades públicas capazes de estabelecer padrões obrigatórios nas suas diversas áreas de atuação: Comissão de Valores Mobiliários, no que se refere às companhias abertas; Banco Central, no que se refere às instituições financeiras e demais instituições subordinadas a sua supervisão; Superintendência de Seguros Privados, no que se refere às companhias de seguro. Essas entidades estatais celebrariam convênio com esse órgão privado, que existe no mundo inteiro. Foi agora</i></p>	<p>This seems to me, in the first place, a positive aspect of the project. Without prejudice to this aspect, the proposal potentially delegates to a private body to be constituted the power to edit suggestions, which would be evaluated by public entities capable of establishing mandatory standards in their various areas of activity: Securities Commission, in regard to publicly-held companies; Central Bank, in regard to financial institutions and other institutions subordinated to its supervision; Superintendence of Private Insurance, in regard to insurance companies. These State entities would enter into an agreement with this private body, which exists throughout the world. It was now created in Mexico, and for many years it exists in Europe and the United States. This body is eminently private. It is important that it is a</p>

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<p><i>criado no México, e há muitos anos existe na Europa e nos Estados Unidos. Esse órgão é eminentemente privado. É importante que seja um órgão privado, porque isso dá legitimidade maior a essas regras. O Poder Público avalia se essas regras estão realmente de acordo com o padrão internacional, se são do interesse das entidades reguladas pelo Poder Público e as adota.</i></p>	<p>private body, because that gives greater legitimacy to these rules. The Public Authority assesses whether these rules are actually in accordance with the international standard, if they are in the interest of the entities regulated by the Government and adopts them.</p>
<p><i>Na prática, a CVM já vem fazendo isso há muitos anos com o IBRACON, uma entidade privada que edita pronunciamentos que a CVM adota. No caso da CVM, apenas se alarga a competência para se fazer essa atualização e se dá um norte muito claro, no projeto, no sentido de que essa atualização deve ser sempre feita tendo em mira os padrões internacionais.</i></p>	<p>In practice, the CVM has been doing this for many years with IBRACON, a private entity that publishes pronouncements that the CVM adopts. In the case of the CVM, only the competence to carry out this updating is widened, and a very clear north is provided in the project, in the sense that this updating should always be done keeping in mind the international standards.</p>
<p><i>Como foi destacado, estamos falando de demonstrações financeiras e contábeis para efeito de divulgação. Esse ponto deve ser efetivamente realçado.</i></p>	<p>As highlighted, we are talking about financial and accounting statements for the purposes of disclosure. This point must be effectively emphasised. The purpose of uniform financial statements, in terms of adopted standards, is the comparison. It is useful in the case of financial information made public, those disclosed to market agents. In the case of tax rules, norms of regulators of specific activities, these accounting rules that would be used for publication purposes will not prevail.</p>
<p><i>A finalidade das demonstrações contábeis uniformes, no que se refere a padrões adotados, é a comparação. É útil no caso das informações financeiras tornadas públicas, aquelas divulgadas aos agentes de mercado. No caso de normas tributárias, de normas de entidades reguladoras de atividades específicas, essas regras contábeis que seriam utilizadas para efeito de publicação não prevalecerão.</i></p>	<p>The project is concerned with the shielding referred to by President Plöger in establishing that these adjustments, in the case of the adoption of the accounting principles the law imposes, will be done separately, if the economic agent so wishes.</p>
<p><i>O projeto se preocupa com a blindagem a que se referiu o Presidente Plöger ao estabelecer que esses ajustes, em se tratando da adoção dos princípios contábeis pelos quais a lei pugna, serão feitos em registros à parte, se assim quiser o agente econômico.</i></p>	<p>There is a certain trauma in Brazil regarding the fact that the accounting entry was recorded and, subsequently, the adjustment for tax purposes was made. That tax entry was made and was susceptible to the action of the Federal Revenue. Although this is more a psychological than a legal problem, the project deals with this psychological problem, and what does it do? It says, alternatively, that if the entity prefers, it can make the accounting entry according to tax law and adjust this register for the purpose of publishing what will be disclosed to the market. It eliminates any risk that these adjustments, for publication purposes, will be considered as taxable. It seems to me that this is also an important aspect of the project.</p>
<p><i>Há um certo trauma no Brasil quanto ao fato de que se fazia o lançamento contábil e o ajuste posterior para efeito tributário. Aquele lançamento tributário era feito e ficava suscetível à ação da Receita. Embora isso seja um problema mais psicológico do que legal, o projeto lida com esse problema psicológico e faz o quê? Ele diz, alternativamente, que, se a entidade preferir, pode fazer o lançamento contábil conforme a lei tributária e ajustar esse lançamento para efeito da publicação daquilo que será divulgado ao mercado. Elimina-se qualquer risco de que esses ajustes, para efeito de publicação, sejam considerados passíveis de incidência das regras tributárias. Parece-me que esse é um aspecto também importante no que se refere ao projeto.</i></p>	<p>As for the large corporations mentioned by President Plöger, the aspect highlighted by Secretary Appy is very relevant. These private Brazilian firms work in Brazil. These large firms generate wealth in Brazil. Often, they are not financed in Brazil. Often, they are firms that are financed outside the country. By not being financed here, they do not have to be subjected to the rules of the Brazilian public companies, that are financed here. Because of this, they adopt corporate structures that allow a private company or a limited company not to disclose its financial statements.</p>
<p><i>Quanto às sociedades de grande porte, mencionadas pelo Presidente Plöger, o aspecto destacado pelo Secretário Appy é muito relevante. Essas companhias fechadas brasileiras trabalham no Brasil. Essas companhias de grande porte geram riqueza no Brasil. Muitas vezes, elas não se financiam no Brasil. Muitas vezes, são companhias que se financiam fora do País.</i></p>	

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<p><i>Ao não se financiarem aqui, elas não precisam sujeitar-se às regras das companhias abertas brasileiras, que se financiam aqui. Por conta disso, elas adotam estruturas societárias que permitem a uma companhia fechada ou a uma sociedade limitada não divulgar suas demonstrações financeiras.</i></p>	<p>But it is in Brazil that they generate wealth and it is in Brazil that this wealth is known and compared by its employees, people which deal with these firms.</p>
<p><i>Mas é no Brasil que elas geram riqueza e é no Brasil que essa riqueza é conhecida e comparada pelos seus empregados, pelas pessoas que negociam com essas companhias.</i></p>	<p>The most serious problem is that these firms often consolidate this data into publicly-held companies, which are located outside Brazil.</p>
<p><i>O mais grave é que, muitas vezes, essas companhias consolidam esses dados em companhias abertas, em controladoras que estão localizadas fora do Brasil.</i></p>	<p>We, who are always so concerned about ensuring the competitiveness of Brazilian firms, lose sight of this aspect of competition when we deal with this theme.</p>
<p><i>Nós, que sempre estamos tão preocupados em garantir a competitividade das companhias brasileiras, perdemos de vista esse aspecto de competição quando tratamos desse tema.</i></p>	<p>Why? Because foreign firms can come to Brazil and do not disclose their figures here, but are forced to disclose them in their headquarters. Many times, the figures of Brazilian firms, of Brazilian branches, are responsible for larger portions of revenues and results of foreign firms. These foreign firms can compete with our firms, which are required in Brazil to disclose their results and are also obliged, if they want to obtain the funding, the resources of the international market, to adopt the international standard of disclosure. This makes it difficult for Brazilian firms to compete in the domestic market because, if only one competitor is required to disclose their data, the other competitor has a very large competitive advantage.</p>
<p><i>Por quê? Porque as companhias estrangeiras podem vir ao Brasil e aqui não divulgar seus números, mas são obrigadas a divulgá-los nas suas matrizes. Muitas vezes, os números das companhias brasileiras, das sucursais brasileiras, são responsáveis por parcelas maiores da receita e dos resultados das companhias estrangeiras. Essas companhias estrangeiras podem competir com as nossas companhias, que são obrigadas no Brasil a demonstrar seus resultados e são obrigadas também, se querem obter o funding, o recurso do mercado internacional, a adotar o padrão internacional de divulgação. De sorte que isso dificulta a competição das companhias brasileiras no mercado interno porque, se só um concorrente está obrigado a divulgar seus dados, o outro concorrente tem uma vantagem competitiva muito grande.</i></p>	<p>This adds a substantial cost to Brazilian firms, which, in order to seek resources abroad, often have – the project will eliminate this need – to make financial statements according to the Brazilian standard and according to the American standard. . . .</p>
<p><i>Isso acresce um substancial custo às companhias brasileiras, que, para buscar recursos no exterior, muitas vezes têm – o projeto eliminará esta necessidade – que fazer demonstrações financeiras segundo o padrão brasileiro e segundo o padrão americano. . . .</i></p>	<p>Finally, in regard to the simplification of the regime for the publication of financial statements, once again, it seems to me that the project tries to reduce the cost for Brazilian firms in relation to international firms, without loss of supervisory capacity. After all, the main driver of this project is the ability of the general public to verify a firm's wealth and performance. Without losing this value, let's simplify and reduce the cost of publication for Brazilian companies.</p>
<p><i>Finalmente, no que se refere à simplificação do regime de publicação das demonstrações financeiras, mais uma vez, parece-me que o projeto trata de diminuir o custo das companhias brasileiras em relação às companhias internacionais sem perda da capacidade de fiscalização. Afinal, é o principal motor desse projeto a capacidade de verificação pelo público em geral das riquezas da companhia e de seu desempenho. Sem perda desse valor, que se simplifique e se barateie o custo de publicação das companhias brasileiras.</i></p>	
<p>Mr. Amaro Luiz de Oliveira Gomes – Chief of the Standardisation Department of the BCB Public hearing at the CFT, Chamber of Deputies – 5/17/2005</p>	
<p><i>Quanto à convergência às normas internacionais de contabilidade, o Banco Central de longa data já se vem empenhando num processo de incorporação das práticas contábeis a serem observadas obrigatoriamente pelas instituições financeiras. Refiro-me àquelas promulgadas pelo IASB. . . .</i></p>	<p>Regarding the convergence to international accounting standards, for long the Central Bank has been engaged in a process of incorporating the accounting practices to be observed by financial institutions. I am referring to those promulgated by the IASB....</p>

## Continuation

Textual evidence	Free translation
<p><i>Optou o Banco Central, em termos de regulação, desde fins dos anos 90, pela adoção das normas propostas pelo IASB, em virtude do reconhecimento dessa entidade como a mais preparada ou aquela que atenderia de maneira uniforme os anseios das mais diversas nações e, portanto, contribuiria significativamente para promover informações transparentes e de alta qualidade.</i></p>	<p>Since the end of the 1990s, the Central Bank has opted, in terms of regulation, for the adoption of the standards proposed by the IASB, in virtue of the recognition of this entity as the most prepared or that which would meet in a uniform manner the aspirations of the most diverse nations and, therefore, would contribute significantly to promote transparent and high-quality information.</p>
<p><i>Auxiliou nesse processo consideravelmente o acordo promovido pela IOSCO e pelo IASB, no sentido de recepcionar aquelas normas como válidas para entidades que tenham seus títulos e valores mobiliários negociados junto ao público.</i></p>	<p>Considerably assisted in this process the agreement promoted by IOSCO and the IASB, in order to receive those standards as valid for entities that have their securities negotiated with the public.</p>
<p><i>Obviamente, no âmbito do sistema financeiro, que é o foco do Banco Central, o BIS, conhecido como Banco de Compensações Internacionais, com sede na Suíça, também referenciado como o Banco Central dos Bancos Centrais, passou a compreender as normas internacionais ou a convergência a tais normas como um princípio basilar. Refiro-me à promoção da competitividade entre as instituições financeiras, da comparabilidade, um dos atributos da informação contábil, amplamente ressaltada aqui hoje pelos expositores que me antecederam como um dos instrumentos essenciais para que o processo de supervisão das instituições financeiras seja conduzido com propriedade pelos órgãos reguladores e supervisores. . . .</i></p>	<p>Obviously, under the financial system, which is the focus of the Central Bank, the BIS, known as the Swiss-based Bank for International Settlements, also referred to as the Central Bank of Central Banks, came to understand the international standards or the convergence towards them as a basic principle. I refer to the promotion of competitiveness among financial institutions, to comparability, one of the attributes of accounting information, widely emphasised here today by the exhibitors that preceded me as one of the essential instruments for the process of supervision of financial institutions to be conducted with appropriateness by regulators and supervisors. . . .</p>
<p><i>Outro aspecto essencial nesse processo é o esforço do Banco Central para desenvolver e implementar normas de contabilidade que propiciem geração de informações confiáveis, transparentes e comparáveis, com o objetivo maior do desenvolvimento da disciplina de mercado.</i></p>	<p>Another essential aspect of this process is the Central Bank's effort to develop and implement accounting standards that provide the generation of reliable, transparent and comparable information, with the broader objective of developing market discipline.</p>
<p><i>A disciplina de mercado é um dos 3 pilares da mais recente recomendação emanada do BIS. O desenvolvimento e a disciplina de mercado contribuem efetivamente para a manutenção do sistema financeiro em condições que promova um funcionamento regular da economia. Seguramente, um dos seus pré-requisitos é a disponibilidade de informações, o acesso a essas informações pelos mais diversos usuários.</i></p>	<p>Market discipline is one of the 3 pillars of the most recent recommendation from the BIS. Market development and discipline effectively contribute to the maintenance of the financial system under conditions conducive to a regular functioning of the economy. Certainly, one of its prerequisites is the availability of information, the access to this information by the most diverse users.</p>
<p><i>Não somente nesse processo de desenvolvimento de normas, e exatamente por compreender a importância dos mais diversos usuários, o Banco Central, já de longa data, adota as audiências públicas como forma de obter a contribuição e a participação de todos os envolvidos, aí incluídos não somente os próprios supervisores, mas também os analistas, aqueles da academia, os contadores e quaisquer outros que possam ter qualquer tipo de interesse na informação provida pelas instituições financeiras.</i></p>	<p>Not only in this process of developing norms, and precisely because it understands the importance of the most diverse users, the Central Bank has long adopted public consultations as a means of obtaining the contribution and participation of all those involved, not including only the supervisors themselves, but also analysts, academics, accountants and any others who may have any interest in the information provided by financial institutions.</p>
<p><i>Nesse sentido, a promoção do seu uso e a rigorosa observância dessas normas são um dos preceitos do processo de supervisão do Banco Central. E o esforço</i></p>	<p>In this sense, the promotion of their use and of the strict observance of these norms are one of the precepts of the supervision process of the Central Bank. And the effort for the convergence process has been significant. . . .</p>

## Conclusion

Textual evidence	Free translation
<p><i>para o processo de convergência tem sido significativo. . . .</i></p> <p><i>Relativamente ao projeto hoje em análise nesta Comissão, merecem por parte do Banco Central o apoio incondicional todas aquelas propostas que estão ali estabelecidas. Em termos de padrões de divulgação ao público em geral, as propostas constantes do projeto, mesmo aquelas consideradas mais polêmicas, contribuirão significativamente para aprimorar o nível de transparência, o acesso à informação e o desenvolvimento de uma disciplina de mercado que conduza a economia e o sistema financeiro nacionais a uma situação de competitividade e comparabilidade com os sistemas financeiros mais desenvolvidos.</i></p>	<p>In regard to the project currently under consideration in this Commission, all those proposals that are established in it deserve the unconditional support from the Central Bank. In terms of standards for disclosure to the general public, the proposals contained in the project, even those considered more controversial, will contribute significantly to improve the level of transparency, the access to information and the development of a market discipline that drives the national economy and the financial system to a situation of competitiveness and comparability with the more developed financial systems.</p>

Source: Câmara dos Deputados (2005).

Mr. Appy's hearing evidences that the Federal Government was already sold on the ideas the World Bank would present and/or endorse a month later (see Table 4.13). Interestingly, speaking on behalf of the Ministry of Finance, the highest-level body in the hierarchy of the Executive power among those represented in this public hearing, he presented the most emphatic support for shifting the arena of accounting regulation to the private sector, claiming that one of the major problems of the Brazilian accounting standards was the lack of flexibility in their elaboration. Discursively, his hearing evidences once again the prominent role played by the vague notion of "transparency" in the linguistic habitus of the field of accounting regulation, being the foundation for most of the promises of never-ending happiness that framed the rationale for the international harmonisation of accounting standards: the adoption of the IFRS would increase Brazilian firms' transparency, enhancing the comparability and comprehensibility of their financial reports, what would facilitate their access to international markets and attract more foreign investments to Brazil, preventing financial crises and promoting economic development.

From Mr. Trindade's hearing, the most surprising feature is the dissonance about the subcontracting of accounting regulation to the private sector. Contrary to the prevailing view in the pole led by the CVM itself in the field of accounting regulation in Brazil, Mr. Trindade supported the maintenance of accounting dispositions in the Corporations Act as a guarantee of legal protection for business against "regulatory irresponsibility". The only reason I can conceive for this differing view is Mr. Trindade's personal background as a Lawyer.

Nevertheless, following CVM's long-established agenda, he did suggest that the definition of accounting standards through agreements between regulators and a private standard-setter would provide a higher legitimacy for this process. He also resorted to the usual references to an international tendency of convergence towards the IFRS to promote a sense of urgency about the approval of Draft 3,741/2000 – otherwise, Brazil would be “left behind” by its counterparts.

Mr. Gomes'<sup>14</sup> hearing, by its turn, evidences that the BCB had a different approach to the adoption of the IFRS when compared to CVM's. BCB's own supervisory purpose of promoting the stability of the financial system is the main reason presented to justify such an adoption, and notwithstanding the “unconditional support” declared for Draft 3,741/2000, there is a noticeable silencing about the creation of a private Brazilian standard-setter. Instead, BCB's commitment to the IFRS are always expressed in terms of its actions to directly adopt, through its own regulations, the standards issued by the IASB.

Private-sector representatives were also invited for this public hearing at the CFT of the Chamber of Deputies. Table 4.15 presents some excerpts from their participation.

Table 4.15 – Private sector's view on the adoption of the IFRS

Textual evidence	Free translation
Mr. Alfried Plöger – ABRASCA Public hearing at the CFT, Chamber of Deputies – 5/17/2005	
<i>Alterar a Lei nº 6.404 é um empreendimento de vulto. Esse diploma legal, que está perto de completar 30 anos, nasceu com uma concepção extremamente avançada. . . .</i>	Changing Act No. 6,404 is a major undertaking. This legal diploma, which is about to turn 30, was born with an extremely advanced conception. . . .
<i>Quando tramitou o projeto que se transformaria na Lei nº 6.404, na primeira metade dos anos 70, era impossível prever que os mercados de capital se internacionalizariam e que os inúmeros e diferentes padrões contábeis adotados nos Estados Unidos, Japão e nas diversas nações européias convergiriam.</i>	When the draft that would become Act No. 6,404 was discussed in the first half of the 1970s, it was impossible to predict that capital markets would internationalise and that the many different accounting standards adopted in the United States, Japan, and the various European nations would converge.
<i>De fato, há previsões sólidas de que a União Européia e os Estados Unidos cheguem a um consenso até 2008 sobre o padrão contábil comum, superando as mais de 2 mil diferenças anteriormente existentes nos métodos que empregavam.</i>	Indeed, there are solid predictions that the European Union and the United States will reach a consensus by 2008 on the common accounting standard, surpassing the more than 2,000 previously existing differences in the methods they employed.
<i>Tal convergência é perseguida por americanos e europeus para facilitar mais e mais que investidores de quaisquer países compreendam as informações</i>	Such convergence is being pursued by Americans and Europeans to make it easier for investors in any country to understand the accounting and financial

To be continued

<sup>14</sup> As a matter of curiosity, Mr. Gomes would latter join the IASB as a full-time board member.

## Continuation

Textual evidence	Free translation
<p><i>contábeis e financeiras das companhias emissoras das ações e dos títulos de dívida corporativa que desejam comprar onde quer que estejam suas sedes.</i></p>	<p>information from stock and corporate debt securities issuers that they want to buy wherever their headquarters are.</p>
<p><i>Assim, entendendo que o objetivo do Projeto de Lei nº 3.741 é harmonizar os balanços brasileiros aos padrões internacionais, não há como deixar de reconhecer os evidentes benefícios para o crescimento das empresas brasileiras e para o desenvolvimento econômico do País como resultado dessa harmonização. . . .</i></p>	<p>Thus, understanding that the purpose of Draft 3,741 is to harmonise Brazilian financial reports with the international standards, there is no way how not to recognise the obvious benefits for the growth of Brazilian firms and for the country's economic development as a result of this harmonisation. . . .</p>
<p><i>É importante destacar que devem ser observadas algumas condições para que sejam efetuadas com sucesso as alterações na Lei nº 6.404, previstas no Projeto de Lei nº 3.741, tema da presente audiência pública.</i></p>	<p>It is important to stress that certain conditions must be observed for the amendments to Act No. 6,404, as provided for in Draft 3,741, the subject of the present public hearing, to be carried out successfully.</p>
<p><i>A primeira condição a ser observada é a de que nada mude com relação aos aspectos tributários brasileiros. O Secretário bem lembrou que há realmente um pavor de que isso ocorra. É preciso blindar as alterações previstas nos projetos contra a ocorrência de qualquer efeito tributário. No nosso entendimento, isso só será atingido pela inclusão de um item específico com esse objetivo. . . .</i></p>	<p>The first condition to be observed is that nothing changes with respect to the Brazilian tax aspects. The Secretary well reminded us that there is a real fright of this happening. The changes envisaged in the projects must be shielded against the occurrence of any tax effect. In our understanding, this will only be achieved by including a specific item for that purpose. . . . The conclusions of ABRASCA's legal committee pointed to the need to introduce an article or a paragraph in Act No. 6,404, through Draft 3,741, making it clear that the adjustment entries, as well as the calculations made to produce the statements, according to the international standards, are not in the basis for tax calculation.</p>
<p><i>As conclusões da comissão jurídica da ABRASCA apontaram para a necessidade de introduzir um artigo ou um parágrafo na Lei nº 6.404, por meio do Projeto de Lei nº 3.741, que deixe claro que os lançamentos de ajuste, bem como as apurações efetuadas para produzir as demonstrações, segundo os padrões internacionais, não sejam base de incidência de tributos.</i></p>	<p>The second point to be observed in order to achieve the objectives of the proposal is a body whose creation is provided in the draft. It is the body to be set up to prepare the proposed accounting standards in the future and to monitor the overall evolution of accounting. The draft only provides that a public entity already responsible for accounting regulation may make an agreement with the new body to be created, with the purpose of adopting the normative texts that the referred body comes to produce.</p>
<p><i>O segundo ponto a ser observado para que os objetivos visados pela proposição sejam atingidos diz respeito a um órgão cuja criação é prevista no projeto de lei. Trata-se do órgão a ser constituído para elaborar as propostas de normas contábeis no futuro e acompanhar a evolução global da contabilidade. O projeto de lei apenas prevê que o ente público já responsável pela normatização contábil possa efetuar convênio com o novo órgão a ser criado, com o objetivo de adotar os textos normativos que o referido órgão venha a produzir.</i></p>	<p>The draft does not grant this body a power of its own, but we all know of the power acquired in practice by the technicians responsible for elaborating normative solutions, especially when, over time, the respect for their authority on the subject consolidates.</p>
<p><i>O projeto de lei não confere poder próprio a esse órgão, mas todos sabemos do poder adquirido na prática pelos técnicos responsáveis pela elaboração das propostas de soluções normativas, principalmente quando, ao longo do tempo, o respeito por sua autoridade sobre o tema se consolidar.</i></p>	<p>We believe that the decision-making power on the texts of the future norms within this body should be collegial and joint. Regardless of the organisational structure that the new body will have, we consider it fundamental that the final decision regarding the texts to be offered to the competent authorities and transformed into standards is taken by a collegiate composed of representatives indicated by technical entities from the accounting area and business entities, but also respecting the parity principle, that is, the number of representatives coming from each</p>
<p><i>Acreditamos que o poder decisório sobre os textos das futuras normas no âmbito desse órgão deva ser colegiado e paritário. Independentemente da estrutura organizacional que venha a ter o novo órgão, consideramos fundamental que a decisão final quanto aos textos a serem oferecidos às autoridades competentes e transformados em normas seja tomada</i></p>	<p>is, the number of representatives coming from each</p>

## Continuation

Textual evidence	Free translation
<p><i>por um colegiado composto por representantes indicados por entidades técnicas da área contábil e entidades empresariais, porém respeitando-se também o princípio paritário, ou seja, o número de representantes oriundos de cada uma dessas origens deve ser igual... .</i></p> <p><i>Finalmente, cabe observar que a obrigatoriedade de apuração e divulgação de balanços pelas companhias fechadas de grande porte, o que consta do projeto, aumenta o Custo Brasil, sem contrapartida de benefícios econômicos, devendo ser, portanto, eliminada.</i></p>	<p>of these origins must be equal. . . .</p> <p>Finally, it should be noted that the obligation to prepare and disclose financial reports by large companies, which is part of the project, increases the Brazil Cost, with no counterpart in economic benefits, and should therefore be eliminated.</p>
<p>Mr. Gabriel Jorge Ferreira – <i>Confederação Nacional das Instituições Financeiras</i> (National Confederation of Financial Institutions)</p> <p>Public hearing at the CFT, Chamber of Deputies – 5/17/2005</p>	
<p><i>Inicialmente, devo externar minha opinião de que o projeto em exame se reveste de grande importância para nosso desenvolvimento econômico e social, porque cuida de assegurar às empresas brasileiras maior transparência e confiabilidade em seus demonstrativos financeiros, com inegáveis benefícios para sócios, investidores, credores, trabalhadores, enfim, para toda a sociedade.</i></p> <p><i>O objetivo principal do projeto é adaptar o capítulo da legislação de companhias ou sociedades anônimas que trata das demonstrações financeiras em função dos novos critérios de governança corporativa e de medidas de proteção aos minoritários, tudo em nome da transparência, aqui tão repisada pelo Secretário Bernard Appy e pelo Presidente Marcelo Trindade.</i></p> <p><i>No curso das discussões do projeto, a idéia inicial evoluiu para a extensão de seus propósitos também para as empresas não organizadas sob a forma anônima ou de companhia. Isso dentro da percepção de que essa medida proporcionaria incontáveis benefícios para a eficiência empresarial e, conseqüentemente, para o parque produtivo nacional.</i></p> <p><i>Portanto, é dentro desse contexto que farei minhas considerações de apoio à proposta de ampliação do escopo do projeto, a fim de se atingir um conceito que chamaria de modernização da contabilidade empresarial brasileira. . . .</i></p> <p><i>O fenômeno da globalização e seu cada vez mais intenso ambiente de interação apontam para crescente e visível insatisfação global de investidores e dos principais reguladores no mundo com países que insistem em manter contabilidade diferenciada, dificultando a interpretação dos fatos e a comparação de informações. Essas diferenças afastam os investidores de mercados potenciais, principalmente após o ocorrido nas crises asiática e russa.</i></p> <p><i>Sensível a essa demanda do mercado internacional de capitais, a BOVESPA tomou a iniciativa de criar um novo mercado que buscasse justamente conferir mais confiança ao investimento em ações e utilizasse 2</i></p>	<p>Initially, I must express my opinion that the project under consideration is of great importance for our economic and social development, because it assures to Brazilian firms more transparency and reliability in their financial statements, with undeniable benefits for shareholders, investors, creditors, workers, in short, for the whole society.</p> <p>The main objective of the project is to adapt the chapter of the legislation of companies or corporations that deals with the financial statements according to the new criteria of corporate governance and to measures of protection to minority shareholders, all on behalf of transparency, here so reiterated by the Secretary Bernard Appy and by President Marcelo Trindade.</p> <p>In the course of the discussions about the project, the initial idea evolved to extend its purposes also to firms not organised in company or corporation form. This is within the perception that this measure would provide countless benefits to business efficiency and, consequently, to the national productive park.</p> <p>Therefore, it is within this context that I will make my considerations of support for the proposed expansion of the scope of the project, in order to achieve a concept that I would call the modernisation of Brazilian business accounting. . . .</p> <p>The phenomenon of globalisation and its increasingly intense interaction environment point to growing and visible global dissatisfaction among investors and leading regulators in the world with countries that insist on maintaining differentiated accounting, making it difficult to interpret facts and compare information. These differences distract investors from potential markets, especially after what happened in the Asian and Russian crises.</p> <p>Sensitive to this demand from the international capital market, BOVESPA took the initiative to create a new market that sought precisely to give more confidence to the investment in stocks and</p>

## Continuation

Textual evidence	Free translation
<i>ferramentas fundamentais com essa finalidade: boas práticas de governança corporativa e melhores regras de contabilidade.</i>	that used 2 fundamental tools for this purpose: good corporate governance practices and better accounting rules.
<i>Uma das exigências para o acesso ao novo mercado é a divulgação das demonstrações contábeis segundo padrões internacionais. Ocorre que o acesso ao novo mercado é uma opção das companhias e não uma prática de mercado, pois nossa prática contábil está ainda amarrada à Lei das Sociedades Anônimas, que tem todo um capítulo dedicado às demonstrações contábeis.</i>	One of the requirements for access to the new market is the disclosure of financial statements according to international standards. It happens that access to the new market is an option for companies and not a market practice, as our accounting practice is still tied to the Corporations Act, which has a whole chapter dedicated to financial statements.
<i>Mais um conjunto de normas de contabilidade acarreta inconvenientes, como a convivência de 2 sistemas: um com muita transparência e outro sem transparência alguma, ou com pouca transparência, e sem elementos de comparabilidade.</i>	Another set of accounting standards entails drawbacks, such as the coexistence of 2 systems: one with great transparency and another with no transparency at all, or with little transparency, and without comparability.
<i>Quais são os efeitos negativos disso? Em primeiro lugar, isso retira a comparabilidade e, portanto, a confiabilidade das informações prestadas pela companhia. Em segundo lugar, torna as informações prestadas ao grande público de difícil interpretação por falta de consistência dos critérios contábeis.</i>	What are the negative effects of this? First, this removes the comparability and hence the reliability of the information provided by the company. Secondly, it renders the information provided to the general public difficult to interpret due to the lack of consistency of the accounting criteria.
<i>Há neste momento um grande movimento mundial, como já foi aqui salientado, no sentido da convergência das normas de contabilidade de cada país para o conjunto de medidas propugnadas por fóruns especializados, como o International Financial Reporting Standards, sobre normas internacionais de contabilidade.</i>	There is now a major world movement, as has already been pointed out here, towards the convergence of the accounting standards of each country to the set of measures advocated by specialised forums, such as the International Financial Reporting Standards, on international accounting standards.
<i>E por que convergir para as normas internacionais? Esses fóruns, que procuram dotar os sistemas contábeis dos países tanto quanto possível de procedimentos uniformes e aceitos, são em geral organizados por um conjunto de profissionais de contabilidade e de finanças que procura criar uma situação em que realmente a contabilidade seja a linguagem dos negócios, em que ela efetivamente consiga traduzir a linguagem das transações e dos negócios.</i>	And why converge to international standards? These forums, which seek to provide the accounting systems of countries as much as possible with uniform and accepted procedures, are usually organised by a set of accounting and finance professionals who seek to create a situation where accounting is actually the language of business, in which it effectively translates the language of transactions and businesses.
<i>Além de essas normas serem editadas por organismos internacionais integrados por contabilistas e financistas do mundo inteiro, são submetidas a um amplo processo de consulta pública que permite a apresentação de sugestões e de críticas, as quais são avaliadas, comparadas e assinadas na versão final.</i>	In addition to these standards being issued by international bodies composed of accountants and financiers from all over the world, they are subjected to a wide public consultation process that allows the presentation of suggestions and criticisms, which are evaluated, compared and signed in the final version.
<i>Os investidores precisam entender as informações das demonstrações contábeis das empresas de qualquer parte do mundo e compará-las com alternativas existentes. Portanto, essa padronização abre a possibilidade de acesso das empresas às diferentes bolsas de valores ou aos diferentes mercados internacionais. A única maneira de se conseguir que essas informações contábeis sejam assimiladas por qualquer participante do mercado, independentemente de sua localização, é a convergência mundial para um</i>	Investors need to understand the information of companies' financial statements from anywhere in the world and compare them with existing alternatives. Therefore, this standardisation opens the possibility of companies' access to different stock exchanges or to different international markets. The only way to get that accounting information to be assimilated by any market participant, regardless of location, is the global convergence to such a standard.

## Continuation

Textual evidence	Free translation
<p><i>padrão dessa natureza.</i></p> <p><i>Por que a edição de normas necessita de ampla participação e de debate público? Durante muitos anos, a contabilidade foi vista como um assunto de contador, e há algum tempo já não é mais. À medida que os mercados foram amadurecendo, os participantes foram percebendo que a prática contábil deriva de uma ciência, mas sua aplicação passa por normas e padrões.</i></p> <p><i>No que diz respeito ao estudo da ciência contábil e à interpretação de seus princípios, é evidente que esses assuntos continuam situando-se no âmbito do contador. No entanto, quando está envolvida a aplicação de princípios, quando se está lidando com ampla gama de interesses de investidores, de credores, de acionistas e de reguladores, naturalmente esses princípios tendem a moldar as políticas traçadas pelos entes reguladores. Repito: quanto mais aberto for o debate, maior será a aceitação da norma e melhor será a interpretação dos fatos.</i></p> <p><i>Por que aumentar o número de empresas que publicam suas demonstrações? A divulgação de demonstrativos contábeis por parte de empresas que não sejam necessariamente de mercado possibilita que elas, de alguma forma, mostrem que são eficientes, competentes, têm governança, mercados, condições de subir outros degraus e, inclusive, em algum momento, de abrir o seu capital. Ademais, como eu disse, elas aperfeiçoam o seu funcionamento, asseguram maior solidez às transações e reduzem o risco das partes nos negócios efetuados</i></p>	<p>Why does publishing standards require broad participation and public debate? For many years, accounting has been viewed as an accountant's subject, and for some time it no longer is. As markets matured, participants realised that accounting practice stems from a science, but its application goes through norms and standards.</p> <p>In regard to the study of the accounting science and the interpretation of its principles, it is evident that these issues continue to fall within the scope of the accountant. However, when the application of principles is involved, when dealing with a wide range of interests of investors, creditors, shareholders and regulators, naturally these principles tend to shape the policies outlined by regulators. I repeat: the more open the debate, the greater the acceptance of the standard and the better the interpretation of the facts.</p> <p>Why increase the number of companies that publish their reports? The disclosure of financial statements by companies that are not necessarily from [the capital] market allows them, in some way, to show that they are efficient, competent, have governance, markets, conditions to climb other steps and, at some point, to go public. In addition, as I said, they improve their operation, assure greater solidity for the transactions and reduce the risk of the parties in the businesses effected.</p>
<p>Mr. Osmar Roncolato – Director of the <i>Federação Brasileira de Bancos</i> (Brazilian Federation of Banks – FEBRABAN)</p> <p>Public hearing at the CFT, Chamber of Deputies – 5/17/2005</p> <p><i>As alterações propostas na Lei das SAs, em relação ao arrendamento mercantil, visam, dentro dos princípios gerais e contabilizados, estabelecer que a essência deve prevalecer sobre a forma. No entendimento exposto, não basta o estabelecimento da prevalência da essência sobre a forma. Para que isso possa ser implementado, seria necessário ser outorgada ao arrendamento mercantil no Brasil toda a proteção da propriedade de arrendamento e do contrato de arrendamento mercantil, tal como existente nos demais países onde o leasing é largamente difundido e cumpre papel vitalizador nessas economias. . . .</i></p> <p><i>Então, entendemos que, mesmo quando demonstrado em livros auxiliares, o arrendamento mercantil sofrerá isonomia em relação aos demais produtos financeiros, e será muito mais cômodo para uma empresa tomar um capital de giro, um CDC ou qualquer outra modalidade de financiamento. Por que fazer um leasing e provocar o ajuste nas suas demonstrações financeiras?</i></p> <p><i>Essas eram as palavras que eu tinha a dizer sobre o leasing. Não somos contra a harmonização.</i></p>	<p>The amendments proposed in the Corporations Act, in relation to commercial leasing, aim, within the general and accounted principles, to establish that the substance must prevail over the form. In the foregoing understanding, it is not enough to establish the prevalence of substance over form. For this to be implemented, it would be necessary to grant leasing in Brazil all the protection of leasehold property and the protection of the lease agreement, as it exists in other countries where leasing is widely diffused and plays a vital role in these economies. . . .</p> <p>Therefore, we understand that, even when shown in ancillary books, the leasing will suffer from isonomy in relation to other financial products, and it will be much more convenient for a company to take a working capital, a CDC or any other type of funding. Why lease and bring about an adjustment in your financial statements?</p> <p>Those were the words I had to say about leasing. We are not against harmonisation. We understand</p>

## Continuation

Textual evidence	Free translation
<p><i>Entendemos que ela, tal como a globalização, é um processo irreversível.</i></p> <p><i>Entretanto, o que queremos é ter a mesma proteção da propriedade arrendada que existe nos demais países.</i></p>	<p>that it, like globalisation, is an irreversible process.</p> <p>However, what we want is to have the same protection for the leased property that exists in other countries.</p>
<p>Mr. Carlos Tafla – Executive-Director of the <i>Associação Brasileira das Empresas de Leasing</i> (Brazilian Association of Leasing Enterprises – ABEL) Public hearing at the CFT, Chamber of Deputies – 5/17/2005</p>	
<p><i>Vou falar em nome das empresas de leasing e dos bancos múltiplos com carteira de arrendamento mercantil, especificamente sobre a inserção nos arts. 179 e 180 da expressão “arrendamento mercantil financeiro”, tornando obrigatório o registro nos ativos dos arrendatários.</i></p>	<p>I will speak on behalf of the leasing companies and the multiple banks with a leasing portfolio, specifically on the insertion in articles 179 and 180 of the term “financial lease”, making it mandatory for lessees to register the assets.</p>
<p><i>Tememos muito que a adequação das normas contábeis que estão sendo propostas com relação aos arts. 179 e 180 não levem em consideração o nosso ambiente interno.</i></p>	<p>We are very afraid that the adequacy of the accounting standards being proposed in relation to articles 179 and 180 do not take into account our internal environment.</p>
<p><i>Tememos isso. Não é prudente copiar, simplesmente copiar o que outros países fazem.</i></p>	<p>We fear that. It is not wise to copy, simply copy what other countries do.</p>
<p><i>Isso pode não nos ajudar, exatamente porque nossos ambientes regulatórios fiscal, tributário e jurídico são diferentes daqueles países. Estamos aqui numa Comissão que trata de finanças e de tributos, e vou tocar nesse ponto rapidamente. Nós somos diferentes. Feliz ou infelizmente, o Brasil criou o arrendamento mercantil por meio de uma lei tributária, o que não existe em outros países. Essa lei definiu quem deprecia, quem imobiliza, quem regula. Esse é o nosso contexto, e não podemos mudá-lo; é a lei.</i></p>	<p>This may not help us, precisely because our regulatory, tax and legal regulatory environments are different from those countries. We are here on a Commission dealing with finance and taxes, and I will touch on that point quickly. We are different. Fortunately or unfortunately, Brazil created the lease by means of a tax law, what does not exist in other countries. This law defined who depreciates, who registers the assets, who regulates. This is our context, and we cannot change it; it is the law.</p>
<p><i>Somos favoráveis a todas as alterações que visem transferir ao público conhecimento de todas as informações das empresas, mesmo porque nós que participamos do mercado financeiro seremos atingidos. Como dar crédito a uma empresa se seus balanços não refletem a sua realidade? Porém, não é por aí, por simples lançamento contábil ou evidenciação no balanço que vamos identificar – e isso faço questão de frisar – qual é o passivo dessa empresa com relação a essa obrigação contratual. Pura e simplesmente colocar o arrendamento mercantil financeiro, no nosso ponto de vista, de quem e analisa conhece balanço, não reflete o peso dessa informação no balanço daquela empresa.</i></p>	<p>We are in favour of all changes that aim to transfer to public knowledge all the information from companies, even because we who participate in the financial market will be affected. How can you give credit to a company if its financial reports do not reflect its reality? However, it is not by this way, by a simple accounting entry or disclosure in the financial report that we are going to identify – and I must emphasise this – what is the liability of this company with respect to this contractual obligation. Purely and simply put the financial lease, in our point of view, from whom analyse and knows financial reports, does not reflect the weight of this information in the balance sheet of that company.</p>
<p><i>Somos favoráveis, isso existe em outros países, a que essa evidenciação, a abertura da informação fique em nota explicativa.</i></p>	<p>We are favourable, this exists in other countries, that the information is disclosed in a footnote.</p>
<p><i>A iniciativa visa empresas de grande porte. Talvez eu incorra em erro, mas sociedades anônimas de grande porte são aquelas listadas em bolsa. No entanto, achamos que essa medida legislativa vai estender a imposição a todas as empresas sociedades anônimas que não participam do mercado acionário e, por consequência – e já é o que acontece, por resolução do Conselho Federal de Contabilidade –, todas as</i></p>	<p>The initiative targets large companies. Maybe I am making a mistake, but large corporations are those listed on a stock exchange. However, we believe that this legislative measure will extend the imposition to all private companies that do not participate in the stock market and, as a consequence – and this is already the case, by resolution of the Federal Council of Accounting – all limited liability companies will be obliged to insert this in their balance sheets. If they make a financial lease</p>

## Conclusion

Textual evidence	Free translation
<p><i>empresas limitadas serão obrigadas a inserir isso nos seus balanços. Se fizerem uma operação de arrendamento mercantil financeiro, devem evidenciar isso lá.</i></p> <p><i>Quando saiu a resolução, a ABEL procurou o Conselho Federal de Contabilidade para falar da sua oposição a isso, porque hoje somos questionados por várias empresas sobre essa questão. O contador diz o seguinte: “Se eu não colocar no ativo, vou ser punido pelo Conselho; mas se coloco no ativo e não deprecio, essa informação não serve para efeito tributário. Como é que eu faço?” Não sabemos responder. Então, nossa preocupação é a seguinte: queremos a transparência, queremos dar todas as informações do mercado, mas gostaríamos que elas fossem claras. E a clareza – volta o assunto tributário – está no seguinte: quem mobiliza deprecia. Essa não é uma regra nossa, é regra internacional.</i></p> <p><i>Quem mobiliza deprecia. Se as empresas de leasing são obrigadas a imobilizar, e são obrigadas a depreciar por força de uma lei tributária, nós opomo-nos integral, clara e transparentemente a que seja excluída dos arts. 179 e do 180 a expressão “arrendamento mercantil financeiro”, exatamente porque essa informação pode vir com muito mais clareza e com muito mais transparência de alguma outra forma.</i></p> <p><i>Aplaudimos e apoiamos que, para efeito de divulgação apenas, alguns procedimentos devam ser adotados. Não temos nada contra isso, pois virá a nosso favor. Mas somos contra, repetimos e enfatizamos – esta é a minha obrigação funcional aqui –, a exclusão dos arts. 179 e art. 180 da expressão “arrendamento mercantil financeiro”.</i></p>	<p>transaction, they should evidence that there.</p> <p>When the resolution came out, ABEL approached the Federal Council of Accounting to talk about its opposition to this, because today we are questioned by several companies on this issue. The accountant says the following: “If I do not register the asset, I will be punished by the Council, but if I register the asset and not the depreciation, this information is not suit for tax purposes. How do I do?” We do not know how to answer. So our concern is this: we want transparency, we want to provide all the information to the market, but we would like it to be clear. And clarity – returning to the tax issue – is in the following: who registers the asset, depreciates it. This is not our rule, it is an international rule.</p> <p>Who registers the asset, depreciates it. If leasing companies are obliged to register the asset, and are obliged to depreciate by virtue of a tax law, we fully, clearly and transparently oppose to [support] the exclusion from articles 179 and 180 of the term “financial lease”, precisely because this information can come much more clearly and with much more transparency in some other way.</p> <p>We applaud and support that, for disclosure purposes only, some procedures should be adopted. We have nothing against it, for it will come to our advantage. But we are against, we repeat and emphasise – this is my functional obligation here –, the exclusion from article 179 and article 180 of the expression “financial leasing”.</p>

Source: Câmara dos Deputados (2005).

Typical characteristics of the linguistic habitus associated to the capital market pole in the field of accounting regulation in Brazil were present in Mr. Plöger’s hearing: The Corporations Act of 1976 was described as an initially advanced accounting framework which became outdated over time; Draft 3,741/2000, thus, would meet an evident necessity to keep up with the international process of harmonisation of accounting standards; the concern with the tax-neutrality of the reforms was also expressed through a suggestion to explicitly specify in the Corporations Act that the proposed reforms would not affect tax calculation. However, there were also two quite particular aspects in Mr. Plöger’s discourse: firstly, his considerations about the governance structure of the proposed standard-setter, sustaining that there should be a parity between representatives from business and from the accountancy profession in its decision-making process, probably reflected a polemic from the backstage

negotiations which were going on by that time; secondly, his short statement against the imposition, on large private firms, of the obligation to disclose financial reports, on the grounds that it would generate new costs without any benefits, reinforces the interpretation that the adoption of the IFRS did not sound as attractive for firms as other institutional agents in the field used to suggest, especially considering that ABRASCA itself was enrolled with CVM's Advisory Commission on Accounting Standards (*Comissão Consultiva de Normas Contábeis* – CCNC) for a long time.

Mr. Ferreira corroborated Mr. Plöger's view that accounting standard-setting could not be restricted to the accountancy profession, characterising the IASB as a plural and democratic body. He also mobilised the TINA principle – a global convergence towards a single set of accounting standards was “the only way” to allow accounting information to be assimilated by any market participant around the world. The coexistence of distinct sets of accounting standards, according to him, would decrease the comparability, reliability and comprehensibility of financial reports: apparently, investors would not be able to perceive the differences in the quality of the financial reports they so vividly desired. In contrast to Mr. Plöger's opinion, though, Mr. Ferreira supported the extension of the accounting dispositions of the Corporations Act to large private firms, claiming that it would increase their managerial efficiency. In this point, it must be noticed that Mr. Ferreira represented a trade association from the financial industry, whose members would not only be affected by Draft 3,741/2000 as preparers, but also (and maybe mainly) as users of financial reports.

Both Mr. Roncolato and Mr. Tafla, by their turn, focused their participation in this public hearing on expressing their concerns about one aspect of Draft 3,741/2000: the proposed reform of the accounting treatment for leasing operations. Irrespective of the technical aspects of this discussion, for the purposes of this thesis the most remarkable feature from their discourses is that they were among the few examples of contestation about the quality of the IFRS during the debates about their adoption. In this sense, Mr. Roncolato was less incisive, accepting the “irreversibility” of the convergence towards the IFRS and asking just for more legal protection for lessor entities, whereas Mr. Tafla openly challenged the adoption of international standards without any adaptation for the Brazilian context. But their critiques found little resonance within the field, even in the pole led by the CFC, which had long resisted the creation of a private standard-setter. Excerpts from the participation of CFC's

President in this public hearing, presented in Table 4.16, evidence that its resistance efforts were right about to cease.

Table 4.16 – CFC’s final resistance against a private standard-setter

Textual evidence	Free translation
<p>Mr. José Martônio Alves Coelho – President of the CFC Public hearing at the CFT, Chamber of Deputies – 5/17/2005</p>	
<p><i>Entendemos que, com relação à questão da sociedade de grande porte, o Deputado Armando Monteiro terá a sensibilidade de estabelecer o parâmetro. Isso vai ser ainda objeto de muitas discussões ao longo da caminhada desse projeto de lei.</i></p>	<p>We understand that, in relation to the issue of the large firms, Deputy Armando Monteiro will have the sensitivity to establish the parameter. This will still be the subject of much discussion along the way of this draft.</p>
<p><i>Então, seria inócuo estabelecermos valores para definir o que é empresa de grande ou de pequeno porte. Acho que este não é o momento oportuno, até porque ainda haverá muita discussão a esse respeito.</i></p>	<p>So, it would be innocuous to establish values to define what is a large or a small firm. I think this is not the right time, because there will still be much discussion about it.</p>
<p><i>É importantíssimo, digo mesmo fundamental a separação da escrituração contábil fiscal.</i></p>	<p>It is very important, I say even fundamental, the separation of tax bookkeeping.</p>
<p><i>Isso é fundamental.</i></p>	<p>This is fundamental.</p>
<p><i>Quero discordar de muitos que me antecederam. Ainda bem que não eram contadores.</i></p>	<p>I want to disagree with many who have spoke before me. Thankfully they were not accountants.</p>
<p><i>Sobre a Norma Brasileira de Contabilidade, quero dizer que ela é atrasada.</i></p>	<p>About the Brazilian Accounting Standard, I want to say that it is outdated.</p>
<p><i>Quanto a definir nossas normas como atrasadas, eu diria às pessoas que utilizam as informações contábeis que as normas brasileiras de contabilidade na sua grande maioria estão harmonizadas com as normas internacionais. . . .</i></p>	<p>As for defining our standards as outdated, I would tell people who use accounting information that most Brazilian accounting standards are in line with international standards. . . .</p>
<p><i>Entendemos que temos de avançar muito no que diz respeito à convergência com a norma internacional, mas também não nos esqueçamos de que os escândalos contábeis foram feitos lá, não aqui. Apesar de ainda estarmos atrasados, eles foram feitos lá, repito, e não aqui. Precisamos avançar. Entendemos que temos de avançar.</i></p>	<p>We understand that we have to make great progress regarding the convergence with the international standard, but let us not forget that accounting scandals were made out there, not here. Although we are still late, they were made out there, I repeat, not here. We need to move forward. We understand that we have to move forward.</p>
<p><i>O Conselho Federal tem evoluído nesse mister de avançar nas normas brasileiras de contabilidade para que elas sejam harmonizadas às normas brasileiras internacionais [sic].</i></p>	<p>The Federal Council has evolved in this effort to advance Brazilian accounting standards so that they are harmonised with international Brazilian standards [sic].</p>
<p><i>Estamos conversando aqui com o segmento do mercado de capitais, com o segmento financeiro, mas não podemos esquecer que essa lei abrange todas as empresas de sociedades anônimas de capital fechado e as sociedades limitadas, já que faz referência à Lei das Sociedades Anônimas. Então, é importante termos isso em mente. O Conselho Federal de Contabilidade, o Sistema Brasileiro de Contabilidade, que engloba Conselho Federal, IBRACON e demais entidades, a própria CVM, o Banco Central, a SUSEP etc. vêm discutindo conjuntamente, ao longo de muito tempo, a questão das normas de contabilidade.</i></p>	<p>We are talking here with the capital market segment, with the financial segment, but we must not forget that this law covers all firms, from private companies and limited liability companies, as it makes reference to the Corporations Act. So, it is important to keep that in mind. The Federal Council of Accounting, the Brazilian Accounting System, which includes the Federal Council, IBRACON and other entities, the CVM itself, the Central Bank, SUSEP etc. have been jointly discussing the issue of accounting standards over a long period of time.</p>
<p><i>Já vínhamos definindo esses padrões contábeis. Se não</i></p>	<p>We had already defined these accounting standards. If we were not fully harmonised with international</p>

To be continued

## Continuation

Textual evidence	Free translation
<p><i>nos harmonizamos integralmente às normas internacionais, foi exatamente porque no Brasil, como foi dito anteriormente, prevalece a legislação contábil. Então, contabilizamos muito mais hoje no País em função do Fisco, por exigência do Governo – daí o receio que se tem –, do que por uma questão de gestão de capital.</i></p>	<p>norms, it was precisely because in Brazil, as mentioned earlier, accounting legislation prevails.</p>
<p><i>Portanto, é importante criar-se também – e o Conselho Federal já tem essa convicção – não um organismo privado, como se afirmou anteriormente; inclusive, vimos discutindo isso há muito tempo. Já se disse até que o Conselho Federal estava indo de encontro aos interesses de avanço dessa lei. Isso não é verdade. O Conselho sempre pugnou que nós sempre convergíssemos e criássemos um comitê de pronunciamentos contábeis albergados dentro do Conselho Federal, em que estivessem todos os segmentos interessados no mercado de capitais: a APIMEC, ABRASCA, Bolsa de Valores, CVM, Banco Central etc. Inclusive, há 15 dias estivemos em São Paulo com alguns representantes dessas entidades e elaboramos um documento no qual se define e ao qual se incorpora o que nós denominamos de Comitê de Pronunciamentos Contábeis, e nele estão presentes ABRASCA, APIMEC, Banco Central, BOVESPA, CVM, Conselho Federal, IBRACON, FIPECAFI e SUSEP. Dentro do comitê teremos operadores do mercado de capitais, e não só contadores. A única exigência que se fez nesse documento é de que deverão ser 2/3 de contadores, mas os diversos outros interessados no mercado de capitais poderão fazer parte do comitê, que será homologado pelo Conselho Federal. Então alteraríamos o artigo da lei para dizer que a CVM poderá ou não incorporar esses pronunciamentos como norma. Esse é o entendimento que a maioria dos representantes dessas entidades definiram. . . .</i></p>	<p>So, today in the country we account much more to attend tax authorities, because of Government's demand – hence the fear we have – than as a matter of capital management.</p>
<p><i>A lei deve ser alterada, até porque a lei originária fala em companhias, não apenas companhia do mercado aberto. Na verdade, também queremos ir ao encontro da lei.</i></p>	<p>Therefore, it is also important to create – and the Federal Council already has this conviction – not a private body, as previously stated; by the way, we have been discussing this for a long time. It has even been said that the Federal Council was against the interests of advancing this law. This is not true. The Council always urged that we should always converge and create a committee of accounting pronouncements hosted within the Federal Council, in which all segments interested in the capital market were represented: APIMEC, ABRASCA, Stock Exchange, CVM, Central Bank, etc. In addition, 15 days ago we were in São Paulo with some representatives of these entities and we have prepared a document in which we define and incorporate what we call the Committee of Accounting Pronouncements, in which are present ABRASCA, APIMEC, Banco Central, BOVESPA, CVM, Federal Council, IBRACON, FIPECAFI and SUSEP. Within the committee we will have capital market operators, not just accountants. The only requirement made in this document is that they should be 2/3 of accountants, but the various other interested parties in the capital market may be part of the committee, which will be endorsed by the Federal Council. So, we would change the article of the law to say that the CVM may or may not incorporate these pronouncements as a norm. This is the understanding that most of the representatives of these entities have defined. . . .</p>
<p><i>Acreditamos que é importante. Ela tem de ser alterada principalmente na questão das demonstrações contábeis e no fluxo de caixa, o que é importantíssimo. Entendemos que isso é um avanço, mas não gostaríamos de admitir que se trata de norma de empresa ou organismo privado. Norma, creio que o próprio nome já define, é lei. Então, se se trata de norma, ela tem de ser feita por um órgão competente, e o órgão mais adequado, mais legítimo e que mais legalidade tem para homologá-la é o Conselho Federal de Contabilidade, órgão dos operadores da contabilidade.</i></p>	<p>The law must be changed, even because the original law speaks of companies, not just listed companies. In fact, we also want to meet the law. We believe it is important. It has to be changed mainly on the issue of financial statements and cash flow, which is very important. We understand that this is a step forward, but we would not like to admit that it is a standard from a firm or a private body. Norm, I believe the name itself already defines, it is law. So, if it is a norm, it has to be done by a competent body, and the most appropriate, more legitimate and more legal body to approve it is the Federal Council of Accounting, the body of accounting operators.</p>
<p><i>Logicamente temos de aceitar o que já vem sendo feito há 20 anos, as audiências públicas. Tanto o Conselho Federal como o IBRACON e tantas outras</i></p>	<p>Of course we have to accept what has been done for 20 years, the public consultations. Both the Federal Council and IBRACON and many other entities working on accounting pronouncements have been holding public consultations for 20 years. So, if we are talking about reducing the Brazil Cost, I</p>

## Conclusion

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<p><i>entidades que trabalham com pronunciamentos contábeis já fazem as audiências públicas há 20 anos.</i></p> <p><i>Portanto, se estamos falando em reduzir o Custo Brasil, não entendo por que existe essa insistência em criar um organismo privado, que terá custo, logicamente, já que vai desenvolver um trabalho. Se já temos um órgão, o Conselho Federal de Contabilidade, que alberga todos os interessados que operam no mercado de capitais, que seja ele, então, a definir as normas de contabilidade brasileiras, logicamente harmonizadas às normas internacionais. A CVM, como outros órgãos reguladores que já vêm atuando, pode ou não aceitar essa norma, mas temos de pensar que o Brasil é muito maior do que o mercado de capitais. É por isso que o Conselho Federal faz questão de que a norma brasileira seja homologada por ele, como órgão representativo da profissão.</i></p>	<p>do not understand why there is this insistence on creating a private body, which will logically cost, since it will develop a job. If we already have a body, the Federal Council of Accounting, which hosts all the stakeholders that operate in the capital market, then let it define the Brazilian accounting standards, logically harmonised with international standards. The CVM, like other regulators that have been acting, may or may not accept this rule, but we have to think that Brazil is much larger than the capital market. That is why the Federal Council insists that the Brazilian norm must be approved by it, as the representative body of the profession.</p>

Source: Câmara dos Deputados (2005).

Although still sustaining that the NBCs were high-quality accounting standards whose contents were close to their international counterparts, Mr. Coelho adopted a noticeably defensive posture during his hearing, conceding the “necessity” to converge the NBCs towards the IFRS and denying that the CFC was opposing the interests of “advancing” the Corporations Act. He characterised the influence of tax legislation as the main obstacle to a full convergence, reinforcing the appeals for separating tax bookkeeping from financial reporting. About the creation of a single standard-setter, his opposition was centred on the legal status of this entity, insisting that it should be subordinated to the CFC and be composed by a majority of accountants. According to his proposal, the CFC would not have the exclusivity to conduct the standard-setting process, but it would retain the power to endorse the accounting standards to be issued – or maybe better, it would gain this power, since it did not have an explicit legal mandate to issue accounting standards.

In October 2005, the negotiations to establish an independent accounting standard-setting body, which were occurring since August 2003 at least (see Table 4.9), were finally concluded. The Committee of Accounting Pronouncements (*Comitê de Pronunciamentos Contábeis* – CPC) includes representatives from the following founding institutions: (a) ABRASCA; (b) National Association of Capital Market Investment Professionals and Analysts (*Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais* – APIMEC); (c) São Paulo Stock, Mercantile and Future Exchange (*Bolsa de Valores, Mercadorias e Futuros de São Paulo* – BM&FBOVESPA); (d) CFC; (e) IBRACON; and (f)

FIPECAFI. Each one of these six institutions appoint two CPC board members, for non-remunerated four-year terms which can be renovated without restrictions. The majority of the members of the CPC must be accountants, and its decisions must be approved by at least 2/3 of its members. Representatives from the CVM, the BCB, the SUSEP, the SRF, the National Confederation of Industry (*Confederação Nacional da Indústria – CNI*) and the FEBRABAN are permanently invited to participate of board meetings, but without voting rights.

The institutions that founded the CPC were pretty much the same that were represented in CVM's CCNC. Thus, the inception of the CPC can be interpreted as an institutional formalisation of a long-constituted interpretative community. However, the CPC was hosted not by the CVM, but by the CFC, whose Resolution No. 1,055/05 formally created the CPC. Apparently, it was a necessary compromise to allow CFC's representatives not to concede that the standard-setting process was not under full control of the accountancy profession, as well as to facilitate their adhesion and integration to the interpretative community they had opposed for so long.

Two other relevant steps towards the adoption of the IFRS were taken by Brazilian regulators before Draft 3,741/2000 was approved by the National Congress: Through Communication No. 14,259 of March 10, 2006, the BCB announced a plan for having the institutions under its supervision publishing consolidated financial statements in accordance with the IFRS, starting from December 31, 2010; the CVM, by its turn, through Instruction No. 457 of July 13, 2007, also determined that listed companies should publish consolidated financial statements in accordance with the IFRS, adopting December 31, 2010 as the deadline as well. Table 4.17 presents these two norms.

Table 4.17 – BCB's and CVM's commitment to the adoption of the IFRS

Textual evidence	Free translation
<p>Mr. Sérgio Darcy da Silva Alves – Director of the BCB Communication No. 14,259 – 3/10/2006</p> <p><i>A Diretoria Colegiada do Banco Central do Brasil, em sessão realizada em 9 de março de 2006, ciente das profundas transformações verificadas nos últimos anos no cenário econômico mundial, representadas, notadamente, pelo acelerado processo de globalização da economia, as quais impõem a necessidade de promover a convergência de normas de contabilidade e de auditoria em nível internacional, tendo em conta</i></p>	<p>The Board of Directors of the Central Bank of Brazil, at a meeting held on March 9, 2006, aware of the profound changes that have taken place in recent years in the world economic scenario, notably due to the accelerated process of globalisation of the economy, which imposes the need to promote the convergence of accounting and auditing standards at an international level, taking into account the</p>

To be continued

## Continuation

Textual evidence	Free translation
<i>as condições, peculiaridades e o estágio de desenvolvimento do mercado brasileiro e considerando:</i>	conditions, peculiarities and stage of development of the Brazilian market and considering:
<i>ser de fundamental importância que as instituições financeiras disponibilizem informações contábeis de alta qualidade, transparentes e comparáveis que sejam, compreendidas por reguladores, analistas financeiros investidores, auditores, contabilistas e demais usuários, independentemente de sua origem e localização;</i>	It is of fundamental importance that financial institutions provide high quality, transparent and comparable accounting information that is understood by regulators, financial analysts, investors, auditors, accountants and other users, regardless of their origin and location;
<i>que a adoção de práticas contábeis e de auditoria compatíveis fortalecem a credibilidade da informação, facilitam o acompanhamento e a comparação da situação econômico-financeira e do desempenho das instituições, possibilitam a otimização na alocação de capitais e contribuem para a redução de custos de captação e operacionais, nesse último caso eliminando a necessidade de elaboração, por parte das instituições com atuação internacional, de múltiplos conjuntos de demonstrações contábeis;</i>	That the adoption of compatible accounting and auditing practices strengthens the credibility of information, facilitates the monitoring and comparison of the economic and financial situation and the performance of institutions, enables optimisation of capital allocation and contributes to the reduction of funding and operational costs, in the latter case eliminating the need for elaboration by international institutions of multiple sets of financial statements;
<i>a importância do emprego de práticas contábeis que contribuam para facilitar a atuação das instituições financeiras brasileiras no mercado internacional e para reduzir seus custos de captação e operacionais em contexto internacional, inclusive pela eliminação da necessidade de elaborar múltiplos conjuntos de demonstrações contábeis;</i>	The importance of using accounting practices that contribute to facilitate the performance of Brazilian financial institutions in the international market and to reduce their funding and operating costs in an international context, even by eliminating the need to prepare multiple sets of financial statements;
<i>que nos últimos anos, o Banco Central do Brasil tem apresentado ao Conselho Monetário Nacional propostas de normativos objetivando a adoção de procedimentos de contabilidade e de auditoria aplicáveis às instituições financeiras e demais instituições por ele autorizadas a funcionar em harmonia com as recomendações internacionais, em especial aquelas promulgadas pelo International Accounting Standards Board (IASB) e pela International Federation of Accountants (IFAC);</i>	That in recent years the Central Bank of Brazil has presented to the National Monetary Council proposals for regulations aimed at adopting accounting and auditing procedures applicable to financial institutions and other institutions authorised by it to operate in harmony with international recommendations, in particular those promulgated by the International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC);
<i>não obstante os resultados já alcançados e considerando a necessidade de intensificar os esforços com vistas a ampliar os níveis de convergência atuais,</i>	Notwithstanding the results already achieved and considering the need to intensify the efforts to increase the current levels of convergence,
<i>DECIDIU:</i>	DECIDED:
<i>1. Determinar, no âmbito do Banco Central do Brasil, o desenvolvimento de ação específica, a ser concluída até 31 de dezembro de 2006, com o objetivo de identificar as necessidades de convergência às normas internacionais de contabilidade e às normas internacionais de auditoria, promulgadas, respectivamente, pelo IASB e pela IFAC, aplicáveis às instituições financeiras.</i>	1. To determine, within the scope of the Central Bank of Brazil, the development of a specific action, to be completed by December 31, 2006, with the objective of identifying the needs of convergence to international accounting standards and international auditing standards promulgated, respectively, by the IASB and the IFAC, applicable to financial institutions.
<i>2. A partir de referido diagnóstico, serão editados normativos objetivando a adoção de procedimentos para a elaboração e publicação de demonstrações contábeis consolidadas em consonância com os</i>	2. From this diagnosis, regulations will be issued aiming at the adoption of procedures for the preparation and publication of consolidated financial statements in accordance with the pronouncements of the IASB as of December 31, 2010, as well as at the compliance with the standards issued by the IFAC for the provision of independent auditing services within the scope of the National Financial System.

## Continuation

Textual evidence	Free translation
<p><i>pronunciamentos do IASB a partir de 31 de dezembro de 2010, bem como a observância das normas editadas pela IFAC para a prestação de serviços de auditoria independente no âmbito do Sistema Financeiro Nacional.</i></p> <p><i>3. Dentro do horizonte do projeto, inclusive na fase de diagnóstico, o Banco Central do Brasil, a exemplo do que já vem desenvolvendo nos últimos anos, adotará os procedimentos necessários para atingir os objetivos de convergência, de modo a que as normas para a implementação em 2010 sejam editadas com a maior brevidade possível.</i></p> <p><i>4. O Banco Central do Brasil promoverá o acompanhamento contínuo das normas editadas pelo IASB e pela IFAC, de modo a garantir que, uma vez obtida a convergência, essa seja mantida.</i></p>	<p>3. Within the project horizon, even in the diagnostic phase, the Central Bank of Brazil, as it has been developing in recent years, will adopt the necessary procedures to achieve the convergence objectives, so that the norms for implementation in 2010 will be edited as soon as possible.</p> <p>4. The Central Bank of Brazil shall promote the continuous monitoring of the standards issued by the IASB and IFAC, in order to ensure that, once convergence is achieved, this is maintained.</p>
<p>Mr. Marcelo Fernandez Trindade – President of the CVM Instruction CVM No. 457 – 7/13/2007</p>	
<p><b>O PRESIDENTE DA COMISSÃO DE VALORES MOBILIÁRIOS – CVM torna público que o Colegiado, em reunião realizada em 11 de julho de 2007, com fundamento no disposto no parágrafo único do artigo 249 da Lei nº 6.404, de 15 de dezembro de 1976, e nos incisos I, II e IV do § 1º único do artigo 22 da Lei nº 6.385, de 07 de dezembro de 1976, e</b></p>	<p><b>The PRESIDENT OF THE SECURITIES AND EXCHANGE COMMISSION – CVM hereby informs that the Board of Directors, at a meeting held on July 11, 2007, based on the provisions of the sole paragraph of article 249 of Act No. 6,404, dated December 15, 1976, and subsections I, II and IV of the first paragraph of article 22 of Act No. 6,385, dated December 7, 1976, and</b></p>
<p><b>CONSIDERANDO:</b></p>	<p><b>CONSIDERING:</b></p>
<p><i>a) a importância e a necessidade de que as práticas contábeis brasileiras sejam convergentes com as práticas contábeis internacionais, seja em função do aumento da transparência e da confiabilidade nas nossas informações financeiras, seja por possibilitar, a um custo mais baixo, o acesso das empresas nacionais às fontes de financiamento externas;</i></p>	<p>a) the importance and the need for Brazilian accounting practices to be convergent with international accounting practices, either because of the increased transparency and reliability of our financial information, or because it makes it possible, at a lower cost, for national companies to get access to external sources of funding;</p>
<p><i>b) que a CVM vem, desde a década passada, desenvolvendo esforços para possibilitar essa convergência, seja mediante o aperfeiçoamento de suas normas, seja pela apresentação ao Executivo de anteprojeto de lei, hoje transformado no PL nº 3.741/2000;</i></p>	<p>b) that the CVM has been making, since the last decade, efforts to make this convergence possible, either through the improvement of its rules or through the presentation to the Executive of a draft, now transformed into Draft 3,741/2000;</p>
<p><i>c) que os mercados e os reguladores de outros países e blocos internacionais, empenhados nesse processo, estão buscando, cada vez mais, desenvolver mecanismos restringindo o acesso daqueles países que ainda não adotaram ou se comprometeram com a adoção das normas contábeis internacionais; e</i></p>	<p>c) that the markets and regulators of other countries and international blocs engaged in this process are increasingly seeking to develop mechanisms restricting the access of those countries that have not adopted or committed to the adoption of international accounting standards yet; and</p>
<p><i>d) que é essencial encontrarmos alternativas para acelerar esse processo de convergência, sem impor, no entanto, custos extraordinários sem um retorno adequado, e estabelecendo um prazo razoável para as companhias abertas se prepararem.</i></p>	<p>d) that it is essential to find alternatives to accelerate this process of convergence, without imposing extraordinary costs without an adequate return, and establishing a reasonable period for public companies to get ready.</p>
<p><b>RESOLVEU:</b></p>	<p><b>RESOLVED:</b></p>
<p><i>Art. 1º As companhias abertas deverão, a partir do exercício findo em 2010, apresentar as suas</i></p>	<p>Article 1. Publicly-held companies shall, as of the year ended 2010, present their consolidated financial statements by adopting the international accounting</p>

## Conclusion

Textual evidence	Free translation
<p><i>demonstrações financeiras consolidadas adotando o padrão contábil internacional, de acordo com os pronunciamentos emitidos pelo International Accounting Standards Board – IASB.</i></p>	<p>standard, in accordance with the pronouncements issued by the International Accounting Standards Board (IASB).</p>
<p><i>Parágrafo único. O disposto no caput deste artigo aplica-se, ainda, às demonstrações consolidadas do exercício anterior apresentadas para fins comparativos.</i></p>	<p>Single paragraph. The provision in the head of this article also applies to the consolidated statements of the previous year presented for comparative purposes.</p>
<p><i>Art. 2º Fica facultada às companhias abertas, até o exercício social de 2009, a apresentação das suas demonstrações financeiras consolidadas com a adoção do padrão contábil internacional, emitido pelo International Accounting Standards Board – IASB, em substituição ao padrão contábil brasileiro.</i></p>	<p>Article 2. Until January 2009, public companies are allowed to present their consolidated financial statements with the adoption of the international accounting standard, issued by the International Accounting Standards Board (IASB), replacing the Brazilian accounting standard.</p>
<p><i>§ 1º Em nota explicativa às demonstrações financeiras consolidadas, e sem prejuízo do disposto no art. 31 da Instrução CVM nº 247, de 27 de março de 1996, devem ser divulgados, na forma de reconciliação, os efeitos dos eventos que ocasionaram diferença entre os montantes do patrimônio líquido e do lucro líquido ou prejuízo da controladora, em confronto com os correspondentes montantes do patrimônio líquido e do lucro líquido ou prejuízo consolidados, em virtude da adoção do disposto neste artigo.</i></p>	<p>Paragraph 1. In a footnote to the consolidated financial statements, and without prejudice to the provisions of article 31 of Instruction CVM No. 247 of March 27, 1996, the effects of the events that caused a difference between the amounts of equity and of profit or loss of the parent company, as compared to the corresponding amounts of consolidated equity and profit or loss by virtue of the adoption of the provisions of this article, shall be disclosed in the form of a reconciliation.</p>
<p><i>§ 2º Fica dispensada, no primeiro exercício de adoção antecipada desta Instrução, a apresentação, para fins de comparação, das demonstrações consolidadas do exercício anterior elaboradas no padrão contábil brasileiro.</i></p>	<p>Paragraph 2. The presentation, for purposes of comparison, of the consolidated statements of the previous year, prepared in accordance with the Brazilian accounting standard, is dispensed with in the first exercise of early adoption of this Instruction.</p>
<p><i>Art. 3º As companhias abertas e suas controladas incluídas na consolidação deverão utilizar, no balanço de abertura do 1º exercício da adoção desta Instrução, as informações contidas nas suas demonstrações financeiras auditadas, que tenham sido divulgadas para fins de registro no mercado internacional ou para fins de atendimento às regras do Novo Mercado da Bovespa, e que tenham atendido às Normas do IASB desde sua primeira divulgação.</i></p>	<p>Article 3. Publicly-held companies and their subsidiaries included in the consolidation shall use, in the opening balance-sheet for the first period of adoption of this Instruction, the information contained in their audited financial statements that have been disclosed for the purpose of registration in the international market or for compliance with Bovespa's New Market rules, and that have complied with IASB's Rules since its first disclosure.</p>
<p><i>Art. 4º Os auditores independentes deverão emitir opinião sobre a adequação das demonstrações financeiras consolidadas às normas internacionais de contabilidade, bem como sobre a suficiência e adequação da nota explicativa referida no § 1º do art. 2º.</i></p>	<p>Article 4. The independent auditors shall express an opinion on the adequacy of the consolidated financial statements to the international accounting standards, as well as on the sufficiency and adequacy of the footnote referred to in the first paragraph of article 2.</p>
<p><i>Art. 5º Esta Instrução entra em vigor na data da sua publicação no Diário Oficial da União.</i></p>	<p>Art. 5 This Instruction shall enter into force on the date of its publication in the Official Gazette of the Union.</p>

Source: Comunicado n. 14.259 (2006) and Instrução CVM n. 457 (2007).

Through these norms, the BCB and the CVM followed the recommendation made by the World Bank (see Table 4.13) to oblige the adoption of the IFRS for the consolidated financial statements of firms under their respective domains. This restriction to the consolidated

financial statements is interesting in each case, for different reasons: whereas the BCB had an explicit legal mandate to issue accounting standards for firms under its jurisdiction, and thus could have opted to extend the adoption of the IFRS to financial statements at the legal entity level, CVM's authority to determine the elaboration of consolidated financial statements in discordance with the accounting provisions of the Corporations Act was based on a controversial legal interpretation – Article 249 of the Corporations Act only granted CVM the authority to define which subsidiaries should be included in or excluded from consolidation, being silent about whether the accounting provisions of the act should also be observed in consolidated financial statements. Thus, given their different legal mandates, although both regulators determined pretty much the same measure, the commitment of the BCB to the adoption of the IFRS may be seen as moderate, whereas the CVM was audacious somehow. This conformation of differently empowered regulators to the same regulatory provision was probably shaped by a third, silent and powerful one: the SRF, whose dispositions for tax calculation were contingent upon journal entries. By restricting the adoption of the IFRS to consolidated financial statements, both the BCB and the CVM were probably trying to avoid conflicts with the SRF and to ensure the tax-neutrality of the transition to the IFRS, a point insistently stressed throughout the debates about Draft 3,741/2000.

The rationales presented for these initiatives reflected common themes within the linguistic habitus associated to the field of accounting regulation: transparency, comprehensibility, comparability, and so on. Once again, regulators justified their actions as a way of enhancing the international competitiveness of Brazilian firms, notwithstanding the apparent lack of enthusiasm from firms themselves. Both regulators highlighted the efforts they had already made and their commitment to carry on the convergence of Brazilian accounting standards towards the IFRS. They also mentioned the international tendency of convergence towards the IFRS, but while the BCB characterised it as an imposition from an agentless process of globalisation, the CVM acknowledged the engagement of foreign regulators, through the imposition of barriers to enter the financial markets under their jurisdictions for firms from non-compliant countries. The necessity to speed up the convergence process was mentioned by both regulators as well, justifying actions that could be interpreted as attempts to bypass the National Congress.

CVM's Instruction No. 457 was previously submitted to a public consultation. Through the mechanism established by the Act of Access to Information (Act No. 12,527/2011), I got

access to all the files relative to this public consultation. The analysis of these files helps to deepen the understanding about the decision-making process at the CCNC, which CVM's Superintendent of Accounting Standards described as very democratic (see Table 4.11). From May 17, 2007 to June 30, 2007, 13 comment-letters were received by CVM. Table 4.18 summarises their content.

Table 4.18 – Comment-letters sent to the public consultation about Instruction No. 457

Respondent	Category	Comments/Suggestions
ABRASCA	Trade association	Clarify that the IFRS were the international accounting standards to be adopted; Allow companies that had previously adopted the IFRS to use the same date of transition of the financial reports they had already published; Allow parent companies to use, for consolidation purposes, the financial reports their subsidiaries had already published in accordance with the IFRS, without using a new date of transition for them; Define that interim financial statements in accordance with the IFRS would be due only from 2011 on.
ABEL	Trade association	Leasing operations should be accounted for in accordance with the accounting provisions of the Corporations Law.
Moreno & Cia. Auditores Independentes	Accounting firm	The CVM does not have the legal authority to determine the adoption of the IFRS, even if it just for consolidation purposes.
APIMEC SP	Professional association	The necessity to consolidate the financial reports of joint venture companies may cause operational difficulties; The Statement of Cash Flows should be mandatorily included in the financial reports.
APIMEC Nacional	Professional association	Support for the enactment of the Instruction.
APIMEC Rio	Professional association	Support for the enactment of the Instruction.
Gerdau S/A	Listed company	Support for the enactment of the Instruction.
Braskem S/A	Listed company	Support for the enactment of the Instruction.
Mr. Eliseu Martins	Accounting scholar	Support for the enactment of the Instruction.
Mr. Renaldo Ronnie da Silva	Accounting practitioner	Doubts about the scope of the proposed Instruction and support for its enactment.
APIMEC MG	Professional association	Support for the enactment of the Instruction.
Magnus Sociedade Previdenciária	Investment company	Support for the enactment of the Instruction.
Bovespa	Stock Exchange	Support for the enactment of the Instruction.

Source: Elaborated by the author, based on data recovered from CVM (2007).

On the one hand, there was a high level of support for Instruction No. 457 amongst the received comment-letters; on the other hand, the low number of such letters corroborates the view that firms were not enthusiastic about the adoption of the IFRS: only two listed

companies sent comments, together with ABRASCA, which was already represented in the CCNC. The treatment received by these letters within the Committee is illustrative of the kind of “democracy” under which it operated: whereas the suggestions presented by ABRASCA, which was itself represented within the Committee and pointed to operational aspects that could facilitate the implementation of the proposal, were welcome and almost fully endorsed, the two comment-letters that questioned the accounting treatment for leasing operations and CVM’s authority to impose the adoption of the IFRS for consolidated financial statements were dismissed as outdated and inappropriate opinions. Table 4.19 presents some of the reactions to these letters within the Committee, evidencing that only the way of implementing CVM’s decision to converge to the IFRS was subjected to discussion, but not the decision itself.

Table 4.19 – Reactions within CVM’s CCNC to the comment-letters sent to the public consultation about Instruction No. 457

Textual evidence	Free translation
<p>Mr. Antonio Sarno – Member of CVM’s CCNC e-mail sent to the members of CVM’s CCNC – 7/3/2007</p> <p><i>Em resposta, manifesto minha concordância quanto ao exposto pela ABRASCA, inclusive porque o foi em razão de estudo realizado pela CANC – Comissão de Auditoria e Normas Contábeis, em cuja reunião estive presente, a qual teve expressiva participação quantitativa e qualitativa, como, aliás, se depreende do texto apresentado.</i></p> <p><i>Quanto à posição da ABEL – Associação Brasileira das Empresas de Leasing, que é a mesma de mais de 20 anos, entendo que ela está preocupada com nada, pois a consolidação em nada afetará a situação jurídica e tributária das operações de arrendamento mercantil, tanto para as arrendadoras como para as arrendatárias, já que ela – a consolidação - nunca leve e não terá esse condão.</i></p> <p><i>Saudações.</i></p>	<p>In response, I express my agreement with ABRASCA’s statement, even because it was based on a study carried out by the CANC – the Audit and Accounting Standards Committee, at which meeting I was present, which had significant quantitative and qualitative participation, as can be understood from the text presented.</p> <p>Regarding the position of the ABEL – Brazilian Association of Leasing Companies, which remains the same for more than 20 years, I understand that it is worried about nothing, since consolidation will not affect the legal and tax situation of leasing operations, both for lessors and lessees, since it – the consolidation – never had and will not have that power.</p> <p>Greetings.</p>
<p>Mr. Eliseu Martins – Member of CVM’s CCNC e-mail sent to the members of CVM’s CCNC – 7/3/2007</p> <p><i>Senhor(a)s:</i></p> <p><i>Começando pelos comentários da Abrasca:</i></p> <p><i>– item 1 – óbvio que de acordo;</i></p> <p><i>– item 2 – acho que muitíssimo bem lembrado. De fato há diferenças em função da primeira adoção. Assim, quem já vinha efetuando deveria mesmo ter um único conjunto em IFRS. Imaginem a loucura que seria explicar dois conjuntos em em IFRS....</i></p> <p><i>– item 3 – na esteira do item anterior, acho válida a idéia, a menos que argumentos que não consigo agora ver sejam levantados contra.</i></p>	<p>Sirs/Madams:</p> <p>Starting with Abrasca’s comments:</p> <p>– item 1 – obviously I agree;</p> <p>– item 2 – I think it was very well remembered. In fact, there are differences depending on the first-time adoption. Thus, those [companies] which were already effecting should have a single set in IFRS. Imagine the madness it would be to explain <b>two sets in IFRS....</b></p> <p>– item 3 – in the wake of the previous item, I find the idea valid, unless arguments that I cannot see</p>

To be continued

## Continuation

Textual evidence	Free translation
<p>– item 4 – também considero relevante que os ITRs em IFRS sejam obrigatórios apenas a partir de 2011. Resumindo: de acordo com todas as observações da Abrasca.</p> <p>Comentários da ABEL: considero-os totalmente inapropriados e, porque não dizer, um tanto quanto retrógrados. Não consigo entender o que os balanços consolidados teriam a ver com o mercado de leasing, e como poderiam afetá-lo! Não soube, até agora, que qualquer problema tenha havido com os balanços em IFRS ou USGAAP já devidamente publicados fora e dentro do Brasil pelas dezenas de empresas que assim fazem.</p> <p>De Reinaldo Ronnie: não há o que comentar.</p> <p>De Moreno Auditores – Que triste! Piores que o da ABEL. Mas a CVM tem muito mais condição de mostrar o contrário do que eu. E se for para se guiar pela <u>literalidade</u>, onde está escrito na Lei das S/A que as demonstrações consolidadas têm, obrigatoriamente, que seguir as mesmas práticas contábeis que os das empresas consolidadas? E mesmo fora do Brasil, onde está isso escrito? O mundo mostra o contrário há várias décadas.</p>	<p>now are raised against it.</p> <p>– item 4 – I also consider it relevant that ITRs in IFRS are mandatory only from 2011 on.</p> <p>In short: I agree with all Abrasca’s observations.</p> <p>Comments from ABEL: I consider them totally inappropriate and, why not say, somewhat outdated. I cannot understand what the consolidated financial reports would have to do with the leasing market, and how they could affect it! I have not heard, until now, of any problem that has occurred with the IFRS or USGAAP financial reports already duly published abroad and in Brazil by the dozens of companies that do so.</p> <p>From Reinaldo Ronnie: there is nothing to comment on.</p> <p>From Moreno Auditores – How sad! Worse than ABEL’s. But the CVM is much more able to show the opposite than I am. And if it is to be guided by the <u>literality</u>, where is it written in the Corporations Act that the consolidated statements must, obligatorily, follow the same accounting practices as those of the consolidated companies? And even outside Brazil, where is that written? The world has shown the opposite for several decades.</p>
<p>Mr. Irineu De Mula – Member of CVM’s CCNC e-mail sent to the members of CVM’s CCNC – 7/3/2007</p> <p>Meus Caros</p> <p>Fica evidente o apoio irrestrito dos membros do CCNC à formalização dessa Instrução pela CVM; acho, também, que nada mais justo do que dar ao Presidente Marcelo Trindade “fechar” com esse assunto ainda na sua gestão, até porque foram muito grandes os desafios a serem (e foram) vencidos).</p> <p>Quanto à posição da ABEL, ela é a mesma desde há longo tempo; tiveram oportunidade (no meu ponto de vista exageradamente especial) de falar sobre o assunto quando das discussões sobre o Projeto de Lei Nº 3741/2000 havidas na Câmara Federal. O posicionamento da ABEL, ainda no meu ponto de vista, não deve ser levado em conta e, portanto, não deve interferir no progresso da edição dessa Instrução, até porque esse posicionamento é meramente de interesse específico e não leva em linha de conta os aspectos da contabilidade como ciência e, mais ainda, em evolução acompanhando as mudanças das economias e do mundo dos negócios no mundo.</p> <p>A posição da Moreno &amp; Cia. apesar de “retrógrado”, nos alerta ainda um pouco mais sobre o quanto a aprovação do Projeto de Lei Nº 3741/2000 é necessária. Até para não ouvirmos mais esse tipo de consideração [grifos nossos].</p> <p>Finalmente, concordo em que as ITRs dos consolidados também devem ser contempladas e recomendo um pouco mais de entusiasmo e insistir</p>	<p>My Dears</p> <p>The unrestricted support of CCNC members for the formalisation of this Instruction by the CVM is evident; I think, also, that nothing is fairer than giving to President Marcelo Trindade the “closure” of this matter still in his administration, even because the challenges to be overcome (and they were) have been very great.</p> <p>As for ABEL’s position, it has been the same for a long time; they had an opportunity (in my point of view, especially exaggerated) to talk about it in the discussions on Draft 3741/2000 in the Federal Chamber. The positioning of ABEL, still in my point of view, should not be taken into account and, therefore, should not interfere with the progress of the edition of this Instruction, even because this position is merely of a specific interest and does not take into account the aspects of accounting as a science and, even more, as evolving in the wake of the changing economies and of the business world around the world.</p> <p>The position of Moreno &amp; Cia, despite being “outdated”, further warns us a bit more about how much the approval of Draft No. 3741/2000 is necessary. <b>So, we will not hear that kind of consideration anymore</b> [emphasis added].</p> <p>Finally, I agree that the ITRs should be considered, and I recommend a little more enthusiasm and insistence on “encouraging their early adoption” (it</p>

## Conclusion

Textual evidence	Free translation
<i>em “encorajar sua adoção antecipada” (seria um grande exercício para as empresas que consolidam).</i>	would be a great exercise for consolidating companies).

Source: CVM (2007).

In spite of the apparent impatience of regulators with the slowness of the processing of Draft 3,741/2000, which led them to deploy the legal powers they already had for speeding up the adoption of the IFRS (and, arguably, to extrapolate their powers a little bit), in the National Congress the draft kept on not being a priority within the parliamentary agenda. Thus, notwithstanding the commitment of local agents with the adoption of the IFRS, they needed foreign support to set the agenda of the National Congress: according to Martins, Martins, and Martins (2007), President Lula ordered the Ministry of Finance to intensify the efforts to approve Draft 3,741/2000 after being questioned, in the World Economic Forum, why Brazil was not adopting the IFRS; furthermore, the World Bank publicly called for the adoption of the IFRS through its ROSC, which was cleared for publication by the Ministry of Finance on September 25, 2007. In an interview to Sayed et al. (2017), Prof. Eliseu Martins, from the USP Accounting Department, who occupied several relevant positions within the field of accounting regulation in Brazil during the convergence process, such as member of the CCNC, of the CPC, and of CVM’s board of directors, asserted the following about World Bank’s call for the adoption of the IFRS:

The number 3 is kabbalistic: 3 months after the call for, the draft was approved in Congress, 3 weeks later in the Senate, 3 business days stayed at the president’s table until being sanctioned. The international pressure was decisive in this process, as well as the number 3. (p. 261, free translation<sup>15</sup>).

Thus, on December 28, 2007, after nearly eight years since it had been sent to the National Congress, Draft 3,741/2000 was sanctioned as Act No. 11,638/2007. For two of the most polemic issues debated during this period, the reached solutions implied little changes to the *status quo*: the obligation for joint-stock companies to publish full financial reports in an official gazette and a newspaper was maintained; and although it became mandatory for large firms to prepare audited financial statements following the same standards applicable to joint-stock companies, they were not required to publish these reports. To assure the tax-neutrality

<sup>15</sup> *O número 3 é cabalístico: 3 meses depois da cobrança foi aprovado no Congresso, 3 semanas depois no Senado, 3 dias úteis ficou na mesa do presidente da república até ser sancionado. A pressão internacional foi determinante nesse processo, assim como o número 3.*

of the reforms, companies were allowed to keep their commercial books in accordance with the provisions of tax legislation and then, in an ancillary book, make the necessary adjustments to comply with the new accounting standards.

Act No. 11,638/2007 also determined, explicitly, that the complementary accounting provisions to be issued by the CVM should be consistent with the “international accounting standards adopted in the main securities markets” (Lei n. 11.638, 2007, free translation<sup>16</sup>), and granted the CVM, the BCB, and other regulatory agencies with a mandate to issue accounting standards the right to celebrate agreements with a private standard-setter with a governance structure like CPC’s: composed by a majority of accountants, and with representatives from associations of preparers, auditors and analysts of financial reports, from the CFC, and from universities and research institutes. Theoretically, thus, another private standard-setter could be created to compete with the CPC, as long as it was supported by the CFC. In practice, however, for most of the representative roles prescribed by Act No. 11,638/2007 there are no other institutions that can fulfil them except from those that founded the CPC, virtually assuring the CPC a legal monopoly as a private standard-setter. However, regulators are not obliged to celebrate agreements with the CPC, neither they have to accept all the standards issued by the committee, being allowed to choose the ones they endorse. Notwithstanding the precariousness of this arrangement, it provided a legal support that allowed to conclude the convergence of Brazilian accounting standards to the IFRS in about three years.

### **4.3 Implementation of the regulatory reforms**

After the nearly eight years it took Draft 3,741/2000 to be approved by the National Congress, its final sanction by President Lula happened in a kind of a hurry. Promulgated on December 28, 2007, the accounting provisions of Act No. 11,638 became effective for fiscal years beginning on or after January 1<sup>st</sup>, 2008 – had its promulgation been postponed for four more days, regulators, the CPC, firms and accounting practitioners could have counted on one more year to adapt to the reforms promoted by the act. In face of the necessity to adapt Brazilian accounting standards to the express accounting provisions of Act No. 11,638, the CPC issued 16 standards until January 2009, indicated in Table 4.20, which were immediately effective for the financial statements of the first fiscal year beginning on or after January 1<sup>st</sup>, 2008.

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<sup>16</sup> *padrões internacionais de contabilidade adotados nos principais mercados de valores mobiliários.*

Table 4.20 – CPCs effective for the fiscal year beginning after December 31, 2007

<b>Standard</b>	<b>Correspondent IFRS</b>	<b>Approval date</b>
<i>CPC 00 - Estrutura Conceitual para a Elaboração e Apresentação das Demonstrações Contábeis</i>	Framework for the Preparation and Presentation of Financial Statements	1/11/2008
<i>CPC 01 - Redução ao Valor Recuperável de Ativos</i>	<b>IAS 36</b> – Impairment of Assets	9/14/2007
<i>CPC 02 - Efeitos das Mudanças nas Taxas de Câmbio e Conversão de Demonstrações Contábeis</i>	<b>IAS 21</b> – The Effects of Changes in Foreign Exchange Rates	11/9/2007
<i>CPC 03 - Demonstração dos Fluxos de Caixa</i>	<b>IAS 7</b> – Statement of Cash Flows	6/13/2008
<i>CPC 04 - Ativo Intangível</i>	<b>IAS 38</b> – Intangible Assets	10/3/2008
<i>CPC 05 - Divulgação sobre Partes Relacionadas</i>	<b>IAS 24</b> – Related Party Disclosures	10/30/2008
<i>CPC 06 - Operações de Arrendamento Mercantil</i>	<b>IAS 17</b> – Leases	10/3/2008
<i>CPC 07 - Subvenção e Assistência Governamentais</i>	<b>IAS 20</b> – Accounting for Government Grants and Disclosure of Government Assistance	10/3/2008
<i>CPC 08 - Custos de Transação e Prêmios na Emissão de Títulos e Valores Mobiliários</i>	<b>IAS 39</b> – Financial Instruments: Recognition and Measurement	10/30/2008
<i>CPC 09 - Demonstração do Valor Adicionado</i>	N/A	10/30/2008
<i>CPC 10 - Pagamento Baseado em Ações</i>	<b>IFRS 2</b> – Share-based Payment	12/5/2008
<i>CPC 11 - Contratos de Seguro</i>	<b>IFRS 4</b> – Insurance Contracts	12/5/2008
<i>CPC 12 - Ajuste a Valor Presente</i>	N/A	12/5/2008
<i>CPC 13 - Adoção Inicial da Lei n.º 11.638/07 e da Medida Provisória n.º 449/08</i>	N/A	12/5/2008
<i>CPC 14 - Instrumentos Financeiros: Reconhecimento, Mensuração e Evidenciação (Fase 1)</i>	<b>IAS 39</b> – Financial Instruments: Recognition and Measurement <b>IAS 32</b> – Financial Instruments: Presentation	12/5/2008
<i>OCPC 01 - Entidades de Incorporação Imobiliária</i>	N/A	12/5/2008
<i>OCPC 02 - Esclarecimentos sobre as Demonstrações Contábeis de 2008</i>	N/A	1/30/2009

Source: CFC (2009).

All the standards issued by the CPC were subjected to public consultations. However, from the suggestions to amend the proposed standards, only redactional aspects were taken into account. Ever since its inception, the CPC stressed its commitment to the adoption of the IFRS, framing its role as that of a translator and an interpreter, but not a contestant of the IASB. Even when the committee found an IFRS to be technically inappropriate, it would stick to its provisions on behalf of the “greater good” represented by a full convergence to the IFRS, as evidenced by the excerpts presented in Table 4.21.

Table 4.21 – CPC’s commitment to the IFRS

Textual evidence	Free translation
<p>CPC Report on the Public Consultation about CPC 02 – 11/9/2007</p> <p><i>A minuta e a apresentação mostravam um procedimento contábil divergente do IAS 21 quando do recebimento de dividendos de investimentos no exterior. No IAS 21 esse recebimento não produz a realização contábil dos ganhos e perdas de conversão acumulados no patrimônio líquido desde a data da incorporação dos resultados originadores desses dividendos. <b>Tecnicamente consideramos como necessária essa realização</b> [grifos nossos]. Houve sugestões tanto pela manutenção da proposta contida na minuta quanto pela manutenção das regras do IAS. O CPC – 02, considerando a necessidade de convergência às Normas Internacionais, as determinações de Banco Central e Comissão de Valores Mobiliários no sentido da adoção integral das Normas Internacionais para as demonstrações consolidadas a partir de 2010 e a provável imaterialidade envolvida nesse item na maioria dos casos em questão, <b>deliberou seguir o IAS 21. Mas deliberou também que estará enviando ao IASB as razões pelas quais considera esse procedimento como tecnicamente não adequado e solicitará sua revisão por parte daquele órgão</b> [grifos nossos]. Reforçou ainda sua posição de pedir essa modificação ao receber documento que continha os motivos levantados para esse procedimento quando da edição do FAS 8 pelo órgão normatizador norte-americano, que foram considerados não suficientes para a manutenção desse procedimento.</i></p>	<p>The exposure draft and the presentation showed an accounting procedure differing from IAS 21 when dividends from foreign investments are received. In IAS 21, this receipt does not produce the accounting recognition of the cumulative translation adjustments recognised in equity since the date of incorporation of the results that originated these dividends. <b>Technically we consider this recognition is necessary</b> [emphasis added]. There were suggestions both for maintaining the proposal contained in the exposure draft and for maintaining the IAS rule. CPC 02, considering the need for convergence to International Standards, the determinations of the Central Bank and the Securities and Exchange Commission in order to fully adopt the International Standards for the consolidated statements as of 2010 and the probable immateriality involved in this item in most of the cases in question, <b>decided to follow IAS 21. But [the CPC] also decided that it will be sending the IASB the reasons why it considers this procedure to be technically inappropriate and will request its review by that body</b> [emphasis added]. It also reinforced its position of requesting this modification when it received a document containing the reasons for this procedure when FAS 8 was issued by the US regulatory body, which were considered insufficient to maintain this procedure.</p>
<p>CPC Report on the Public Consultation about CPC 00 – 1/11/2008</p> <p><i>Quanto ao conteúdo, recebemos comentários os mais diversos, como costuma ocorrer com documentos puramente conceituais e que lidam com Teoria Contábil. Tendo em vista essas diferentes visões, o CPC optou basicamente por uma tradução do documento original Framework for the Preparation and Presentation of Financial Statements do International Accounting Standards Board (IASB), praticamente sem adaptações e sem considerar os documentos hoje existentes no Brasil; portanto com as mínimas alterações possíveis</i> [grifos nossos]. Fez parte esse encaminhamento da decisão de revogação dos documentos hoje em vigência por parte do IBRACON – Instituto dos Auditores Independentes do Brasil, da Comissão de Valores Mobiliários (CVM) e do Conselho Federal de Contabilidade (CFC). E tudo isso fica agora reforçado com a promulgação da Lei nº 11.638/2007, que alterou a Lei das Sociedades por Ações em linha com as normas contábeis internacionais, além de estabelecer para a CVM o poder/dever de emitir normas para as companhias abertas em consonância com essas normas</p>	<p>As for the content, we received comments as diverse as they usually occur with purely conceptual documents that deal with Accounting Theory. In view of these different views, <b>the CPC basically opted for a translation of the original International Accounting Standards Board’s (IASB) Framework for the Preparation and Presentation of Financial Statements, practically without adaptations and not considering the documents currently in existence in Brazil; Therefore, with as less changes as possible</b> [emphasis added]. This procedure was a part of the decision to repeal the documents currently in effect by IBRACON – the Brazilian Institute of Independent Auditors, the Brazilian Securities and Exchange Commission (CVM), and the Federal Council of Accounting (CFC). And all this is now reinforced with the promulgation of Act No. 11,638/2007, which amended the Corporations Act in line with international accounting standards, besides establishing for CVM the power/duty to issue standards for public companies in line with</p>

To be continued

## Conclusion

Textual evidence	Free translation
<i>internacionais, e é fundamental que isso seja seguido por todas as demais sociedades, de forma a termos Demonstrações Contábeis uniformes no Brasil. Não há como se falar em convergência se o documento básico, Estrutura Conceitual, não for basicamente o mesmo entre nós e o IASB [grifos nossos].</i>	these international standards, and it is fundamental that this is followed by all other firms, in order to have uniform Financial Statements in Brazil. <b>There is no way to talk about convergence if the basic document, the Conceptual Framework, is not basically the same between us and the IASB [emphasis added].</b>

Sources: CFC (2009, pp. 59–60, 200).

Even though tax authorities remained largely absent from the public debates that led to the approval of Act No. 11,638/2007, it does not mean that they did not play an active role during this process; probably, it only indicates that they opted for discreet strategies to pursue their interests. Discursively, their presence can be noticed in textual evidences from these debates as a powerful and adversarial Other, whose influence over Brazilian accounting practices was framed as an evil to be fought off. But when the efforts to implement the adoption of the IFRS began, the SRF did issue some signs that it was not willing to give up its influence over accounting practices. Just remembering Chapter 3, ever since 1977 it was established, through Decree-Law No. 1,598, that profits calculated in accordance with the commercial legislation, after adjusted as expressly prescribed by tax legislation, would be the basis for calculating the income tax. When consulted if government grants would become taxable due to the accounting treatment prescribed by Act No. 11,638/2007, which determined that these grants could no longer be registered directly in equity, having to be included in the income statement as prescribed by the IFRS, the SRF issued the following answer:

GRANTS FROM GOVERNMENT. INCLUSION IN REAL INCOME. From January 1<sup>st</sup>, 2008 on, government grants will mandatorily be registered by the receiving firms as revenues from the period they belong, and there is not any legal disposition for excluding them from profits in order to calculate real profits. (SRF, 2008, free translation<sup>17</sup>).

But the time for the convergence had come, and not even the SRF could hold it back. To solve the impasse with the SRF, Provisory Measure No. 449 was issued by President Lula on December 3, 2008, creating a Transitional Tax Regime that altered the mechanism engendered to ensure the tax-neutrality of Act No. 11,638/2007: firms would no longer be allowed to keep their commercial books in accordance with tax legislation and then adjust

<sup>17</sup> DOAÇÕES FEITAS PELO PODER PÚBLICO. CÔMPUTO NO LUCRO REAL. A partir de 1º de janeiro de 2008, as doações feitas pelo Poder Público obrigatoriamente serão registradas pelas pessoas jurídicas donatárias como receitas do período a que competirem, não havendo previsão legal para sua exclusão do lucro líquido para efeito de apuração do lucro real.

their accounts in ancillary books to prepare their financial statements; instead, they should keep their books in accordance with all the new accounting provisions of the Corporations Act, and then adjust their figures to reflect the accounting practices as of December 31, 2007, i.e., before Act No. 11,638/2007 entered into force, to calculate the income tax. Basically, it was the same mechanism previously employed to calculate their income tax, starting from profits recorded in commercial books, but now there was a legal disposition expressly allowing the adjustment of all the differences brought about by the accounting provisions of Act No. 11,638/2007. Table 4.22 presents excerpts from the explanatory memorandum for Provisory Measure No. 449.

Table 4.22 – Transitional Tax Regime

Textual evidence	Free translation
<p>Mr. Guido Mantega, Mr. Paulo Bernardo Silva, and Mr. José Antonio Dias Toffoli Minister of Finance, Minister of Planning, and Attorney General of the Union Explanatory memorandum for Provisory Measure No. 449 – 10/3/2008</p>	<p>Your Excellency, the President of the Republic,</p>
<p><i>Excelentíssimo Senhor Presidente da República,</i> <i>Temos a honra de submeter à apreciação de Vossa Excelência projeto de Medida Provisória que estabelece medidas para . . . instituir o Regime Tributário de Transição – RTT, o qual visa neutralizar os impactos dos novos métodos e critérios contábeis introduzidos pela Lei nº 11.638, de 28 de dezembro de 2007, na apuração das bases de cálculo de tributos federais nos anos de 2008 e 2009, bem como alterar a Lei nº 6.404, de 15 de dezembro de 1976, no esforço de harmonização das normas contábeis adotadas no Brasil às normas contábeis internacionais . . .</i></p>	<p>We have the honour to submit to Your Excellency a draft Provisional Measure establishing measures for . . . instituting the Transitional Tax Regime (RTT), which seeks to neutralise the impacts of the new accounting methods and criteria introduced by Act No. 11,638, dated December 28, 2007, in determining the bases for calculating federal taxes in 2008 and 2009, as well as for amending Act No. 6,404 of December 15, 1976, in the effort to harmonise accounting standards adopted in Brazil with international accounting standards . . .</p>
<p><i>8. A Lei nº 11.638, de 2007, foi publicada no Diário Oficial da União de 28 de dezembro de 2007, e entrou em vigor no dia 1º de janeiro de 2008, sem a adequação concomitante da legislação tributária. Esta breve <b>vacatio legis</b> e a alta complexidade dos novos métodos e critérios contábeis instituídos pelo referido diploma legal – muitos deles ainda não regulamentados – têm causado insegurança jurídica aos contribuintes. Assim, faz-se mister a adoção do RTT, conforme definido nos arts. 15 a 22 desta Medida Provisória, para neutralizar os efeitos tributários e remover a insegurança jurídica.</i></p>	<p>8. Act No. 11,638 of 2007 was published in the Federal Official Gazette of December 28, 2007 and entered into force on January 1<sup>st</sup>, 2008, without the concomitant adjustment of tax legislation. This short <b>vacatio legis</b> and the high complexity of the new accounting methods and criteria established by the aforementioned law – many of them not regulated yet – have caused legal insecurity to taxpayers. Thus, it is necessary to adopt the RTT, as defined in articles 15 to 22 of this Provisory Measure, to neutralise tax effects and remove legal uncertainty.</p>
<p><i>9. O processo de harmonização das normas contábeis nacionais com os padrões internacionais de contabilidade – objetivo maior da Lei nº 11.638, de 2007 – deve prolongar-se pelos próximos anos, razão pela qual, há necessidade de que o RTT não seja aplicável apenas no ano de 2008, mas também no ano de 2009, e, se necessário, nos anos subsequentes, quando, então, ao se descortinar o novo padrão da contabilidade empresarial a ser adotado no País,</i></p>	<p>9. The process of harmonising national accounting standards with international accounting standards – the main purpose of Act No. 11,638 of 2007 – should be extended over the next few years, which is why there is the necessity that the RTT is not applicable only in 2008, but also in 2009, and, if necessary, in subsequent years, when, with the unveiling of the new standard of business accounting to be adopted in the Country, it will be possible to definitively regulate the mode and the intensity of the integration of tax legislation with the new international</p>

To be continued

## Continuation

Textual evidence	Free translation
<p><i>possa-se regular definitivamente o modo e a intensidade de integração da legislação tributária com os novos métodos e critérios internacionais de contabilidade. Nesse contexto, o § 1º do art. 15 da proposição em tela prevê a aplicação do RTT até que seja editada lei regulando definitivamente os efeitos tributários das mudanças nos critérios contábeis, a qual pretende-se que seja neutra, ou seja, que não afete a carga tributária. . . .</i></p>	<p>accounting methods and criteria. In this context, paragraph 1 of article 15 of this proposal provides for the application of the RTT until a law is finally issued regulating the tax effects of changes in accounting criteria, which is intended to be neutral, i.e., it will not affect the tax burden. . . .</p>
<p><i>41. Nos arts. 36 e 37, estão sendo propostas novas alterações à Lei nº 6.404, de 1976, cujo objetivo é proporcionar a plena harmonização dos padrões contábeis brasileiros aos padrões contábeis internacionais, que já é o objetivo maior da própria Lei nº 11.638, de 2007, em consonância com a adoção do Regime Tributário de Transição, previsto no art. 17 e seguintes do projeto.</i></p>	<p>41. In articles 36 and 37, new amendments to Act No. 6,404 of 1976 are being proposed, whose purpose is to provide full harmonisation of Brazilian accounting standards with international accounting standards, which is already the major objective of Act No. 11,638 of 2007, in line with the adoption of the Transitional Tax Regime, prescribed in article 17 and subsequent ones within the draft.</p>
<p><i>41.1. Considerando que o ambiente econômico está permanentemente em movimento, incorporando seguidamente novas transações econômico-financeiras, devemos estar cientes de que as regras de contabilidade também devem estar em constante atualização. Assim, é imperativo que a contabilidade disponha do mesmo dinamismo que é peculiar ao ambiente econômico, com o risco de se assim não for, estar se distanciando de seu objetivo de fornecer informações úteis aos seus usuários. Em busca desse dinamismo, está sendo proposta nova redação para o § 3º do art. 177, permitindo à Comissão de Valores Mobiliários normatizar questões contábeis de forma abrangente. Essa delegação poderia ser segmentada em 3 (três) grandes conjuntos: normatização de registro, avaliação e divulgação das transações contábeis. . . .</i></p>	<p>41.1. Considering that the economic environment is constantly in motion, incorporating new economic-financial transactions, we must be aware that accounting rules must also be constantly updated. Thus, it is imperative that accounting has the same dynamism that is peculiar to the economic environment, with the risk that if it is otherwise, it will be distancing itself from its objective of providing useful information to its users. In search for this dynamism, a new wording is being proposed for paragraph 3 of article 177, enabling the Securities and Exchange Commission to set accounting standards comprehensively. This delegation could be segmented into 3 (three) large groups: standardisation of recognition, measurement and disclosure of accounting transactions. . . .</p>
<p><i>56.9. Revoga-se o § 7º do art. 177 da Lei nº 6.404, de 1976, tendo em vista que os efeitos deste dispositivo já estão plenamente garantidos pelo RTT, à medida que o conjunto de modificações propostas na escrituração de livros auxiliares e do Livro de Apuração do Lucro Real dispensa totalmente os sujeitos passivos de realizar lançamentos na sua escrita mercantil, unicamente com o propósito de atender à legislação tributária. Ou seja, com a implementação do RTT, fica garantido que a escrita contábil deva observar unicamente a legislação comercial e todo e qualquer registro necessário para atender à legislação tributária seja realizado em livros ou registros contábeis auxiliares ou livros fiscais. Com isso, garante-se que os balanços e demais demonstrações contábeis representem com maior veracidade a realidade patrimonial das empresas, segundo os critérios e métodos estritamente contábeis, escoimando assim eventuais interferências da legislação fiscal na escrituração empresarial. . . .</i></p>	<p>56.9. Paragraph 7 of article 177 of Act No. 6,404 of 1976 is revoked, since the effects of this provision are already fully guaranteed by the RTT, as the set of modifications proposed in the bookkeeping of ancillary books and the Book of Calculation of Real Profit exempts all taxpayers from carrying out entries in their commercial bookkeeping solely for the purpose of complying with tax legislation. That is, with the implementation of the RTT, it is guaranteed that accounting entries must observe only the commercial legislation and any and all records necessary to comply with the tax legislation will be carried out in ancillary accounting books or records, or in fiscal books. This ensures that the balance sheets and other financial statements will represent with a greater truthfulness the economic reality of firms, according strictly to accounting criteria and methods, thus avoiding possible interferences of tax legislation in corporate bookkeeping. . . .</p>
<p><i>Há necessidade, ainda, de conferir imediata</i></p>	<p>There is also a need to provide immediate legal security for the relations between the Treasury and the national businesspeople, since the brief <i>vacatio legis</i> of Act No. 11,638 of 2007, and the high complexity of the new accounting methods and criteria established – many of them are still not regulated, have generated great uneasiness for</p>

## Conclusion

Textual evidence	Free translation
<i>segurança jurídica nas relações entre o Fisco e o empresariado nacional, uma vez que a breve vacatio legis da Lei nº 11.638, de 2007, e a alta complexidade dos novos métodos e critérios contábeis instituídos – muitos deles ainda não regulamentados, têm gerado grande intranquilidade às empresas brasileiras, em razão dos possíveis reflexos destes novos critérios e métodos contábeis sobre as bases tributáveis e também, a convergência dos métodos e critérios contábeis no cenário internacional como fator de atração de investimentos.</i>	Brazilian firms due to the possible impact of these new accounting criteria and methods on the bases for taxation, and also to the convergence of accounting methods and criteria in the international scenario as a factor of attraction of investments.

Source: Mantega, Silva, and Toffoli (2008).

Through Provisory Measure No. 449, the Federal Government reasserted its commitment to the convergence process not only by the creation of the Transitional Tax Regime, but also by redactional updates to the Corporations Act in order to ensure a greater congruence with the IFRS. Furthermore, the CVM was granted an even higher level of autonomy to regulate accounting practices, what was deemed as a necessary step to ensure the agility of the regulatory process. The explanatory memorandum for this measure also evidences that pro-IFRS discourses took over the linguistic habitus associated to the Brazilian field of accounting regulation – instead of a scientific nature, the decision-usefulness of accounting was emphasised: providing useful information for its users was deemed as “the” objective of accounting, and financial reports were supposed to have to “faithfully represent” the “economic reality” of firms. Nevertheless, it is also important to notice the “transitional” character of the new tax regime: although the adoption of the IFRS were not to be disturbed by any influence of taxation, the final mode and intensity of integration between tax legislation and the IFRS was to be regulated later on, after the convergence was completed. Hence, taxation and financial accounting were just “taking a break”, so to say, but the final terms of their divorce were yet to be negotiated.

Between 2008 and 2010, the CPC issued 28 pronouncements, 16 interpretations and 5 guidances, completing the *de jure* adoption of the IFRS in Brazil. Ever since, the consolidated financial statements of Brazilian firms, through the application of all the standards issued by the CPC, are also compliant with the IFRS, even though there are some cases in which, due to express provisions of the Corporations Act, alternative accounting policies allowed by the IFRS cannot be applied. For example, the Corporations Act forbids the revaluation model allowed by IAS 16 for measuring property, plant, and equipment after the initial recognition, prescribing the application of the cost model; and expenses must be

categorised by function in the Statement of Profit or Loss, whereas IAS 1 also permits a categorisation by nature.

A distinctive feature of the Brazilian case is that the IFRS, through the CPCs, are not applicable just to consolidated financial statements – they have to be applied to legal entity financial statements as well. In this case, an incompatibility between the IFRS and the Corporations Act remained for a while: IAS 27 determined that, in separate financial statements, investments in subsidiaries should be presented either at cost or fair value, whereas the Corporations Act determines the application of the equity method to account for these investments. However, in August 2014 the IASB amended IAS 27, also allowing the application of the equity method for this case, thus eliminating the main remaining difference between Brazilian accounting practices and the IFRS.

During the *de jure* convergence of Brazilian accounting standards to the IFRS, the main polemic issue was the adoption of *IFRIC 15 – Agreements for the Construction of Real Estate*. Brazilian firms used to apply the Percentage of Completion (POC) method to recognise revenues from agreements for construction of real estate, but IFRIC 15 determined that this method could be applied only when buyers were able to specify the major structural elements of the design of the real estate before construction began and/or specify major structural changes once construction were in progress, whether or not they exercised that ability. Otherwise, if buyers had only a limited ability to influence the design of the real estate, or to specify only minor variations to the basic design, revenues from these agreements should be recognised only when the significant risks and rewards of ownership of the real estate were transferred to the buyer (*e.g.* at completion, upon or after delivery). For Brazilian firms, this change of accounting policy would lead to initial write-offs of receivables, and their earnings would probably become less smooth, what prompted many suggestions for not adopting IFRIC 15. But the CPC rejected these suggestions, as Table 4.23 shows.

Table 4.23 – CPC’s endorsement of IFRIC 15

Textual evidence	Free translation
<p>CPC Report on the Public Consultation about ICPC 02 – 12/4/2009 <i>As sugestões não acatadas e os motivos da não aceitação por parte do CPC estão a seguir apresentados juntamente com outros comentários julgados relevantes:</i></p>	<p>The unaccepted suggestions and the reasons for non-acceptance by the CPC are presented below along with other comments deemed relevant:</p>

To be continued

## Continuation

Textual evidence	Free translation
<p>a) <i>Considerações a respeito dos impactos da Interpretação Técnica ICPC 02 no mercado de capitais de que o método de percentagem de conclusão (POC) é o mais adequado as atividades realizadas no Brasil e que alguns itens da ICPC 02, que tratam da classificação do contrato de construção em relação ao alcance do CPC 17 – Contratos de Construção ou do CPC 30 – Receitas, conflitam com a questão da prevalência da essência sobre a forma.</i></p>	<p>a) Considerations regarding the impacts of Technical Interpretation ICPC 02 on the capital markets, that the percentage of completion (POC) method is the most appropriate for the activities carried out in Brazil and that some items of ICPC 02, which deal with the classification of the construction contract in relation to the scope of CPC 17 – Construction Contracts or CPC 30 – Revenues, conflict with the question of the prevalence of substance over form.</p>
<p><u>Razão:</u> <i>A minuta da ICPC 02 apresentada para audiência pública seguiu rigorosamente a IFRIC 15 emitida pelo IASB, dessa forma, o CPC entende que a referida interpretação não conflita com o a previsão da prevalência da essência sobre a forma prevista tanto no Pronunciamento conceitual emitido por este CPC quanto por documento equivalente emitido pelo IASB. O CPC entende que a aplicação dos conceitos da ICPC 02 deve ser precedida justamente de uma criteriosa análise da essência dos contratos de construção para que seja determinada apropriadamente a forma de apropriação da receita. Entende, ainda que seguindo os padrões das normas internacionais emitidas pelo IASB, em certas situações, a adoção do método de percentagem de conclusão não é o mais adequado em função da essência da operação contratada. Dadas as potenciais dificuldades de implementação inicial da ICPC 02 o CPC apóia e recomenda que os preparadores, analistas, contadores e auditores, dentre outros partícipes do mercado, possam analisar em conjunto os tipos de transações mais comuns realizadas no Brasil para o seu adequado enquadramento nos novos conceitos contábeis adotados internacionalmente e a partir da aprovação dos órgãos reguladores brasileiros, também em nosso país.</i></p>	<p><u>Reason:</u> The ICPC 02 exposure draft presented to public consultation strictly followed IFRIC 15, issued by the IASB, so the CPC understands that said interpretation does not conflict with the disposition of the prevalence of substance over form provided in both the conceptual framework issued by this CPC and by the equivalent document issued by the IASB. The CPC understands that the application of ICPC 02 concepts must be preceded precisely by a careful analysis of the substance of construction contracts in order to properly determine the form of revenue recognition. Yet, it understands that following the pattern of the international standards issued by the IASB, in certain situations, the adoption of the percentage-of-completion method is not appropriate due to the substance of the contracted operation. Given the potential difficulties of the initial implementation of ICPC 02, the CPC supports and recommends that preparers, analysts, accountants and auditors, among other market participants, may jointly analyse together the most common types of transactions carried out in Brazil for their adequate categorisation within the new accounting concepts adopted internationally and, from the approval of the Brazilian regulatory bodies on, also in our country.</p>
<p>b) <i>Pleito de não adoção da ICPC 02, sem que a análise dos impactos sobre as demonstrações contábeis e gestão operacional das empresas seja esgotada.</i></p>	<p>b) Request for non-adoption of ICPC 02 before the analysis of the impacts on the financial statements and operational management of companies is exhausted.</p>
<p><u>Razão:</u> <i>Primeiramente, há que se esclarecer que a vigência dos Pronunciamentos não é prerrogativa do CPC e sim dos órgãos reguladores que aprovam os documentos emitidos por este CPC. No caso da Comissão de Valores Mobiliários, essa autarquia deliberou, atendendo a solicitações do mercado de conceder mais tempo para a aplicação de novos requerimentos contábil, que a adoção desses novos requerimentos seja obrigatória apenas para as demonstrações contábeis anuais do exercício findo em 31 de dezembro de 2010, caso a companhia não tenha condições de aplicar com segurança os efeitos das novas práticas contábeis.</i></p>	<p><u>Reason:</u> Firstly, it should be clarified that the validity of the Pronouncements is not a prerogative of the CPC, but rather of the regulatory bodies that approve the documents issued by this CPC. In the case of the Securities and Exchange Commission (CVM), this authority decided, in view of market requests to allow more time for the application of new accounting requirements, that the adoption of these new requirements is mandatory only for the annual financial statements for the year ended December 31, 2010 if the company is not able to apply the effects of the new accounting practices with certainty.</p>
<p><i>A edição da ICPC 02 já estava prevista no plano de trabalho do CPC desde o início deste ano e foi objeto de discussões em diversos fóruns profissionais mesmo antes de entrar em audiência. O CPC por consenso</i></p>	<p>The edition of ICPC 02 was already foreseen in CPC's working plan since the beginning of this year</p>

## Conclusion

Textual evidence	Free translation
<i>entendeu que deve manter a edição dos seus Pronunciamentos, Interpretações e Orientações em convergência com as normas internacionais de contabilidade emitidas pelo IASB, como vem procedendo desde a sua criação. Adicionalmente, como comentado no item (a) precedente o CPC apóia e recomenda que os preparadores, analistas, contadores e auditores, dentre outros participantes do mercado, possam analisar em conjunto os tipos de transações mais comuns realizadas no Brasil para o seu adequado enquadramento contábil.</i>	and was subjected to discussions in several professional forums even before the public consultation was open. The CPC, by consensus, understood that it should maintain the publication of its Pronouncements, Interpretations and Guidances in line with the international accounting standards issued by the IASB, as it has been doing since its inception. In addition, as mentioned in item (a) above, the CPC supports and recommends that preparers, analysts, accountants and auditors, among other market participants, may jointly analyse the most common types of transactions carried out in Brazil for their adequate accounting categorisation.

Source: CFC (2012, p. 41).

This report is quite informative about the role attributed by the CPC to its public consultations. Once again reaffirming its commitment to only translate and interpret the IFRS, without any adaptation to the Brazilian context, the CPC also justified its rejection of the requests for not adopting IFRIC 15 by considering that “the edition of ICPC 02 was already foreseen in CPC’s working plan since the beginning of this year [2009] and was subjected to discussions in several professional forums even before the public consultation was open” (CFC, 2012, p. 41, free translation<sup>18</sup>) – apparently, these several professional forums and the public consultation were envisaged only as spaces for disseminating the IFRS, and not for contesting them.

Failing to have their concerns taken into consideration through the standard-setting process, Brazilian real estate firms could have resorted to a strategy of contestation allowed by the IFRS themselves: the true and fair view override. *IAS 1 – Presentation of Financial Statements* determines the following:

19. In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the *Framework*, the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.
20. When an entity departs from a requirement of an IFRS in accordance with paragraph 19, it shall disclose:
  - a) that management has concluded that the financial statements present fairly the entity’s financial position, financial performance and cash flows;

<sup>18</sup> *A edição da ICPC 02 já estava prevista no plano de trabalho do CPC desde o início deste ano [2009] e foi objeto de discussões em diversos fóruns profissionais mesmo antes de entrar em audiência.*

- b) that it has complied with applicable IFRSs, except that it has departed from a particular requirement to achieve a fair presentation;
- c) the title of the IFRS from which the entity has departed, the nature of the departure, including the treatment that the IFRS would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the Framework, and the treatment adopted; and
- d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement. (IAS 1, 2016).

If explaining what happened is always a difficult task in social sciences, explaining why something did not happen is even harder. However, in this specific case it is easy to imagine that a generalised overriding of IFRIC 15 would put auditors, specially, in a highly uncomfortable situation: either they would have to modify their opinions, entering in conflict with their clients, or they would endorse a challenge to the allegation that the IFRS are high-quality standards, what was very unlikely to happen, as evidences to be presented in the sequence suggest. Another available option to prevent the adoption of IFRIC 15 lay with the CVM, which could choose not to endorse ICPC 02. But during the process of regulatory transition, after having made efforts for so many years to achieve a legal support for it, the CVM was also unlikely to compromise the objective of achieving a full adoption of the IFRS. In view of the polemic nature of this matter, the CPC itself tried to solve it, developing by its own and issuing a guidance about the application of IFRIC 15/ICPC 02. Table 4.24 presents some excerpts from this document.

Table 4.24 – OCPC 04: application of IFRIC 15/ICPC 02 to Brazilian real estate firms

Textual evidence	Free translation
CPC	
OCPC 04 – <i>Aplicação da Interpretação Técnica ICPC 02 às Entidades de Incorporação Imobiliária Brasileiras</i> (Application of Technical Interpretation ICPC 02 to Brazilian Real Estate Entities) – 12/16/2010	
<p>1. <i>A implementação da Interpretação Técnica ICPC 02, correlata à norma internacional IFRIC 15, tem acarretado diversos questionamentos e debates quanto à sua adequação ao ambiente econômico brasileiro. Com o processo de convergência com as normas internacionais de contabilidade (IFRSs), surge o que se considera ser a principal alteração no ambiente normativo brasileiro, ou seja, a mudança cultural na análise, interpretação e implementação das normas de contabilidade. A partir desse novo ambiente, os atos normativos contábeis devem ser lidos e interpretados considerando a essência econômica da(s) transação(ões) que pretendam normatizar, independentemente da forma jurídica de que estejam revestidos. . . .</i></p> <p>3. <i>O objetivo de um ato normativo contábil é assegurar</i></p>	<p>1. The implementation of Technical Interpretation ICPC 02, in line with the international standard IFRIC 15, has led to several questions and debates regarding its adequacy to the Brazilian economic environment. With the process of convergence with international accounting standards (IFRSs), it is brought about what is considered to be the main change in the Brazilian regulatory environment, that is, the cultural change in the analysis, interpretation and implementation of accounting standards. In this new environment, accounting standards must be read and interpreted considering the economic substance of the transaction(s) they intend to regulate, regardless of their legal form. . . .</p> <p>3. The purpose of an accounting standard is to ensure that the financial statements adequately</p>

To be continued

## Conclusion

Textual evidence	Free translation
<p><i>que as demonstrações contábeis retratem adequadamente (reconhecimento, mensuração e divulgação) as transações financeiras efetuadas pela entidade no ambiente econômico onde ela opera. Assim, a não aplicação de um Pronunciamento, de uma Interpretação ou de uma Orientação somente seria possível se (i) estivesse em desacordo com princípios contábeis generalizadamente aceitos, ou (ii) não se adequasse ao ambiente econômico que pretende representar.</i></p>	<p>portray (recognition, measurement and disclosure) the financial transactions carried out by the entity in the economic environment in which it operates. Thus, the non-application of a Pronouncement, Interpretation or Guidance would only be possible if (i) it was in disagreement with generally accepted accounting principles, or (ii) it did not fit the economic environment that it intends to represent.</p>
<p><i>4. Submetendo-se a Interpretação Técnica ICPC 02 (IFRIC 15) ao crivo dessa análise, há a constatação de que não há motivos para arguir-se sua não aderência tanto aos princípios contábeis generalizadamente aceitos, tampouco ao ambiente econômico e jurídico brasileiro. . . .</i></p>	<p>4. By submitting Technical Interpretation ICPC 02 (IFRIC 15) to this analysis, one finds that there is no reason to argue that it does not adhere to generally accepted accounting principles, nor to the Brazilian economic and legal environment. . . .</p>
<p><i>25. A IFRIC 15, em suas Bases para Conclusões (Basis for Conclusions – BC26) reconhece que contratos com transferência continuada não são comumente encontrados na prática. No entanto, a IFRIC 15 trata desse tipo de possibilidade por reconhecer que eles são possíveis e ocorrem em algumas jurisdições. O item 27 das Bases para Conclusões da IFRIC 15 comenta que os contratos nos quais o reconhecimento deve ser realizado em um único momento no tempo (entrega da chave em nosso jargão) “somente dão ao comprador um ativo na forma de um direito de adquirir, usar e vender o empreendimento completo em uma data futura.” Conforme discutido anteriormente, o caso brasileiro, usualmente, não parece se enquadrar nessa situação. No Brasil, o comprador não adquire somente um direito de comprar (uma espécie de opção de compra sobre o imóvel). No Brasil, estão de fato desembolsando parcelas que pretendem liquidar a obrigação contratual diretamente associada ao ativo em construção. . . .</i></p>	<p>25. IFRIC 15, in its Basis for Conclusions – BC26, recognises that contracts with continuous transfer are not commonly found in practice. However, IFRIC 15 addresses this type of possibility by recognising that they are possible and occur in some jurisdictions. Item 27 of the Basis for Conclusions of IFRIC 15 states that contracts in which recognition must be performed in a single moment in time (delivery of the key in our jargon) “only give the buyer an asset in the form of a right to acquire, use and sell the entire real estate at a future date.” As discussed earlier, the Brazilian case usually does not seem to fit into this situation. In Brazil, the buyer does not only acquire a right to buy (a kind of purchase option on the property). In Brazil, they are actually disbursing instalments intended to settle the contractual obligation directly associated with the asset under construction. . . .</p>
<p><i>33. Baseado nos comentários anteriormente efetuados, constata-se que no ambiente econômico brasileiro, usualmente, os contratos de promessa de compra e venda ou contratos de compra e venda de uma unidade a ser entregue no futuro, é necessário, o reconhecimento das receitas e despesas à medida que a construção avança uma vez que a transferência de riscos e benefícios ocorre de forma contínua.</i></p>	<p>33. Based on the comments previously made, it is found that in the Brazilian economic environment, usually, the purchase and sale promise contracts or purchase and sale contracts of a unit to be delivered in the future, it is necessary the recognition of revenues and expenses as construction progresses, since the transfer of risks and benefits occurs on an ongoing basis.</p>

Source: CFC (2012, pp. 285–294).

A substantive discussion about the technical merits of OCPC 04 is beyond the scope of this thesis. What is interesting to my analysis here is to notice that the CPC, through OCPC 04, went beyond the usual role of a standard-setter, assuming the task of interpreting how IFRIC 15 suited the Brazilian economic environment – something that accounting practitioners were

supposed to do. Playing this unusual role, the CPC tried to reach a conciliatory solution: the high-quality of the IFRS and the Brazilian commitment to adopt them were assured by reaffirming the validity of IFRIC 15; yet, the “Brazilian reality” was deemed as essentially different from abroad, allowing Brazilian real estate firms to adopt the IFRS without changing their accounting policies due to IFRIC 15. However, auditors did not seem to be satisfied with this solution, as the evidences presented in Table 4.25 suggest.

Table 4.25 – Auditors’ reticence about OCPC 04

Textual evidence	Free translation
<p>CVM  <i>Ofício-Circular CVM/SNC/SEP nº 002/2011 (Circular-Letter CVM/SNC/SEP No. 002/2011) – 3/4/2011</i></p> <p><i>A Orientação OCPC 04, aprovada pela Deliberação CVM 653/10, que trata da aplicação da Interpretação Técnica ICPC 02 às entidades de incorporação imobiliária brasileiras introduziu no ambiente contábil brasileiro, o entendimento quanto ao reconhecimento de receita nesse setor. Esse entendimento, que teve como suporte a análise dos contratos no ambiente econômico brasileiro, evidenciou:</i></p> <p><i>“33. (...) que no ambiente econômico brasileiro, usualmente, os contratos de promessa de compra e venda ou contratos de compra e venda de uma unidade a ser entregue no futuro, é necessário, o reconhecimento das receitas e despesas à medida que a construção avança uma vez que a transferência de riscos e benefícios ocorre de forma contínua”.</i></p> <p><i>A partir da aprovação da referida Orientação essa passa a integrar o conjunto de normativos contábeis declarados de forma explícita pela CVM e o CPC, tanto na Instrução CVM/457, com alterações introduzidas pela Instrução CVM 485/10, quanto no CPC 43(R1), como estando convergentes com as normas internacionais de contabilidade.</i></p> <p><i>Ressalte-se, entretanto, que o subsídio fundamental para a tomada de decisão é a análise pormenorizada dos termos contratuais e seu enquadramento no arcabouço regulatório disponível, atividade essa inalienável da administração da companhia.</i></p> <p><i>Inalienável também é o direito dos auditores independentes terem opinião diferente dessa manifestada pelo CPC e ratificada pela CVM, entendendo que, de uma forma geral, o reconhecimento de receita dessa atividade deve ser efetuada quando da entrega das chaves.</i></p> <p><i>Acrescente-se a isso o fato de o IASB ter emitido em junho/2010 o ED/2010/6 – Revenue from contracts with customers que resultou, após o término do período de audiência pública, num total de 986 comentários (comment letters), evidenciando a relevância e diversidade de opiniões sobre os</i></p>	<p>Guidance OCPC 04, approved by CVM Deliberation 653/10, which deals with the application of Technical Interpretation ICPC 02 to Brazilian real estate firms, has introduced into the Brazilian accounting environment the understanding about revenue recognition in this sector. This understanding, which was supported by the analysis of the contracts in the Brazilian economic environment, showed:</p> <p>“33. (...) that in the Brazilian economic environment, usually, the purchase and sale promise contracts or purchase and sale contracts of a unit to be delivered in the future, it is necessary the recognition of revenues and expenses as construction progresses, since the transfer of risks and benefits occurs on an ongoing basis”.</p> <p>As of the approval of this Guidance, it is incorporated into the set of accounting standards explicitly declared by the CVM and the CPC, both in Instruction CVM No. 457, with changes introduced by Instruction CVM No. 485/10, and in CPC 43 (R1), as being convergent with international accounting standards.</p> <p>It should be stressed, however, that the fundamental subsidy for decision-making is the detailed analysis of the contractual terms and its framing within the available regulatory framework, which is an inalienable activity of the company’s management.</p> <p>Inalienable is also the right of the independent auditors to have a different opinion from that expressed by the CPC and ratified by the CVM, understanding that, in a general way, the recognition of revenue from this activity should be done when the keys are delivered.</p> <p>Added to this is the fact that the IASB issued in June/2010 the ED/2010/6 – Revenue from contracts with customers, which resulted, after the end of the public consultation period, in a total of 986 comment letters, evidencing the relevance and diversity of opinions on the issues presented in the ED in the</p>

To be continued

## Continuation

Textual evidence	Free translation
<p><i>assuntos apresentados no ED nas diversas jurisdições participantes. Dentre esses assuntos, está aquele referente ao reconhecimento de receita na atividade imobiliária, principalmente no que diz respeito ao conceito de controle de um ativo e as especificidades de sua transferência contínua.</i></p> <p><i>O IFRIC pautou para sua agenda de março a discussão de um tópico do IFRIC 15 referente ao esclarecimento sobre transferência contínua de controle. A expectativa dos agentes do mercado brasileiro é que o produto dessa reunião possibilite um direcionamento mais efetivo quanto ao entendimento do IASB sobre a questão.</i></p> <p><i>Dessa forma, a CVM alerta que as demonstrações financeiras das entidades de incorporação imobiliária no Brasil, referentes ao exercício findo em 31/12/2010, apresentarão, quando for o caso, em função da adoção do entendimento exposto na Orientação OCPC 04, um parágrafo de ênfase no relatório do auditor independente. Conforme previsto no Comunicado Técnico 05/2011 do IBRACON, o parágrafo de ênfase indicará que essas demonstrações foram preparadas de acordo com as práticas contábeis adotadas no Brasil (individual) e de acordo com as práticas contábeis adotadas no Brasil e as normas internacionais de relatório financeiro (IFRS) aplicáveis a entidades brasileiras de incorporação imobiliária (consolidado), como aprovadas pelo Comitê de Pronunciamentos Contábeis (CPC), pela Comissão de Valores Mobiliários (CVM) e pelo Conselho Federal de Contabilidade (CFC). Incluirá, ainda, informação de que esse assunto está em discussão no IASB, sendo que a sua decisão poderá impactar as futuras demonstrações financeiras caso conclua por prática contábil distinta daquela utilizada na preparação das atuais demonstrações.</i></p>	<p>various participating jurisdictions. Among these issues, there is the one related to the recognition of revenue in real estate activity, especially with respect to the concept of control of an asset and the specificities of its continuous transfer.</p> <p>The IFRIC has scheduled for its March agenda the discussion of an IFRIC 15 topic regarding the clarification on ongoing transfer of control. The expectation of the agents of the Brazilian market is that the product of this meeting will allow a more effective direction as to the understanding of the IASB on the issue.</p> <p>Accordingly, CVM hereby alerts that the financial statements of real estate firms in Brazil for the year ended December 31, 2010 will present, as the case may be, due to the adoption of the understanding set forth in Guidance OCPC 04, an emphasis of matter paragraph in the independent auditor's report. As provided in IBRACON Technical Communication 05/2011, the emphasis paragraph will indicate that these statements were prepared in accordance with accounting practices adopted in Brazil (separated) and in accordance with accounting practices adopted in Brazil and the international financial reporting standards (IFRS) applicable to Brazilian real estate firms (consolidated), as approved by the Accounting Pronouncements Committee (CPC), the Securities and Exchange Commission (CVM) and the Federal Council of Accounting (CFC). It will also include information that this matter is under discussion in the IASB, and that its decision may impact the future financial statements if it concludes for an accounting practice different from that used in the preparation of the current financial statements.</p>
<p><b>IBRACON</b>  <i>Comunicado Técnico IBRACON nº 05/2011 (Technical</i></p> <p><i>6. O Ibracon, após trabalho do seu Grupo Técnico especialmente constituído para tratar de temas de incorporação imobiliária, analisou, com o apoio de advogados especializados, a legislação aplicável e contratos praticados no mercado, à luz das normas, bases de conclusões e exemplos trazidos pelo IASB, e concluiu diferentemente da OCPC 04.</i></p> <p><i>7. No entanto, cabe mencionar que o IFRS Interpretations Committee (IFRIC) incluiu em sua agenda um tópico de discussão sobre o significado e aplicação do conceito de transferência contínua de riscos, benefícios e controle na venda de unidades imobiliárias a pedido de alguns países, incluindo o Brasil. Dessa forma, o IFRIC pode concluir diferentemente do exposto na OCPC 04 ou do entendimento apresentado por este Instituto. . . .</i></p>	<p>Communication IBRACON No. 05/2011) – 3/4/2011</p> <p>6. Ibracon, following the work of its Technical Group specially constituted to deal with real estate issues, analysed, with the support of specialised lawyers, the applicable legislation and contracts practiced in the market, in the light of the standards, bases for conclusions and examples brought by the IASB, and concluded differently from OCPC 04.</p> <p>7. However, it must be mentioned that the IFRS Interpretations Committee (IFRIC) has included in its agenda a discussion topic on the meaning and application of the concept of continuous transfer of risks, benefits and control in the sale of real estate units, at the request of some countries, including Brazil. Accordingly, the IFRIC may conclude differently from what was set forth in OCPC 04, or from the understanding presented by this Institute. . . .</p>

## Conclusion

Textual evidence	Free translation
<p>10. Pelo que foi exposto anteriormente, o IBRACON conclui que para atender aos preceitos da IFRIC 15, na preparação das demonstrações financeiras em International Financial Reporting Standards (IFRS) como emitidas pelo International Accounting Standards Board (IASB), as receitas e os custos das operações de incorporação imobiliária levadas a cabo no Brasil, consideradas eventuais exceções quando da análise de contratos específicos, devem ser registrados somente quando da entrega efetiva do imóvel, em geral, na “entrega das chaves”, quando efetivamente ocorre a transferência para o promitente comprador e não de acordo com o andamento da obra. . . .</p>	<p>10. As explained above, IBRACON concludes that, in order to meet the requirements of IFRIC 15, in preparing financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), revenues and costs of real estate operations carried out in Brazil, taking into consideration eventual exceptions when analysing specific contracts, should be recorded only when the property is effectively delivered, in general, at the “delivery of the keys”, when the transfer to the prospective buyer effectively occurs, and not according to the progress of the construction. . . .</p>
<p>12. Desta forma, considerando que o a Comissão de Valores Mobiliários (CVM), por intermédio do Ofício-Circular CVM/SNC/SEP nº 002/2011 orienta que a adoção das normas internacionais de relatório financeiro, neste momento de transição, se uma Entidade adotar as conclusões dos itens 7 a 29 da OCPC 04, teria atendido as Práticas Contábeis Adotadas no Brasil e as normas internacionais de relatório financeiro (IFRS) aplicáveis a entidades brasileiras de incorporação imobiliária, como aprovadas pelo Comitê de Pronunciamentos Contábeis (CPC), pela Comissão de Valores Mobiliários (CVM) e pelo Conselho Federal de Contabilidade (CFC).</p>	<p>12. Therefore, considering that the Securities and Exchange Commission (CVM), through Circular-Letter CVM/SNC/SEP No. 002/2011, states that the adoption of international financial reporting standards, at this moment of transition, if an Entity adopts the conclusions of items 7 to 29 of OCPC 04, it would have complied with the Accounting Practices Adopted in Brazil and the international financial reporting standards (IFRS) applicable to Brazilian real estate firms, as approved by the Accounting Pronouncements Committee (CPC), by the Securities and Exchange Commission (CVM) and the Federal Council of Accounting (CFC).</p>
<p>13. Consequentemente, este Instituto entende que o auditor poderá emitir seu relatório sem modificações caso a entidade adote o critério de reconhecimento de receita pela progressão da obra (como contrato de construção) ou pela “entrega das chaves” após a devida análise de seus contratos, conforme requerido pelo item 37 da OCPC 04, desde que mencione que tais demonstrações estejam de acordo com as práticas contábeis adotadas no Brasil e/ou (dependendo das circunstâncias) IFRS aplicáveis a esse setor, como aprovadas pelo CPC, CVM e CFC citadas acima.</p>	<p>13. Consequently, this Institute understands that the auditor may issue his report without modification if the entity adopts the criterion of revenue recognition by the progression of the construction (as a construction contract) or at the “delivery of the keys” after a due analysis of its contracts, as required by item 37 of OCPC 04, provided that it states that such statements are in accordance with accounting practices adopted in Brazil and/or (depending on the circumstances) the IFRS applicable to this sector, as approved by the aforementioned CPC, CVM and CFC.</p>

Source: Ofício-Circular CVM/SNC/SEP n. 002/2011 (2011) and IBRACON (2011).

The textual evidences presented in Table 4.25 corroborate the idea that OCPC 04 was developed as an attempt to mediate a conflict between auditors and real estate firms. In this conflict, the CVM and the CPC intervened to prevent auditors from modifying their opinions, ensuring that they could only add an emphasis paragraph in their reports, highlighting the controversial character of the adoption of the POC method to recognise revenues from agreements for construction of real estate. Being constrained by their own commitment to the adoption of the IFRS, the CVM and the CPC had to make a rhetorical effort to allow the maintenance of the POC method without rejecting IFRIC 15: somehow, instead of claiming

that IFRIC 15 was not suited for the Brazilian environment, they claimed that the Brazilian environment was not suited for IFRIC 15. Except from this polemic about IFRIC 15, though, the *de jure* convergence of Brazilian accounting standards to the IFRS was carried out without major conflicts within the interpretative community that for many years had championed it. But challenges to the IFRS did arise from other positions within the field of accounting regulation in Brazil, as discussed in section 4.4.

#### **4.4 Old and new conflicts within the regulatory space**

Throughout the process of adoption of the IFRS, the capital market pole within the field of accounting regulation in Brazil managed to keep its unity and to incorporate the institutional agent that sustained the opposing pole, the CFC. Thus, this process can be interpreted as a victory of the capital market pole, whose views on accounting regulation prevailed over CFC's. Nevertheless, the solution of the main conflict that structured the field did not mean that conflicts were vanished at all. Instead, old and new foci of resistance against the CPC arose over time. From indifference to open challenge, other institutional agents within the field adopted strategies that curtailed CPC's influence. In the following sub-sections, I analyse the attitudes of four institutional agents: BCB, ANEEL, CFC, and SRF.

##### ***4.4.1 BCB's instrumental view of accounting regulation***

Through Communication No. 14,259 of October 3, 2006 (see Table 4.17), the BCB was the first Brazilian regulator to effectively commit itself with the adoption of the IFRS, determining that financial institutions under its supervision should publish, starting from fiscal years ended on December 31, 2010, consolidated financial statements in accordance with the IFRS. However, the textual evidences presented in Table 4.14 suggest that since that time the BCB viewed the IFRS as a disciplinary technology that could help it to achieve its own supervisory purposes, and whose adoption did not require the subcontracting of a private standard-setter other than the IASB – perhaps this is just an interpretation with hindsight of the path followed by the BCB, but it is also corroborated by the textual evidences presented in Table 4.26.

Table 4.26 – The instrumental character of accounting regulation for the BCB

Textual evidence	Free translation
<p>Mr. Alexandre Tombini – President of the BCB IFRS Conference: São Paulo – 4/15/2013</p>	
<p><i>Como é de conhecimento desta plateia especializada, além da missão típica de um banco central de zelar pelo poder de compra da moeda, o Banco Central do Brasil deve assegurar um sistema financeiro sólido e eficiente.</i></p>	<p>As is well known by this specialised audience, in addition to the typical mission of a central bank of ensuring the purchasing power of currency, the Central Bank of Brazil must ensure a sound and efficient financial system.</p>
<p><i>Nesse sentido, são estabelecidas diversas ações que visam garantir maior transparência e responsabilização para o público, bem como perseguir um ambiente regulatório prudencial.</i></p>	<p>In this sense, several actions are established that aim to guarantee greater transparency and accountability for the public, as well as to pursue a prudential regulatory environment.</p>
<p><i>Nesse contexto, insere-se a regulação contábil, que deve ser observada pelas instituições supervisionadas pelo BCB.</i></p>	<p>In this context, accounting regulation is inserted, which must be observed by the institutions supervised by the BCB.</p>
<p><i>Há de se registrar que com a aceleração do processo de integração econômico-financeira dos países, ficou ainda mais evidente para nós, no Banco Central do Brasil, que é necessária a convergência com os padrões de contabilidade internacionalmente aceitos. . .</i></p>	<p>It should be noted that with the acceleration of the process of economic-financial integration of countries, it became even more evident to us at the Central Bank of Brazil that converging to internationally accepted accounting standards is necessary. . . .</p>
<p><i>A existência de um sistema de regulação eficaz e abrangente é de extrema importância para garantir o funcionamento adequado do sistema financeiro. Lacunas ou fragilidades na regulação abrem espaço para condutas que podem comprometer a segurança e a solidez das instituições financeiras.</i></p>	<p>The existence of an effective and comprehensive regulatory system is of paramount importance to ensure the proper functioning of the financial system. Gaps or weaknesses in regulation make room for conduct that could compromise the security and soundness of financial institutions.</p>
<p><i>Entretanto, no exercício de suas atribuições, o regulador deve atuar com equilíbrio e moderação. A regulação excessiva pode interferir prejudicialmente no funcionamento dos mercados, restringindo a criatividade e a busca por inovações, além de imputar custos de observância significativos às instituições financeiras. . . .</i></p>	<p>However, in the exercise of its duties, the regulator must act with balance and moderation. Excessive regulation can adversely interfere with the functioning of markets, restricting creativity and the search for innovations, besides imposing significant compliance costs to financial institutions. . . .</p>
<p><i>A metodologia adotada na elaboração de normas contábeis busca incorporar ao arcabouço normativo as melhores práticas internacionais, sem prejuízo do necessário equilíbrio regulatório no qual devem ser consideradas questões relativas à estabilidade financeira, peculiaridades do mercado doméstico e legislação brasileira, análise da relação custo x benefício e eventuais impactos prudenciais decorrentes da alteração proposta. . . .</i></p>	<p>The methodology adopted in the preparation of accounting standards seeks to incorporate into the normative framework the best international practices, without prejudice to the necessary regulatory balance in which issues related to financial stability, domestic market peculiarities and Brazilian legislation, cost/benefit analysis and prudential impacts arising from the proposed change must be considered. . . .</p>
<p><i>A adoção, pelo Banco Central do Brasil, das normas internacionais de contabilidade emanadas do IASB encontra-se inserida no contexto maior da regulação do Sistema Financeiro Nacional, que tem como um de seus pilares a crescente convergência com padrões regulatórios reconhecidos internacionalmente como de alta qualidade. O maior protagonismo da economia brasileira no cenário internacional impõe a aderência às melhores práticas. . . .</i></p>	<p>The adoption by the Central Bank of Brazil of the international accounting standards issued by the IASB is part of the larger context of the regulation of the National Financial System, which has as one of its pillars a growing convergence with internationally recognised high-quality standards. The greater protagonist role played by the Brazilian economy in the international scenario imposes the adherence to the best practices. . . .</p>
<p><i>Aqui, entendo oportuno destacar que o Banco Central do Brasil foi pioneiro no processo de adoção dos</i></p>	<p>Here, I think it is convenient to point out that the Central Bank of Brazil was a pioneer in the process</p>

To be continued

## Continuation

Textual evidence	Free translation
<p><i>padrões internacionais, tendo sua Diretoria Colegiada assumido um compromisso com a convergência ainda no ano de 2006, com a emissão do Comunicado n.º 14.259. Em termos das Normas Internacionais de Informação Financeira (IFRS), a Resolução do CMN n.º 3.786, de 2009, materializou esse compromisso, com a exigência da aplicação do IFRS na elaboração de Demonstrações Contábeis Consolidadas dos bancos a partir do exercício de 2010.</i></p>	<p>of adopting international standards, and its Board of Directors assumed a commitment to convergence in 2006, with the issuance of Communication No. 14,259. In terms of the International Financial Reporting Standards (IFRS), CMN Resolution No. 3,786, of 2009, materialised this commitment, with the requirement of applying the IFRS in the preparation of Consolidated Financial Statements of banks as of fiscal year 2010.</p>
<p><i>Essa primeira e importante etapa foi concluída com sucesso em abril de 2011, com a publicação do primeiro conjunto de demonstrações financeiras consolidadas utilizando-se integralmente os IFRS conforme tradução oficial da IFRS Foundation realizada pelo Instituto de Auditores Independentes do Brasil (Ibracon). . . .</i></p>	<p>This first and important step was successfully completed in April 2011 with the publication of the first set of consolidated financial statements using IFRS in full, according to the official IFRS Foundation translation by the Institute of Independent Auditors of Brazil (Ibracon). . . .</p>
<p><i>Entretanto, o processo de convergência iniciado em 2006 não se encerrou com a edição da Resolução n.º 3.786. De lá para cá o Banco Central do Brasil tem envidado esforços visando à redução de assimetrias, tarefa que consiste na absorção paulatina e responsável dos conceitos contidos nas normas internacionais pelo Plano Contábil das Instituições do Sistema Financeiro Nacional (Cosif). Dessa forma, as bases para elaboração das demonstrações individuais das instituições financeiras estarão cada vez mais próximas do padrão internacional, o que certamente significará redução dos custos de observância e aumento da comparabilidade entre os critérios.</i></p>	<p>However, the convergence process initiated in 2006 did not end with the issuance of Resolution No. 3,786. Since then, the Central Bank of Brazil has made efforts to reduce asymmetries, a task that consists in the gradual and responsible absorption of the concepts contained in international standards by the Chart of Accounts for Institutions of the National Financial System (Cosif). This way, the basis for the preparation of the separated financial statements of financial institutions will be increasingly closer to the international standard, what will certainly mean reducing compliance costs and increasing the comparability between the criteria.</p>
<p><i>A incorporação ao Cosif dos princípios estabelecidos por meio dos IFRS observa critérios técnicos específicos, que consideram a relevância e a estabilidade da norma internacional, as peculiaridades da legislação brasileira, bem como a pertinência e oportunidade de adoção de referidos critérios para as demonstrações individuais.</i></p>	<p>The inclusion in Cosif of the principles established by means of the IFRS observes specific technical criteria, which consider the relevance and stability of the international standard, the peculiarities of Brazilian legislation, as well as the pertinence and the opportunity of adopting said criteria for the separated statements.</p>
<p><i>Essa estratégia está fundamentada nos elementos que devem pautar a atuação dos reguladores bancários, particularmente no que se refere à transparência, disciplina de mercado, eficiência e estabilidade financeira.</i></p>	<p>This strategy is based on the elements that should guide the actions of banking regulators, particularly regarding transparency, market discipline, efficiency and financial stability.</p>
<p><i>Com base nesses critérios, as normas internacionais são recepcionadas após a conclusão de estudos e a eventual promoção de mudanças legislativas que visem assegurar as condições jurídicas e econômicas necessárias à implantação dessas medidas.</i></p>	<p>Based on these criteria, international standards are adopted after the completion of studies and the eventual promotion of legislative changes aimed at ensuring the legal and economic conditions necessary to implement these measures.</p>
<p><i>Como regulador do sistema financeiro, o BCB deve pensar no equilíbrio entre transparência e estabilidade do sistema, de modo que todos os impactos sejam meticulosamente analisados anteriormente à introdução de uma nova norma. Portanto, o processo de alinhamento do Cosif à norma internacional tende a ser um processo de</i></p>	<p>As a regulator of the financial system, the BCB must think about the balance between transparency and system stability, so that all impacts are meticulously analysed prior to the introduction of a new standard. Therefore, Cosif's alignment with the international standard tends to be a medium to long-term process. In this way, it is possible to guarantee a set of consolidated information relevant to the market, prepared according to the international standard (full IFRS) and, additionally, a set of information relevant to the monitoring and control process of banking</p>

## Conclusion

Textual evidence	Free translation
<p><i>médio a longo prazo.</i></p> <p><i>Dessa forma, é possível garantir um conjunto de informações consolidadas relevantes ao mercado, elaborados conforme o padrão internacional (full IFRS) e, adicionalmente, um conjunto de informações relevantes para o processo de acompanhamento e controle por parte da supervisão bancária, que leva em consideração não só padrões contábeis robustos, mas também elementos prudenciais. . . .</i></p> <p><i>Vale destacar que o BCB participa ativamente das discussões das principais questões contábeis propostas pelo IASB. Isso se dá, sobretudo, por meio do Accounting Task Force (ATF), grupo de trabalho do Comitê de Basileia especializado em assuntos contábeis, do qual o Brasil é membro. Além disso, o BCB atende anualmente à World Standard-setter Meeting (WSS), conferência que reúne reguladores de inúmeras jurisdições para intercâmbio de informações.</i></p>	<p>supervision, which takes into account not only robust accounting standards but also prudential elements. . .</p> <p>It must be noted that the BCB participates actively in the discussions on the main accounting issues proposed by the IASB. This is mainly done through the Accounting Task Force (ATF), a working group of the Basel Committee specialized in accounting matters, of which Brazil is a member. In addition, the BCB meets annually with the World Standard-setter Meeting (WSS), a conference that brings together regulators from numerous jurisdictions to exchange information.</p>

Source: Tombini (2013).

Mr. Tombini's discourse was framed by a common theme from the prevailing linguistic habitus in the field of accounting regulation: the description of the convergence to the IFRS as a necessary consequence of the economic globalisation. However, he also challenged a central assumption of pro-IFRS discourses: according to his view, accounting regulation does not have the single purpose of providing useful information for market participants; instead, it also has to ensure the stability of the financial system, and there may be a trade-off between these two objectives. In this context, the BCB was represented as a prudent regulator which seeks to cautiously balance these conflicting objectives before adopting the IFRS. The CPC is completely ignored in this process: the consolidated financial statements that financial institutions must disclose in accordance with the IFRS do not follow the CPCs, but an official translation from the standards issued by the IASB, which is pointed as the forum where the BCB takes part to discuss accounting standard-setting. In practice, BCB's indifference to the CPC is reflected by the fact that Brazilian financial institutions must disclose two sets of accounts: interim, separated and consolidated financial statements following the COSIF, and consolidated financial statements following the IFRS as issued by the IASB. Furthermore, as of August 2017, the BCB endorsed only 12 out of the 46 pronouncements issued by the CPC, noticeably not including any of the standards that deal with financial instruments.

#### 4.4.2 ANEEL's open challenge to the IFRS

ANEEL also challenged the purpose of accounting regulation and ended up developing its own accounting standards. Unlike the BCB, however, ANEEL does endorse most of the standards issued by the CPC, focusing its own regulatory activity on sensitive issues for the electricity sector. To develop its own accounting standards, ANEEL followed an erratic path: at first, through Order No. 4,796 of December 24, 2008, it endorsed the pronouncements issued by the CPC to be effective for the fiscal year ending on December 31, 2008, in order to follow the express accounting provisions of Act No. 11,638; however, on September 25, 2009, it revoked that decision through Order No. 3,630, stating that from 2009 on a new regulatory accounting would be adopted, based on the accounting methods and criteria effective as of December 31, 2007; then, in a new change of course, on December 18, 2009, it endorsed the pronouncements issued by the CPC once again, but this time with two exceptions: ICPC 02 (equivalent to IFRIC 15 – Agreements for the Construction of Real Estate) and CPC 06 (IAS 17 – Leases). Table 4.27 presents textual evidences about the rationale behind these movements.

Table 4.27 – The instrumental character of accounting regulation for the ANEEL

Textual evidence	Free translation
<p>Mr. Nelson José Hubner Moreira – General-Director of the ANEEL Public hearing, parliamentary committee of inquiry on electric energy rates, Chamber of Deputies – 10/7/2009</p> <p><i>A ANEEL hoje já tem uma questão bastante avançada em termos dos seus processos, da transparência de como ela conduz os seus processos. Inclusive a gente tem aqui nesta Casa sendo aprovada a Lei das Agências, que procura dotar todas as agências de uma exigência mínima em termos de transparência nos seus processos, uma série de exigências, e a ANEEL praticamente tudo o que está naquela lei, ela já faz há um bom tempo. Mas nós sentimos o seguinte: esse setor, nós vimos naquela última vez que eu vim aqui, acho que foi um dos Deputados, não me lembro mais, disse que esse setor é complicado demais. De fato, é complicado demais. Nós temos essa visão e o que procuramos fazer hoje é tentar modernizar, ou seja, tentar mostrar para a população, de uma forma cada vez mais simples, buscando interagir mais com a população, de modo a que nós possamos de fato estar ouvindo a população. Porque não adianta, e nós a visão de que não adianta, a gente ser transparente, fazer uma reunião pública e mostrarmos dados que a população, que a sociedade não seja capaz de entender.</i></p>	<p>ANEEL today has a very advanced question in terms of its processes, the transparency of how it conducts its processes. Even we have here in this House being approved the Act of Agencies, which seeks to provide all agencies with a minimum requirement in terms of transparency in their processes, a series of requirements, and ANEEL, practically everything in that law, it has already been doing for a long time. But we feel this: this sector, we saw that in the last time I came here, I think it was one of the Deputies, I do not remember anymore, who said that this sector is too complicated. In fact, it is too complicated. We have this vision and what we try to do today is trying to modernise, that is, trying to show to the people, in an increasingly simple way, seeking to interact more with the people, so that we can actually be listening to the people. Because it does not help, and we have the vision that it is no use, we are transparent, we have a public meeting and we show data that the people, that society is not able to understand. So that is one aspect we are looking for. I think in the past it was much worse; the data came out very closed, much more difficult to be understood.</p>

To be continued

## Continuation

Textual evidence	Free translation
<p><i>Então, isso é um aspecto que nós estamos procurando. Eu acho que, no passado, já foi muito pior; os dados saíam muito fechados, muito mais difíceis de ser entendidos. A cada vez que a gente faz um processo de revisão e reajuste, nós tentamos aprimorar isso, mas acho que temos muito que caminhar nesse processo, e com a simetria realmente de informação que, de fato, tem. Por isso que no mundo de uma maneira geral, e a ANEEL está procurando fazer isso, no processo de revisão tarifária, a gente procura afastar do que a gente chama de uma revisão com base simplesmente em custos, em ativos, que eu fiz com o parceiro lá, o que a empresa fez, o que está na contabilidade, porque aí, sim, a gente não consegue...</i></p>	<p>Each time we make a review and adjustment process, we try to improve this, but I think we have a lot to go forward in this process, and with the symmetry of information that it actually has. That is why in the world in a general way, and ANEEL is trying to do this, in the tariff review process, we try to move away from what we call a review based simply on costs, on assets, which I did with the companion there, what the company did, what is in the accounts, because then, yes, we cannot ...</p>
<p><i>Ou seja, tem a informação correta de todo mundo e não consegue ter uma avaliação adequada desse processo. Cada vez mais a gente procura colocar na agência esses processos de revisão, o que a gente chama de uma regulação por incentivo.</i></p>	<p>That is, it has the correct information from everybody and cannot have an adequate evaluation of this process. Increasingly, we are trying to put these review processes into the agency, which we call regulation by incentive.</p>
<p><i>É por isso que a gente faz esse modelo de empresa de referência. Ou seja, eu não estou muito olhando, eu não quero saber o que a sua empresa está gastando aqui para poder fazer essa rede e não sei o quê. Ou seja, eu estruturo, eu defino para mim o que uma empresa eficiente deve ter para atender a uma determinada região. Então, é o seguinte: olha, para você atender uma região aqui, configurar que é esse tamanho, você tem que ter uma estrutura com tantas pessoas, com tantos de nível superior, com tantos de nível médio; procura botar um preço aqui; você tem que ter uma estrutura de equipamento material desse jeito; tem que ter um nível de investimento assim, assim e assado.</i></p>	<p>That is why we make this model of a reference company. That is, I am not looking too much, I do not want to know what your company is spending here to be able to make this network and I do not know what. That is, I structure, I define for myself what an efficient company must have to serve a particular region. So, it is like this: look, for you to meet a region here, set that this is the size, you must have a structure with so many people, with so many in the top level, with so many mid-level; try to put a price here; you must have a material equipment structure that way; you must have a level of investment like this, this and that.</p>
<p><i>Então, eu procuro fazer uma empresa hipotética e, a partir dessa empresa, então, eu defino para aquela empresa e faço aquela verificação, se a receita que ela já tem está adequada ou se não, se precisa de mais alguma receita. E o que a gente verifica é o seguinte: embora esse modelo que a gente faz seja igual para todas as empresas — e vou até responder algumas questões que o nobre Deputado já colocou à frente —, embora seja o mesmo modelo, ou seja, nós não definimos a mesma base de parâmetros para todas as empresas, umas são mais eficientes do que as outras. Eu acho que isso é importante também, é um sinal que vai incentivar, porque enquanto uma está tendo prejuízo — têm prejuízos grandes algumas empresas —, outras têm lucros muito grandes. Aí eu entro até um pouco nesta questão dos lucros, porque isso também tem nos preocupado.</i></p>	<p>So, I try to make a hypothetical company, and from that company, then, I define for that firm and do that verification, if the revenue it already has is adequate or not, if it needs any more revenue. And what we see is this: although this model that we make is the same for all companies — and I am even going to answer some questions that the noble Deputy has already put forward — although it is the same model, that is, we do not define the same basis of parameters for all companies, some are more efficient than the others. I think this is important as well, it is a sign that will incentivise, because while one is taking losses — some companies have big losses —, others have very large profits. So, I go into this profit issue a little bit, because that has also worried us.</p>
<p><i>Quando a gente faz, vê friamente um balanço de uma empresa, ele nos permite avaliar adequadamente se essa empresa tem lucro num mês... Se tem, por exemplo, depreciação, é colocado num balanço. Numa empresa que tem uma série de ativos daquele e deprecia aquele ativo por muito tempo, aquilo ali aparece e aparece muito lucro. Tem muita coisa que aparece de lucro que não é. O que a ANEEL está procurando fazer neste momento?</i></p>	<p>When we do, we coldly see a financial report from a company, it allows us to properly assess whether that company has a profit in a month... If you have, for example, depreciation, it is put on a financial report. In a company that has a number of those assets and depreciates those assets for a long time, that appears there and a lot of profit appears. There is a lot that appears as profit but that is not. What is ANEEL looking</p>

## Conclusion

Textual evidence	Free translation
<p><i>Inclusive a gente está procurando... Nós aprovamos, inclusive, na terça-feira, ontem, na nossa reunião, já colocar em audiência pública o que nós vamos chamar de uma contabilidade regulatória. Ou seja, tem uma forma diferenciada de a gente avaliar o que a empresa está fazendo, de modo que nós possamos, de fato, aferir o nível de lucratividade que as empresas estão tendo, porque essa simetria de informações se dá também nesses relatórios. <b>Inclusive, com as mudanças contábeis que estão acontecendo hoje no Brasil, que o Brasil está adotando esse padrão internacional, a avaliação, inclusive, dos nossos técnicos da área de fiscalização é que vai piorar ainda mais a nossa capacidade de analisar esses dados financeiros das empresas [grifos nossos].</b></i></p> <p><i>Por isso que a ANEEL tomou, então, a iniciativa de criar essa, o que a gente chama dessa contabilidade regulatória. Ou seja, está bom, você vai fazer a sua contabilidade para atender os mecanismos legais, para a CVM, para todo mundo – já discutimos isso, inclusive, com a própria CVM –, mas nós queremos, na prestação de contas para a ANEEL uma série de outras informações que nos permitam, de fato, avaliar se está tendo lucro demais ou de menos. Embora não seja esse fator para definir a receita ou a tarifa que essa empresa vai ter quando eu faço a prática de revisão tarifária, mas é um elemento fundamental para balizar se os mecanismos na minha empresa de referência já estão adequados. É assim: olha, se eu fiz um mecanismo, criei uma empresa de referência, porque eu achava que estava justo, e vocês estão tendo lucro demais, é sinal de que eu não estou com um modelo ainda devidamente calibrado, eu tenho que melhorar o meu modelo. Então, nós vamos fazer isso.</i></p>	<p>to do at the moment? Even we are looking for... We also approved, on Tuesday, yesterday, at our meeting, to already put into public consultation what we will call a regulatory accounting. That is, it has a differentiated way of evaluating what the company is doing, so that we can actually gauge the level of profitability that companies are having, because this symmetry of information is also given within those reports. <b>By the way, with the accounting changes taking place in Brazil today, that Brazil is adopting this international standard, the evaluation of our supervisory technicians is that it is even going to further worsen our ability to analyse these financial data from companies [emphasis added].</b></p> <p>That is why ANEEL then took the initiative to create this, what we call this regulatory accounting. That is, that is fine, you are going to do your accounting to meet the legal mechanisms, for the CVM, for everybody – we have already discussed this, even with the CVM itself – but we want, in the process of reporting to ANEEL, a series of other information that will allow us, in fact, to assess whether you are making too much or less profit. Although this is not a factor to define the revenue or tariff that this company will have when I do the tariff review practice, but it is a fundamental element to mark if the mechanisms in my reference company are already adequate.</p> <p>It is like this: look, if I made a mechanism, I created a reference company because I thought it was fair, and you are making too much profit, it is a sign that I am not with a model properly calibrated yet, I must improve my model. So, we will do it.</p>

Source: Câmara dos Deputados (2009a).

For ANEEL, according to Mr. Moreira's hearing, accounting was viewed as an instrument to inform the agency in its process of setting tariffs for the services it regulates. And whereas the BCB seems to be wary about delegating its standard-setting authority, apparently this is not a big issue for ANEEL, which incorporates most of the CPCs to its own regulation. But in a nearly unique case within the field of accounting regulation in Brazil, ANEEL openly challenges the quality of the IFRS, claiming that they do not provide proper inputs for the regulatory activities it carries out. Because of this, ANEEL demands companies under its jurisdiction to prepare and disclose an alternative set of accounts, following different accounting policies for the cases in which the IFRS are deemed as inappropriate. These cases are summarised in Table 4.28.

Table 4.28 – ANEEL’s open challenge to the quality of the IFRS

Textual evidence	Free translation
<p>ANEEL  <i>Manual de Contabilidade do Setor Elétrico – Versão 2015</i> (Electricity Sector Accounting Manual – 2015 Version)</p> <p><i>As principais particularidades entre a contabilidade regulatória e a contabilidade societária são tratadas nas Instruções Gerais – IG, Instruções Contábeis – IC e Técnicas de Funcionamento. Entre as principais adaptações apresentadas neste Manual em relação aos CPCs, destacam-se:</i></p> <ul style="list-style-type: none"> <li>• <i>ICPC 01 – Contratos de Concessão – esta ICPC não foi contemplada neste Manual. Desta forma, quando da sua aplicação para fins societários não deverá refletir nas informações contábeis regulatórias, devendo seus efeitos serem eliminados.</i></li> <li>• <i>CPC 26 – Apresentação das demonstrações financeiras – este CPC estabelece a necessidade de segregação entre custos e despesas dos gastos alocados no resultado do exercício, segregação esta não requerida neste manual.</i></li> <li>• <i>CPC 27 – Imobilizado – este CPC estabelece que o valor residual e a vida útil de um ativo são revisados pelo menos ao final de cada exercício e, se as expectativas diferirem das estimativas anteriores, a mudança deve ser contabilizada como mudança de estimativa contábil. Entretanto, no âmbito regulatório, quem é competente para definir a vida útil e a taxa de depreciação dos bens é o Órgão Regulador, não cabendo à empresa realizar a revisão mencionada no CPC 27.</i></li> <li>• <i>CPC 06 – Arrendamento Mercantil – a aplicação deste CPC deverá se restringir aos bens administrativos, ou seja, aqueles que não estão diretamente vinculados às instalações de energia elétrica das atividades de geração, transmissão e distribuição de energia elétrica. Possíveis mudanças de práticas societárias decorrentes da aplicação dessa norma, em virtude de alguma excepcionalidade, principalmente quanto ao arrendamento mercantil financeiro, deverá ser comunicado previamente ao Órgão Regulador.</i></li> <li>• <i>As Outorgadas, as quais possuem revisão tarifária, deverão registrar contabilmente para fins regulatórios a reavaliação regulatória compulsória valorada com base no Valor Novo de Reposição (VNR).</i></li> </ul> <p><i>CPC 00 – Estrutura conceitual para a elaboração e apresentação das demonstrações financeiras. Para fins regulatórios, as Outorgadas deverão registrar contabilmente por competência, os Ativos e Passivos Financeiros Setoriais a serem homologados nos futuros reajustes/revisões tarifárias.</i></p>	<p>The main peculiarities between regulatory accounting and corporate accounting are dealt with in the General Instructions – IG, Accounting Instructions – IC and Operating Techniques. Among the main adaptations presented in this Manual regarding the CPCs, we highlight the following:</p> <ul style="list-style-type: none"> <li>• ICPC 01 – Concession Contracts – this ICPC was not contemplated in this Manual. Therefore, when applied for corporate purposes, it should not be reflected in the regulatory accounting information, and its effects should be eliminated.</li> <li>• CPC 26 – Presentation of financial statements – this CPC establishes the need to segregate expenditures allocated in the income statement between costs and expenses, but this segregation is not required in this manual.</li> <li>• CPC 27 – Property, plant and equipment – this CPC establishes that the residual value and the useful life of an asset are reviewed at least at the end of each fiscal year and, if expectations differ from previous estimates, the change must be accounted for as a change in accounting estimates. However, in the regulatory sphere, the entity responsible for defining the useful life and rate of depreciation of assets is the Regulatory Body, and it is not up to the company to perform the review mentioned in CPC 27.</li> <li>• CPC 06 – Leasing – the application of this CPC should be restricted to administrative assets, that is, those that are not directly linked to the electric power installations from activities of generation, transmission and distribution of electric energy. Possible changes in corporate practices arising from the application of this standard, due to some exceptionality, mainly in relation to the financial lease, must be notified in advance to the Regulatory Body.</li> <li>• The Grantees, who have a tariff review, should register for accounting purposes the compulsory regulatory revaluation based on the New Replacement Value (NRV).</li> <li>• CPC 00 – Conceptual framework for the preparation and presentation of financial statements. For regulatory purposes, the Grantees are required to record, on an accrual basis, the Sector Financial Assets and Liabilities to be approved in future tariff readjustments/revisions.</li> </ul> <p>As a way to harmonise the interests that ANEEL has to protect with the interests of corporate accounting, this regulatory body approves the CPCs that deal with the valuation of assets and liabilities at fair value, with the following exceptions:</p>

To be continued

## Conclusion

Textual evidence	Free translation
<ul style="list-style-type: none"> <li>• <i>Como forma de harmonizar os interesses que a ANEEL tem de tutelar com os interesses visados pela contabilidade societária, este órgão regulador aprova os CPC's que tratam da valoração de ativos e passivos a valor justo, com as seguintes ressalvas:</i> <ul style="list-style-type: none"> <li>✓ <i>que os valores ainda não realizados financeiramente e registrados em conta de resultado de exercícios deverão ser controlados pela outorgada de energia elétrica, em demonstrativo próprio que indicará o valor do custo histórico do ativo ou passivo, o valor justo registrado na data-base do reporte e o valor da mais ou menos valia registrado no resultado do exercício, decorrente da mensuração ao seu valor justo; e</i></li> <li>✓ <i>uma vez detectado que do resultado positivo do exercício social, o lucro decorrente da valorização de ativos e passivos a valor justo, deve a outorgada de energia elétrica constituir uma reserva estatutária (art. 194 da Lei 6404/76), denominada de "reserva para manutenção do equilíbrio econômico e financeiro da concessão", com vista a proteção do equilíbrio econômico e financeiro da concessão.</i></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ that amounts not financially realised yet and recorded in the income statement must be controlled by the electric power grantee, in a specific statement that will indicate the historical cost of the asset or liability, the fair value recorded at the reporting date and the value of the gain or loss recorded in the income for the year, resulting from the measurement at its fair value; and</li> <li>✓ once it is found a positive result for the fiscal year, from the profit arising from the valuation of assets and liabilities at fair value, the electric power grantee shall constitute a statutory reserve (article 194 of Act No. 6,404/76), labelled as "reserve for maintenance of the economic and financial balance of the concession", in order to protect the economic and financial balance of the concession.</li> </ul>

Source: ANEEL (2015).

### 4.4.3 Co-optation of the CFC and resistance from small practitioners

One of the most remarkable changes within the field of accounting regulation in Brazil during the process of convergence to the IFRS was the co-optation of the CFC by the capital market pole. It is reflected by the linguistic habitus associated to the CFC, in which the fierce resistance to the creation of a private standard-setter (see Tables 4.8, 4.9, and 4.16) was substituted by a great enthusiasm about the CPC, as evidenced in Table 4.29.

Table 4.29 – CFC's commitment to the adoption of the IFRS

Textual evidence	Free translation
<p>Mrs. Maria Clara Cavalcante Burgarim – President of the CFC Foreword to the compilation of CPC Standards as of 2008</p> <p><i>Instituído pela Resolução CFC n.º 1.055/05, o Comitê de Pronunciamentos Contábeis (CPC) surgiu, precipuamente, para atender a necessidades – com mais clareza identificadas – a partir do processo de convergência das Normas Brasileiras de Contabilidade aos padrões internacionais.</i></p> <p><i>Como premissa dessa iniciativa, as entidades parceiras – ABRASCA, APIMEC Nacional, BM&amp;F BOVESPA, CFC, FIPECAFI e IBRACON – concluíram que o Brasil precisava fazer o seu "dever</i></p>	<p>Established by CFC Resolution No. 1,055/05, the Accounting Pronouncements Committee (CPC) emerged, in the first place, to meet the needs – more clearly identified – from the process of convergence of Brazilian Accounting Standards to international standards.</p> <p>As a premise of this initiative, the partner entities – ABRASCA, National APIMEC, BM&amp;F BOVESPA, CFC, FIPECAFI and IBRACON – concluded that Brazil needed to do its "homework" in order to be</p>

To be continued

## Continuation

Textual evidence	Free translation
<p><i>de casa” para poder entender-se melhor, internamente, quando da emissão das normas afetas ao seu próprio público institucional.</i></p> <p><i>Com efeito, a diversidade de fontes normativas vinha impondo aos profissionais contábeis brasileiros, por exemplo, dificuldades de interpretação e dúvidas inquietantes quanto aos direcionamentos – às vezes contraditórios – que deveriam obedecer no curso do seu trabalho. Imaginem-se, então, os obstáculos a serem enfrentados no trato de questões envolvendo interesses multinacionais, cada vez mais frequentes em uma economia globalizada.</i></p> <p><i>Por outro lado, a convergência internacional – iniciada pela centralização da emissão das normas brasileiras pertinentes – impunha-se, também, pela racionalização desses procedimentos e pela redução de custos, já que proporciona, entre outros benefícios, a redução de gastos na elaboração dos relatórios contábeis e a diminuição de riscos nas análises e nas decisões, além de assegurar a necessária tranquilidade para os profissionais que atuam na área.</i></p> <p><i>O êxito do CPC repousa no processo democrático de produção das informações, que alberga todos os agentes diretamente envolvidos (produtores da informação contábil, auditores, usuários, intermediários, academia e as diversas instâncias de Governo). Todos os Pronunciamentos Técnicos do CPC são submetidos a audiências públicas. As Orientações e Interpretações, sempre que conveniente, passam por esse mesmo processo de validação.</i></p> <p><i>Sinta-se, pois, Caro Leitor, um participante do nosso Comitê.</i></p>	<p>able to better understand itself, internally, when issuing rules related to its own institutional public.</p> <p>In fact, the diversity of normative sources had imposed on Brazilian accounting professionals, for example, difficulties of interpretation and disturbing doubts as to the directions – sometimes contradictory – that they should obey in the course of their work. Imagine, then, the obstacles to be faced in dealing with issues involving multinational interests, increasingly frequent in a globalised economy.</p> <p>On the other hand, international convergence – initiated by the centralisation of the issuance of relevant Brazilian standards – was required, also, by the rationalisation of these procedures and the reduction of costs, since it provides, among other benefits, a reduction of expenses in the preparation of accounting reports and a reduction of risk in analyses and decisions, besides ensuring the necessary tranquillity for professionals working in the area.</p> <p>The success of the CPC rests on the democratic process of information production, which hosts all the agents directly involved (preparers of accounting information, auditors, users, intermediaries, academia and the various instances of government). All CPC’s Technical Pronouncements are submitted to public consultations. The Guidances and Interpretations, when appropriate, undergo this same validation process.</p> <p>Please feel, therefore, Dear Reader, a participant of our Committee.</p>
<p>Mr. Juarez Domingues Carneiro – President of the CFC Foreword to the compilation of CPC Standards as of 2011</p> <p><i>O Conselho Federal de Contabilidade (CFC), que juntamente com a Abrasca, Apimec Nacional, BM&amp;FBovespa, Fipecafi e Ibracon formam o Comitê de Pronunciamentos Contábeis (CPC), lança a quarta edição do livro Pronunciamentos Técnicos Contábeis (ano 2011) e a terceira edição das Interpretações e Orientações Técnicas Contábeis (ano 2011).</i></p> <p><i>Nos últimos anos, a Contabilidade brasileira tem conquistado perante a sociedade o reconhecimento que sempre mereceu. Em 2010, a sanção da Lei n.º 12.249 concedeu ao CFC algumas prerrogativas, entre elas, a de editar Normas Brasileiras de Contabilidade. Foi, sem dúvida, uma grande conquista da profissão, além do reconhecimento da sua importância para o desenvolvimento social e econômico do País.</i></p> <p><i>Com o processo de convergência, o CFC, em parceria com diversos organismos nacionais e</i></p>	<p>The Federal Council of Accounting (CFC), which together with Abrasca, National Apimec, BM&amp;FBovespa, Fipecafi and Ibracon form the Accounting Pronouncements Committee (CPC), launches the fourth edition of the book Accounting Technical Pronouncements (year 2011) and the third edition of the Accounting Interpretations and Technical Guidances (2011).</p> <p>In the last years, Brazilian Accounting has conquered before society the recognition that it always deserved. In 2010, the enactment of Act No. 12,249 granted the CFC certain prerogatives, including, among them, that of issuing Brazilian Accounting Standards. It was, without any doubt, a great achievement for the profession, besides the recognition of its importance for the social and economic development of the Country.</p> <p>Through the process of convergence, the CFC, in partnership with several national and international</p>

## Conclusion

Textual evidence	Free translation
<p><i>internacionais, está capacitando, por meio de seminários de aplicação das International Financial Reporting Standards – IFRS, disseminadores das novas práticas contábeis para que todos os profissionais brasileiros conheçam essa nova realidade. Saliente-se que as Normas Brasileiras de Contabilidade convergidas às normas internacionais trazem significativos benefícios, especialmente no que tange à uniformização dos procedimentos e critérios de avaliação adotados quando comparados com os dos demais países. No cenário econômico mundial, com a adoção das IFRS, o Brasil se internacionaliza por meio das empresas e dos grandes negócios.</i></p> <p><i>Os Pronunciamentos Técnicos e as Interpretações e Orientações Técnicas que compõem a presente edição representam o resultado do esforço despendido pelo CPC no processo de convergência das normas brasileiras ao padrão internacional. Ressalte-se que todos os Pronunciamentos Técnicos emitidos pelo CPC são submetidos a audiências públicas, o mesmo ocorrendo com as Interpretações e Orientações, sempre que esse procedimento for julgado conveniente e indispensável.</i></p> <p><i>Boa Leitura.</i></p>	<p>organisations, is training, through seminars of implementation of the International Financial Reporting Standards (IFRS), disseminators of the new accounting practices so that all Brazilian professionals get to know this new reality. It should be noted that the Brazilian Accounting Standards converged to international standards bring significant benefits, especially in regard to the standardisation of procedures and evaluation criteria adopted when compared with those of other countries. In the world economic scenario, with the adoption of the IFRS, Brazil is internationalised through companies and big businesses.</p> <p>The Technical Pronouncements and Technical Interpretations and Guidances that comprise this edition represent the result of the effort expended by the CPC in the process of convergence of Brazilian standards to the international standard. It should be noted that all Technical Pronouncements issued by the CPC are subjected to public consultations, and so are the Interpretations and Guidances, whenever this procedure is deemed convenient and indispensable.</p> <p>Good reading.</p>

Source: CFC (2009, 2012).

The participation of other institutions in the standard-setting process, which used to be framed by CFC's representatives as an undue interference on the self-regulation of the accountancy profession, was now described as a democratic process that benefits accounting practitioners, reducing the regulatory uncertainty caused by a plurality of standard-setters. In this context, the CFC supported the adoption of the IFRS not only through its participation in the CPC, but also by promoting training events for accounting professionals. Meanwhile, the CFC increased its symbolic capital and achieved some goals it had been pursuing for a long time:

- a) through Ordinance No. 184 of August 25, 2008, the Minister of Finance determined that the National Treasury Secretariat (*Secretaria do Tesouro Nacional – STN*) should promote the convergence to the International Public Sector Accounting Standards (IPSAS), issued by the IFAC, and to the Brazilian Accounting Standards for the Public Sector, issued by the CFC. With this decision, the CFC started to play an effective role in the standard-setting process for the public-sector, which until then had been monopolised by public entities themselves;

- b) Act No. 12,249 of June 11, 2010, altered Decree-Law No. 9,295/46, which regulates the accountancy profession. The new legal dispositions included:
- an explicit legal mandate for the CFC to issue the Brazilian Accounting Standards;
  - the CFC was granted the authority to promote a professional examination for aspirants to register as accountants<sup>19</sup>;
  - accounting technicians were no longer allowed to register after June 1<sup>st</sup>, 2015, but all those who registered before this date kept their practicing rights.

A hypothesis that deserves to be better explored is whether the CFC achieved these symbolic gains through the social capital obtained when it joined in the capital market pole of the field of accounting regulation during the adoption of the IFRS, thus getting access to the highest ranks within the public administration. From the evidences analysed for this thesis, what can be concluded is that the adoption of the IFRS was construed, together with these symbolic gains, as a sign of an increased social status for the accountancy profession. For instance, the president of the CFC stated, in an editorial for the newspaper produced by the Council, that “the approval of Act No. 12,249/10 – which was a watershed – gave us projections we never dreamt of. Among them, our work in the implementation and dissemination of the International Accounting Standards and the return of the Sufficiency Exam” (Carneiro, 2011, free translation<sup>20</sup>).

For the capital market pole, the adhesion of the CFC to the project of convergence to the IFRS was instrumental to expand their influence over SMEs, which outnumber by far the listed companies and large firms that were directly affected by Act No. 11,638. Although it is difficult to find accurate information about the Brazilian market for accounting services, the data presented in Figure 10, which compares the number of firms in Brazil with the number of companies listed on BM&FBovespa, gives a rough idea about the representativeness of SMEs for this market. Notwithstanding how careful one must be to interpret these data – considering that listed companies tend to be the largest firms within the country, usually having several

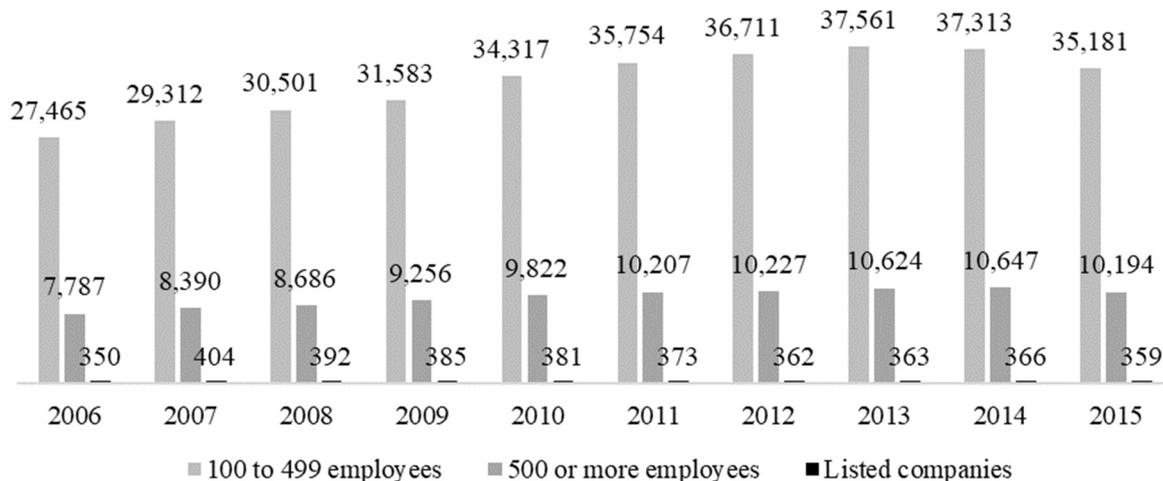
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<sup>19</sup> This examination had been created in 2000, but was suspended in 2004 after legal disputes, because the CFC did not have a legal mandate to establish it. In 2005, the National Congress approved Draft 2,485/2003, authorising the CFC to establish the examination, but it was vetoed by the President of the Republic, who argued that it was contrary to the public interest because it would devalue higher courses in accounting.

<sup>20</sup> *A aprovação da Lei 12.249/10 – que foi um divisor de águas – nos deu projeções jamais sonhadas. Entre elas, o nosso trabalho na implantação e na disseminação das Normas Internacionais de Contabilidade e a volta do Exame de Suficiência.*

subsidiaries under their control, and that they probably demand more accounting services by the very fact of being listed – Figure 10 does evidence that listed companies directly subjected to CVM’s regulation represent just a tiny proportion of Brazilian firms.

Figure 10 – Number of firms in Brazil



Source: Elaborated by the author, based on data recovered from Instituto Brasileiro de Geografia e Estatística [IBGE] (2017) and BCB (2017).

Whereas the market for listed companies is dominated by international accounting firms, the accounting services demanded by SMEs are largely provided by pulverised small practitioners. In this scenario, CFC’s commitment to the adoption of the IFRS for SMEs, a simplified version of the IFRS to be applied by private firms which did not meet the large-size criteria established by Act No. 11,638 nor are required to disclose financial reports, can be interpreted either as an attempt to facilitate the colonisation of the market for SMEs by large accounting firms, or as a way of expanding the market for accounting services as a whole, enabling small practitioners to compete in that expanded market. Table 4.30 evidences the rationales presented by the CFC for this adoption, which essentially reproduce the linguistic habitus prevailing in the field of accounting regulation: the IFRS for SMEs would increase the quality of financial reports, promoting the Brazilian economic development.

Table 4.30 – CFC’s commitment to the adoption of the IFRS for SMEs

Textual evidence	Free translation
<p><i>Jornal do CFC</i> (CFC’s Newspaper) – Edition No. 100, Aug./Sep./Oct. 2009</p> <p><i>Norma para Pequenas e Médias Empresas está em audiência pública</i> (Standard for Small and Medium-Sized Entities is under public consultation)</p> <p><i>O Conselho Federal de Contabilidade (CFC) e o Comitê de Pronunciamentos Contábeis (CPC) deram início à audiência pública conjunta da minuta do Pronunciamento Técnico sobre Contabilidade para Pequenas e Médias Empresas (PMEs). . . .</i></p> <p><i>O documento em audiência pública é específico para aplicação às demonstrações contábeis para fins gerais de entidades de pequeno e médio portes – ou seja, abrange o conjunto de entidades composto por sociedades fechadas e aquelas que se enquadram como PMEs e não têm a obrigatoriedade de divulgar as demonstrações contábeis publicamente.</i></p> <p><i>“A adoção dessa norma elevará a qualidade das demonstrações contábeis, trazendo benefícios a essas entidades e, conseqüentemente, à economia brasileira”, afirma o coordenador do grupo de estudos e conselheiro do CFC, Nelson Zafra.</i></p>	<p>The Federal Council of Accounting (CFC) and the Accounting Pronouncements Committee (CPC) initiated the joint public consultation of the exposure draft on Accounting for Small and Medium-sized Enterprises (SMEs). . . .</p> <p>The document at public consultation is for specific application to the general purpose financial statements of small and medium-sized entities – that is, it covers the set of entities composed of private companies and those that are classified as SMEs and do not have the obligation to disclose financial statements.</p> <p>“The adoption of this standard will increase the quality of the financial statements, bringing benefits to these entities and, consequently, to the Brazilian economy”, says Nelson Zafra, coordinator of the study group and a CFC member.</p>
<p><i>Jornal do CFC</i> (CFC’s Newspaper) – Edition No. 103, Mar./Apr. 2010</p> <p><i>Seminário sobre IFRS para PMEs é realizado no BNDES</i> (Seminar about IFRS for SMEs is held at BNDES)</p> <p><i>Foi realizado no dia 4 de maio o Seminário IFRS para Pequenas e Médias Empresas, no auditório do BNDES, no Rio de Janeiro (RJ). . . .</i></p> <p><i>O presidente do BNDES, Luciano Coutinho, disse que o BNDES tem se empenhado para a disseminação do IFRS entre as empresas, bem como os profissionais que passarão a adotá-las. “O grande desafio será a adoção do IFRS pelas pequenas e médias empresas”, avisa o presidente. O presidente do CFC, Juarez Domingues Carneiro, disse que o evento representa o marco para a multiplicação dos conhecimentos a partir dos grupos e comissões que trabalham no CFC. Ainda segundo Juarez, há no Brasil um grande número de empresas de pequeno porte e é evidente que essas normas atingirão essas empresas. “O CFC vem participando ativamente para a implantação dessas normas”, revela. Juarez, assim como o presidente do BNDES, disse que este será um grande desafio para a Contabilidade brasileira, mas que o Seminário ajudará na disseminação dos conhecimentos acerca da IFRS.</i></p> <p><i>O diretor do IASB, Paul Pacter, no seu rápido pronunciamento, disse estar muito “impressionado” com a forma com que o Brasil está conduzindo todo o processo de adaptação. “Acredito que todos aqui presentes são potenciais disseminadores. Temos que falar uma única língua para que profissionais e empresas possam entender a verdadeira importância da Contabilidade no contexto mundial”, disse. . . .</i></p> <p><i>No período da tarde, a palestra “Principais impactos da adoção do IFRS para PMEs” foi apresentada pelo</i></p>	<p>The IFRS Seminar for Small and Medium Enterprises was held on May 4 at the BNDES auditorium in Rio de Janeiro (RJ). . . .</p> <p>BNDES President Luciano Coutinho said that the BNDES has been committed to the dissemination of the IFRS among firms, as well as among the professionals who will adopt them. “The big challenge will be the adoption of the IFRS by small and medium-sized companies”, warns the president. The president of the CFC, Juarez Domingues Carneiro, said that the event represents the milestone for the multiplication of the knowledge from the groups and commissions that work in the CFC. Also according to Juarez, there are a large number of small enterprises in Brazil and it is clear that these standards will reach these firms. “The CFC has been actively participating in the implementation of these standards”, he reveals. Juarez, like the president of the BNDES, said that this will be a great challenge for Brazilian Accounting, but that the Seminar will help in disseminating knowledge about the IFRS.</p> <p>Paul Pacter, director of the IASB, said in his quick statement that he was very “impressed” with how Brazil is conducting the entire process of adaptation. “I believe everyone here are potential disseminators. We have to speak a single language so that professionals and firms can understand the true importance of Accounting in the global context”, he said. . . .</p> <p>In the afternoon, the lecture “Main impacts of the adoption of the IFRS for SMEs” was presented by</p>

To be continued

## Conclusion

Textual evidence	Free translation
<p><i>Auditor-Fiscal da Receita Federal, Luiz Eduardo de Oliveira Santos que disse ser importante “salutar que o contador detenha a informação para que a contabilidade seja dita em uma única língua para que os negócios sejam realizados além fronteira”.</i></p> <p><i>Por fim, a Chefe do Departamento de Contabilidade do BNDES, Vania Maria da Costa Borgerth, apresentou o projeto de treinamento do IFRS. Para Vania “o objetivo do treinamento é formar multiplicadores para as faculdades, escritórios e profissionais de todo o país”.</i></p>	<p>the Federal Revenue Auditor Luiz Eduardo de Oliveira Santos, who said that it is important “salutary for the accountant to hold the information so that accounting is spoken in a single language for business to be carried out across borders”.</p> <p>Finally, the Head of the BNDES Accounting Department, Vania Maria da Costa Borgerth, presented the IFRS training project. For Vania, “the goal of training is to form multipliers for colleges, offices and professionals across the country”.</p>

Source: Giroto (2009) and Santos (2010).

However, despite the efforts taken by the leadership of the CFC to disseminate the IFRS for SMEs, small practitioners apparently did not share the same enthusiasm about them. Table 4.31 presents two interviews from a magazine published by the National Federation of Accounting Services Firms (*Federação Nacional das Empresas de Serviços Contábeis e das Empresas de Assessoramento, Perícias, Informações e Pesquisas – FENACON*), a trade association that represents small practitioners. In one of those rare cases of open contestation about the quality of the IFRS in the field of accounting regulation in Brazil, the two accounting practitioners interviewed about the IFRS for SMEs characterised the adoption of this standard as unfeasible and unnecessary, imposing costs without generating any benefits for SMEs.

Table 4.31 – Small practitioners’ resistance to the adoption of the IFRS for SMEs

Textual evidence	Free translation
<p>Interview with Mr. Carlos José da Silva – Small accounting practitioner</p> <p><i>Revista da FENACON (FENACON Review) – Edition No. 147, Sep./Oct. 2011, pp. 6-7</i></p> <p><i>O senhor avalia ser possível aplicar integralmente as normas internacionais de Contabilidade (IFRS – sigla do inglês International Financial Reporting Standards)?</i></p> <p><i>Carlos José Silva – É utopia exigir das MPes tamanha burocracia, é exigência sem sentido. Essas empresas não possuem nenhum controle interno que possibilite fornecer informações ao contador para que ele atenda às exigências das IFRS. Quando o contador orienta e solicita os controles necessários, simplesmente se recusam a fazer, pois não entendem o porquê. Acham exigências infundadas do contador, e não adianta explicar. As MPes têm outras preocupações, tais como comprar, vender, entregar</i></p>	<p>Do you consider it possible to fully apply the International Financial Reporting Standards (IFRS)?</p> <p>Carlos José Silva – It is an utopia to demand from SMEs such a bureaucracy, it is a senseless requirement. These firms do not have any internal controls that enable them to provide information for the accountant to meet IFRS requirements. When the accountant guides and requests the necessary controls, they simply refuse to do it because they do not understand why. They find it is an unsound demand from the accountant, and it is no use explaining it. SMEs have other concerns, such as buying, selling, delivering services on time, receiving and paying their commitments, solving problems of</p>

To be continued

## Continuation

Textual evidence	Free translation
<p><i>os serviços nos prazos, receber e pagar seus compromissos, resolver problemas de empregados que não comparecem para trabalhar, etc. Além disso, todas essas exigências fatalmente culminarão em aumento expressivo dos honorários. Isso dispensa comentários, pois já é uma luta receber os atuais, imagina comunicar um aumento por volta de 150% para satisfazer essas exigências. Não é preciso ser muito inteligente para reconhecer que é impossível aplicar as IFRS no Brasil, nem que o contador pegue em arma conseguirá. Mesmo se conseguisse, o que teria para comemorar? O fechamento de várias MPEs pela elevação exorbitante de seus custos? Um amontoado de informações que não acrescentam em nada? Pois, com uma contabilidade simplificada e objetiva, se consegue informar plenamente aos interessados. O que interessa conhecer de uma MPE é o seu estoque, seu volume de compra e venda, seus créditos e seus débitos, sua margem de lucro e o seu resultado. Para isso não é preciso mudar a contabilidade que vigorou até agora e que pode ser ainda mais simplificada, de forma resumida, calçada nos livros auxiliares, isso dará mais tempo ao contador na assessoria de seus clientes em matérias mais importantes que melhore seus resultados e reduza seus custos. Até a Constituição Federal reconhece a fragilidade dessas empresas, tanto que em seu artigo 179 exige tratamento diferenciado e favorecido às MPEs.</i></p>	<p>employees who do not show up for work, etc. In addition, all these requirements will inevitably lead to a significant increase in fees. This dispenses with comments, since it is already a struggle to receive the current ones, so, imagine communicating an increase by 150% to satisfy these demands. You do not have to be too intelligent to recognise that it is impossible to apply the IFRS in Brazil, nor even if the accountant takes up arms he will get it. Even if he could, what would he have to celebrate? The closure of several SMEs by the exorbitant rise of their costs? A heap of information that adds nothing? For, with a simplified and objective accounting, one can fully inform the interested parties. What is important to know about an SME is its inventory, its volume of purchase and sale, its credits and debits, its profit margin and its result. In order to do this, it is not necessary to change the accounting system that has been in force so far and which can be simplified, in a summarised way, based on ancillary books, this will give the accountant more time in advising his clients on more important matters that improve their results and reduce their costs. Even the Federal Constitution recognises the fragility of these companies, so much so that Article 179 requires differentiated and favoured treatment for SMEs.</p>
<p><i>O senhor acredita que a adoção desse novo padrão facilitou ou trouxe maior confusão ao dia a dia do microempresário brasileiro?</i></p>	<p>Do you believe that the adoption of this new standard has facilitated or brought greater confusion to the day-to-day tasks of the Brazilian microentrepreneur?</p>
<p><i>Carlos José Silva – Não facilitou nada. Apenas aumentou a confusão que já está instalada, com as exigências que já não são poucas para atender às esferas federal, estadual, municipal e suas autarquias.</i></p>	<p>Carlos José Silva – It did not make anything easier. It only added to the confusion that is already in place, with the demands that are already not few to meet the federal, state, and municipal governments and their agencies.</p>
<p><i>Em sua opinião, é possível igualar procedimentos contábeis exigidos internacionalmente de grandes empresas com os das micro e pequenas?</i></p>	<p>In your opinion, is it possible to match accounting procedures internationally required from large enterprises with those for micro and small enterprises?</p>
<p><i>Carlos José Silva – Impossível. A micro e pequena empresa é formada, em sua grande maioria, por dois ou três sócios, irmãos, parentes ou amigos. Todas as suas questões são resolvidas rapidamente entre eles mesmos, diferentemente de grandes empresas formadas por investidores e acionistas que exigem maior controle para prestar-lhes as informações necessárias e legais.</i></p>	<p>Carlos José Silva – Impossible. The small and micro-enterprise is formed, for the most part, by two or three partners, siblings, relatives or friends. All of their issues are resolved quickly among themselves, unlike large companies formed by investors and shareholders who require greater control to provide them with the necessary and legal information.</p>
<p><i>O nível de controle para o segmento das micro e pequenas empresas é aceitável?</i></p>	<p>Is the level of control for the micro and small business segment acceptable?</p>
<p><i>Carlos José Silva – Sim, o micro e pequeno empresário já tem seus controles, embora precários, mas que lhes atendem plenamente.</i></p>	<p>Carlos José Silva – Yes, the micro and small entrepreneur already has his controls, although precarious, but that serve him fully.</p>
<p><i>A Fenaccon lançou recentemente um estudo de contabilidade para micro e pequenas empresas, no</i></p>	<p>Fenaccon recently launched an accounting study for micro and small businesses, in which it supports a number of actions that facilitate the day-to-day operations of this segment. How do you evaluate this action?</p>

## Conclusion

Textual evidence	Free translation
<p><i>qual apoia várias ações que facilitam o dia a dia desse segmento. Como a senhora avalia essa ação?</i></p> <p>Carlos José Silva – <i>Achei ótima. Tanto que enviei e-mail ao sr. presidente, dando meus parabéns pela iniciativa, e agradecendo em nome de todos os contadores brasileiros, pelo que tem feito em prol de nossa classe até agora.</i></p>	<p>Carlos José Silva – I thought it was great. So much that I sent an e-mail to Mr. President, giving my congratulations for the initiative, and thanking on behalf of all the Brazilian accountants, for what he has done for our class until now.</p>
<p>Interview with Mrs. Tereza Alves – Small accounting practitioner  <i>Revista da FENACON (FENACON Review) – Edition No. 147, Sep./Oct. 2011, pp. 7-8</i></p> <p><i>A senhora avalia ser possível aplicar integralmente as IFRS na micro e pequena empresa?</i></p> <p>Tereza Alves – <i>Não é possível, pois a maioria delas nem sabe o que é contabilidade e como poderemos influenciá-las a utilizar essa técnica.</i></p> <p><i>A senhora acredita que a adoção desse novo padrão facilitou ou trouxe maior confusão ao dia a dia do microempresário brasileiro?</i></p> <p>Tereza Alves – <i>Para nós complicou muito. Temos dificuldade em adotar a contabilidade hoje, porque os microempresários têm a cultura de que, como são pequenos, não necessitam de relatórios para gerir seus negócios. Imagine com toda a exigência das IFRS?</i></p> <p><i>Em sua opinião, é possível igualar procedimentos contábeis exigidos internacionalmente de grandes empresas com os das micro e pequenas?</i></p> <p>Tereza Alves – <i>Não é possível.</i></p> <p><i>O nível de controle para o segmento das micro e pequenas empresas é aceitável?</i></p> <p>Tereza Alves – <i>Penso que pelo menos é possível dar um suporte a eles. Porém, se o nível de exigência aumentar será mais complicado.</i></p> <p><i>A Fenacon lançou recentemente um estudo de contabilidade para micro e pequenas empresas, no qual apoia várias ações que facilitam o dia a dia desse segmento. Como a senhora avalia essa ação?</i></p> <p>Tereza Alves – <i>É de extrema importância, pois ele precisa desse tratamento diferenciado para poder crescer e permanecer no mercado.</i></p>	<p>Do you consider it possible to fully apply the IFRS in micro and small enterprises?</p> <p>Tereza Alves – It is not possible, because most of them do not even know what accounting is and how we can influence them to use this technique.</p> <p>Do you believe that the adoption of this new standard has facilitated or brought greater confusion to the day-to-day tasks of the Brazilian microentrepreneur?</p> <p>Tereza Alves – For us, it complicated a lot. We have a hard time adopting accounting today because microentrepreneurs have the culture that, because they are small, they do not need reports to run their business. Imagine with all the requirement of the IFRS?</p> <p>In your opinion, is it possible to match internationally required accounting procedures of large enterprises with those of micro and small enterprises?</p> <p>Tereza Alves – It is not possible.</p> <p>Is the level of control for the micro and small business segment acceptable?</p> <p>Tereza Alves – I think at least you can support them. However, if the demand level increases it will be more complicated.</p> <p>Fenacon recently launched an accounting study for micro and small businesses, in which it supports a number of actions that facilitate the day-to-day operations of this segment. How do you evaluate this action?</p> <p>Tereza Alves – It is extremely important, because it needs this differentiated treatment in order to grow and remain in the market.</p>

Source: Resende (2011).

In face of the resistance from small practitioners, the CFC backed down from its intention of generally imposing the IFRS for SMEs. Instead, through Resolution No. 1,418 of December 5, 2012, the CFC issued the General Technical Interpretation (*Interpretação Técnica Geral – ITG*) No. 1,000, creating an Accounting Model for Micro-Enterprises and Small-Sized Enterprises. Basically, this standard re-established the previous *status quo*, exempting firms under its scope from most of the demands of the IFRS for SMEs. Although the ITG 1,000

does not apply to all SMEs, but only to the smallest ones, arguably it covers the vast majority of small practitioners' clients, whereas the IFRS for SMEs is now restricted to what can be understood as mid-sized enterprises. For the purposes of this thesis, the most remarkable feature of the ITG 1,000 is that the CFC bypassed the CPC, as evidenced in Table 4.32, deploying the legal mandate it was granted through Act No. 12,249 not for endorsing a standard issued by the CPC, but for developing an accounting standard by its own. Hence, this event may indicate that the conflict which structured the field of accounting regulation in Brazil before the adoption of the IFRS is not completely settled yet.

Table 4.32 – The CFC backs down from generally imposing the IFRS for SMEs

Textual evidence	Free translation
<p><i>Jornal do CFC (CFC's Newspaper) – Edition No. 114, Sep./Oct. 2012</i>  <i>CFC aprova a ITG 1000 (CFC approves ITG 1000)</i>  <i>A Resolução aprovada resultou de um processo de construção coletiva. Participaram da elaboração da ITG 1000 mais de uma dezena de entidades, de vários setores da economia brasileira, além de órgãos governamentais. Além disso, a minuta da Interpretação Técnica Geral permaneceu em audiência pública, eletrônica e presencial, por cerca de quatro meses. O CFC registrou e analisou quase uma centena de sugestões ao texto da ITG 1000.</i>  <i>Após o encerramento da audiência pública, o Grupo de Trabalho constituído pelo CFC para elaborar o texto da ITG 1000 avaliou a pertinência das sugestões recebidas e submeteu o texto final à Câmara Técnica do CFC. Na reunião realizada no dia 4 de dezembro, a Câmara aprovou o conteúdo da Interpretação e, por meio da Resolução nº 1.418/12, o Plenário do CFC homologou a ITG 1000.</i></p>	<p>The approved resolution resulted from a collective construction process. More than a dozen entities from various sectors of the Brazilian economy participated in the preparation of the ITG 1000, in addition to government agencies. Besides that, the exposure draft of the General Technical Interpretation remained in a public consultation, electronic and in person, for about four months. The CFC recorded and analysed almost a hundred suggestions to the text of the ITG 1000.</p> <p>After closing the public consultation, the Working Group formed by the CFC to prepare the text of the ITG 1000 evaluated the pertinence of the suggestions received and submitted the final text to the Technical Chamber of the CFC. At the meeting held on December 4, the Chamber approved the content of the Interpretation and, through Resolution No. 1,418/12, the Plenary of the CFC endorsed the ITG 1000</p>

Source: Giroto (2012).

#### 4.4.4 The last battle against the SRF (so far)

As described in Section 4.3, a Transitional Tax Regime was engendered in 2008 to ensure that the adoption of the IFRS would not affect the tax burden of Brazilian firms. However, this was intended to be a temporary solution, just postponing the integration of the IFRS to tax legislation. By this arrangement, firms had to keep on determining their profits, in ancillary books, in accordance with the accounting standards effective as of December 31, 2007, in order to calculate their income taxes.

Under Brazilian tax legislation, dividends received by shareholders are not taxable. On September 16, 2013, the SRF issued Normative Instruction No. 1,397, which established that only dividends based on profits determined to calculate the income tax, i.e., according to the accounting standards effective as of December 31, 2007, would not be taxable. Thus, taxes on any surplus amounts paid by firms since 2008, based on profits determined according to the new accounting standards, would be collected. Furthermore, from 2014 on firms should submit, by electronic means, the ancillary books used to calculate their taxes. These measures outraged the main agents in the field of accounting regulation, as evidenced by a statement released by the CFC, reproduced in Table 4.33.

Table 4.33 – CFC’s outrage at Normative Instruction No. 1,397/13

Textual evidence	Free translation
<p>Mr. Juarez Domingues Carneiro – President of the CFC  <i>Comunicado à Comunidade Contábil e Empresarial</i> (Communication to the Accounting and Business Community) – 9/18/2013</p>	<p>(Communication to the Accounting and Business Community)</p>
<p><i>O Conselho Federal de Contabilidade, bem como outras entidades, vêm trabalhando pelo forte aprimoramento da transparência e da melhoria da qualidade das informações contábeis no Brasil. E têm reconhecido e aplaudido, publicamente, a postura da Secretaria da Receita Federal do Brasil na manutenção da neutralidade tributária na implantação das normas contábeis internacionais.</i></p>	<p>The Federal Council of Accounting, as well as other entities, have been working to improve transparency and improve the quality of accounting information in Brazil. And they have publicly acknowledged and applauded the position of the Secretariat of the Federal Revenue of Brazil in maintaining the tax neutrality in the implementation of international accounting standards.</p>
<p><i>O diálogo vinha sendo uma constante nesse aprimoramento, incluindo relacionamentos com outros agentes e interessados nas comunidades de contadores, advogados e empresários.</i></p>	<p>Dialogue had been a constant in this improvement, including relationships with other agents and stakeholders in the communities of accountants, lawyers and businessmen.</p>
<p><i>Todavia, a publicação, no dia de ontem, da Instrução Normativa nº 1397 do Secretário da Receita Federal, pegou-nos de surpresa, com aparente retrocesso nesse processo.</i></p>	<p>However, the publication, yesterday, of Normative Instruction No. 1397 of the Secretary of the Federal Revenue, caught us by surprise, with an apparent setback in this process.</p>
<p><i>A criação da obrigação de duas escriturações contábeis, por exemplo, pelo que se depreende até agora, representará enormes ônus à atividade empresarial, sem acréscimo de benefícios. As alternativas hoje em uso se mostram suficientes para atendimento à boa informação contábil para fins societários e também tributários, e essa nova metodologia apenas acrescenta maior peso ao denominado “custo Brasil”. Essa nova forma escolhida pode voltar a dirigir a atenção da informação contábil precipuamente para o Fisco, quando sua mais nobre função é a de auxiliar na gestão de quem produz a riqueza nacional e o emprego, bem como quem financia essa produção (credores e proprietários). O novo caminho, que tão bons frutos vêm rendendo nesses últimos anos, é colocado em perigo.</i></p>	<p>The creation of the obligation of two accounting bookkeeping, for example, for what we understand so far, will represent enormous burdens on business activity, without adding benefits. The alternatives currently in use are sufficient to meet good accounting information for corporate and also for tax purposes, and this new methodology only adds a greater weight to the so-called “Brazil cost”. This newly chosen form can once again direct the attention of accounting information to the Treasury, when its noblest function is to assist in the management of those who produce the national wealth and employment, as well as who funds this production (creditors and owners). The new path, which has yielded such good fruits in recent years, is endangered.</p>
<p><i>A aplicação de regras já ultrapassadas (como</i></p>	<p>The application of already outdated rules (as the equity method), in another example, adds</p>

To be continued

## Conclusion

Textual evidence	Free translation
<p><i>equivalência patrimonial), noutro exemplo, acrescenta burocracia e dificuldades técnicas para a quase totalidade das escriturações contábeis, por causa de efeitos significantes em raríssimas situações práticas. E a aplicação retroativa de determinadas situações apenas recentemente discutidas impõe, aos profissionais de Contabilidade e ao empresariado em geral, insegurança jurídica crescente.</i></p>	<p>bureaucracy and technical difficulties for almost all accounting bookkeeping, on behalf of effects that are significant in very few practical situations. And the retroactive application of certain situations only recently discussed imposes, to Accounting professionals and to businesspeople in general, increasing legal insecurity.</p>
<p><i>Assim, este Conselho Federal de Contabilidade se posiciona fortemente no sentido de reabertura de diálogo com a Receita Federal do Brasil para completo reestudo do conteúdo dessa Instrução Normativa, principalmente quanto às obrigações acessórias desnecessariamente adicionadas.</i></p>	<p>Thus, this Federal Council of Accounting strongly positions itself in the sense of reopening a dialogue with the Federal Revenue of Brazil for a complete re-examination of the content of this Normative Instruction, mainly regarding accessory obligations unnecessarily added.</p>

Source: Carneiro (2013).

During the weeks following the enactment of this Normative Instruction, representatives from business and the accountancy profession lobbied public authorities for its withdrawal – on October 3, 2013, CFC, ABRASCA, IBRACON and CPC released a joint statement, reproduced in Table 4.34, communicating that they had succeeded in their efforts.

The discursive events presented in Tables 4.33 and 4.34 reflect a pivotal characteristic of the linguistic habitus associated to the field of accounting regulation in Brazil throughout the process of convergence to the IFRS: tax authorities, and more specifically the SRF, were framed as an adversary whose influence on accounting practices must be eliminated. This “common enemy”, which was instrumental to unify the opposing poles within the field, represented a threat that was powerful enough to allow even the CPC, an “independent” standard-setter, to play the role of a business lobbyist. Unfortunately, however, the SRF itself remained absent from the public debates about the IFRS, what makes it very difficult to track the changes of its linguistic habitus throughout the convergence process. This “other side” of the history, thus, remains to be addressed through different research approaches – from the few evidences I was able to gather for this thesis, I can only propose a tentative interpretation about the behaviour of the SRF during the adoption of the IFRS in Brazil.

Table 4.34 – Successful lobby against Normative Instruction No. 1,397/13

Textual evidence	Free translation
<p>CFC, ABRASCA, IBRACON, and CPC  <i>Comunicado Conjunto</i> (Joint Communication) – 10/3/2013  <i>O Conselho Federal de Contabilidade (CFC), a Associação Brasileira das Companhias Abertas (ABRASCA), o Instituto dos Auditores Independentes do Brasil (IBRACON) e o Comitê de Pronunciamentos Contábeis (CPC), após reunião realizada nesta quinta-feira (3) com Secretário da Receita Federal do Brasil, Carlos Alberto Freitas Barreto, sobre a Instrução Normativa nº 1397/13, vêm a público divulgar a confirmação de que não haverá dupla contabilidade nem a tributação de dividendos, juros sobre capital próprio e equivalência patrimonial pela diferença entre os critérios contábeis societários e fiscais até dezembro de 2013. Foi também informado que serão agilizadas a emissão de Medida Provisória sobre a matéria tributária acima mencionada e a revisão da Instrução Normativa nº 1.397/13, para vigorarem a partir do exercício de 2014.</i>  <i>O CFC, a ABRASCA, o IBRACON e o CPC agradecem e reconhecem a relevância das decisões do Ministro da Fazenda, Guido Mantega, e do Secretário da Receita Federal, Carlos Alberto Freitas Barreto, que permitem restabelecer a segurança jurídica e o bom funcionamento do mercado de capitais, bem como a prevalência da informação contábil para fins de gestão e atendimento aos demais usuários.</i></p>	<p>The Federal Council of Accounting (CFC), the Brazilian Association of Listed Companies (ABRASCA), the Institute of Independent Auditors of Brazil (IBRACON) and the Accounting Pronouncements Committee (CPC), after meeting on Thursday (3) with the Secretary of the Federal Revenue of Brazil, Carlos Alberto Freitas Barreto, to discuss Normative Instruction No. 1,397/13, hereby announce the confirmation that there will be no double accounting nor the taxation of dividends, interest on shareholders' equity and revenues from the equity method for the difference between the corporate and tax accounting criteria until December 2013.</p> <p>It was also informed that the issuance of a Provisional Measure on the tax matters mentioned above and the revision of Normative Instruction No. 1,397/13, to be effective as of 2014, will be expedited.</p> <p>The CFC, ABRASCA, IBRACON and CPC thank and acknowledge the relevance of the decisions of the Minister of Finance, Guido Mantega, and the Secretary of the Federal Revenue, Carlos Alberto Freitas Barreto, to restore legal certainty and the proper functioning of the capital market, as well as the prevalence of accounting information for management purposes and for serving other users.</p>

Source: CFC, Associação Brasileira das Companhias Abertas [ABRASCA], IBRACON, and Comitê de Pronunciamentos Contábeis [CPC] (2013).

On January 22, 2007, Decree No. 6,022 created the Public Digital Bookkeeping System (*Sistema Público de Escrituração Digital – SPED*), aimed to be a tool which “unifies the activities of reception, validation, storage and authentication of books and documents that integrate the accounting and tax bookkeeping of businessmen and enterprises” (Decreto n. 6.022, 2007, free translation<sup>21</sup>); through Provisory Measure No. 627 of November 11, 2013, later converted into Act No. 12,973 of May 13, 2014, the Transitional Tax Regime was revoked, and several accounting practices brought about by the IFRS were incorporated into tax legislation; and through Normative Instruction No. 1,397/13, later amended by Normative Instruction No. 1,422 of December 19, 2013, Brazilian firms were required, within the scope of the SPED, to electronically submit their tax books to the SRF, from 2014 on. Therefore, although losing its influence over accounting standardisation for corporate purposes, the SRF kept the ability to define tax rules and started to have not only the right to inspect tax books,

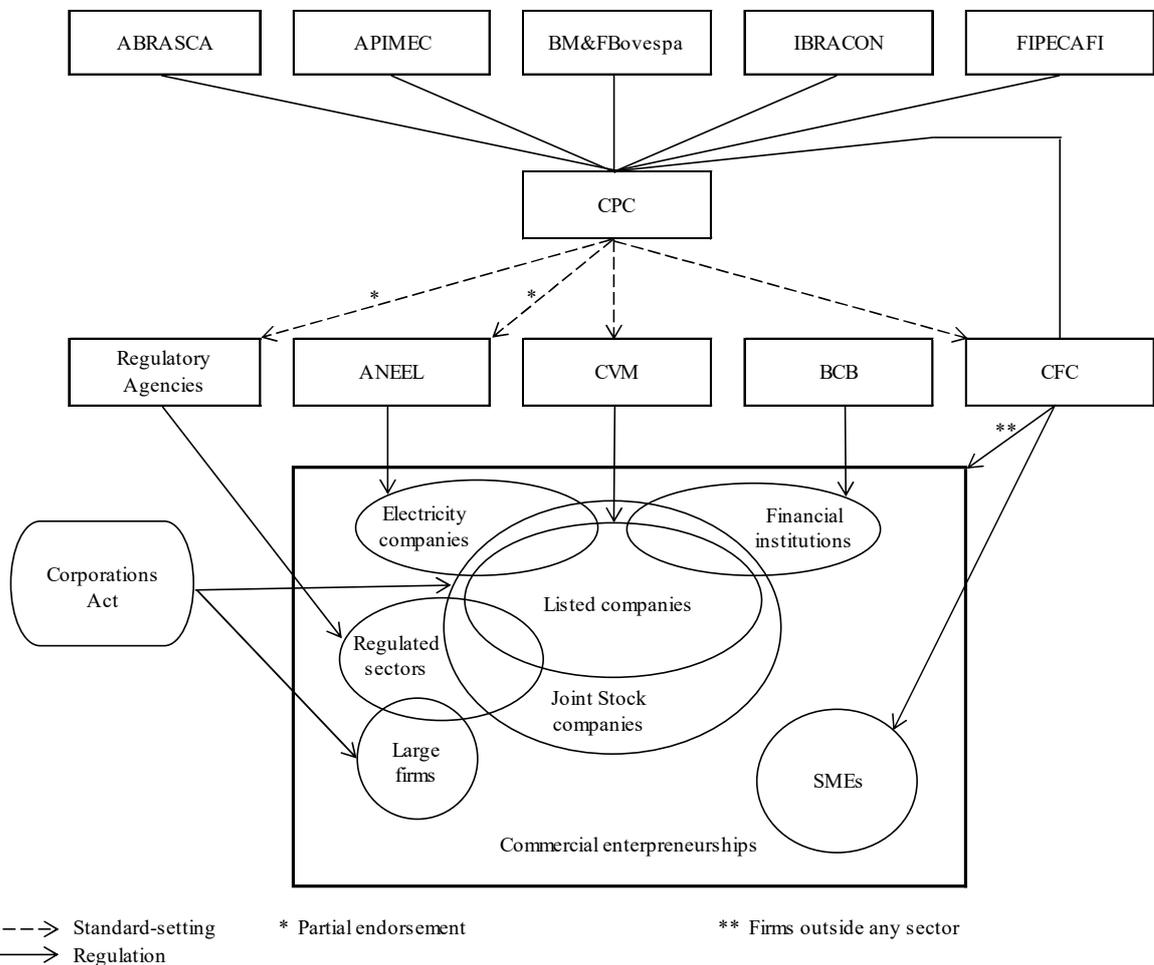
<sup>21</sup> *unifica as atividades de recepção, validação, armazenamento e autenticação de livros e documentos que integram a escrituração contábil e fiscal dos empresários e das pessoas jurídicas.*

but also a direct access to them, arguably achieving a greater level of control over Brazilian firms than ever before. Apparently, SRF’s strategy to deal with the opposition from the field of accounting regulation was to invest on its technological capacity to compensate for the decline of its relevance in this field.

#### 4.5 The current configuration of the field of accounting regulation in Brazil

Figure 11 represents the current configuration of the field of accounting regulation for the private sector in Brazil.

Figure 11 – Current configuration of the field of accounting regulation in Brazil



Source: Elaborated by the author.

Comparing the current structure of the field of accounting regulation in Brazil to that of the early-2000s, represented in Figure 8, the main changes occurred during the process of convergence to the IFRS were in the roles played by the SRF and the CFC. To a large extent,

this process was framed by its supporters as a quest for independence from the influence of taxation on Brazilian accounting practices, and they succeeded in virtually excluding the SRF from the field. Nowadays, firms do not have to keep their commercial books in accordance with tax legislation, being allowed to adjust all the differences between their accounting practices for reporting and for taxation purposes. However, beyond the scope of this thesis there still remains an interesting question: did the exclusion of the SRF from the field of accounting regulation lead to an effective reduction of the influence of taxation over the accounting practices of Brazilian firms? In a classic example of this kind of influence, Freire, Machado, Machado, Souza, and Oliveira (2012) and Telles and Sallotti (2015) present evidences that many firms kept on using the rates determined by the SRF to depreciate fixed assets after the adoption of the IFRS.

The CFC, which fiercely resisted to the creation of a private standard-setter at first, became an enthusiast of the project of convergence to the IFRS. It not just adhered to the CPC and to the interpretative community gathered around the capital market, which it had opposed for a long time, but it also committed considerable resources to disseminate the IFRS among Brazilian practitioners. Given the symbolic gains achieved by the CFC during this process, apparently its adhesion to the IFRS paid off, although the relation between these gains and the adoption of the IFRS needs to be further investigated. However, the resistance from small practitioners led the CFC to back down from its intention to generally impose the IFRS for SMEs. In what can be interpreted as a reminiscence from the old conflicts that structured the field of accounting regulation in Brazil, the CFC bypassed the CPC and issued a resolution that exempted micro-enterprises and small-sized enterprises from adopting this simplified version of the IFRS.

In terms of jurisdiction, the field did not change too much since the early-2000s. The CVM and other agencies preserved their standard-setting authority over firms under their domains, and although large firms, as defined by Act No. 11,638/2007, must follow the accounting standards endorsed by the CVM, irrespective of their legal status, the CVM itself can only enforce compliance from listed companies. Nevertheless, as large non-listed firms are also required to hire independent auditors, it seems fair to assume that they are subjected to normative pressures to conform with the CPCs and the IFRS.

Another change in terms of jurisdiction was the legal mandate granted to the CFC for issuing accounting standards for private and non-regulated firms. With the exemption of micro-enterprises and small-sized enterprises from the scope of the IFRS for SMEs, though, only mid-sized firms were required to adopt new accounting practices. By the way, the IFRS for SMEs offers a very interesting case to assess whether the proclaimed qualities of the IFRS will succeed in a market test in which the accountancy profession cannot count on a huge political support from regulators to disseminate them. Riva and Salotti (2015), for instance, found only a weak inverse relationship between the adoption of the IFRS for SMEs and the cost of banking credit for Brazilian firms from 2009 to 2011.

Two regulators, BCB and ANEEL, pose the main challenges to the prevalence of the IFRS within the field of accounting regulation in Brazil. They both contest IASB's and CPC's proposition that the single purpose of accounting regulation is to provide useful information for market participants; instead, they construe accounting regulation as a means to achieve their respective supervisory objectives of ensuring the stability of the Brazilian financial system, and of determining electric energy rates. Their contestation strategies differ, though: the BCB discursively supports the claims that the IFRS are high-quality standards but remains indifferent to the CPC, and to justify its endorsement of the IFRS, as enacted by the IASB, for consolidated financial statements only, portrays itself as a prudent regulator that must carefully examine the impacts of its actions; the ANEEL, by its turn, endorses most of the CPCs, but openly challenges the quality of some standards and requires firms under its jurisdiction to prepare and disclose an alternative set of accounts in accordance with its own rules.

Although conflicts persist in the field, they are less intense than they used to be before the creation of the CPC and the adoption of the IFRS. In general, the re-configuration of the field can be interpreted as a victory of the CVM and the interpretative community gathered around the capital market, whose views on accounting regulation prevailed during the convergence process. And this victory was translated into economic capital, with an expressive growth of the market for accounting services even during a period that coincided with the effects of the global financial crisis of 2007-2008, as evidenced by the following passage:

Brazil is profitable for investors and those which take care of them. Three of the global audit and consulting giants – PricewaterhouseCoopers, Ernst & Young and Deloitte – had here a revenue growth well above the global average. This is not to say that we are more regulated. Domestic

accounting adjustments to international standards, and business opportunities weigh in favour of this trio.

The performance of auditing and consulting firms has been influenced by the change from the Brazilian accounting standard to the International Financial Reporting Standards (IFRS), concluded last year, and the expansion of businesses that have mobilised several sectors of the Brazilian economy in recent years and months. . . .

With world-wide revenues in the order of US\$ 20 billion to US\$ 30 billion a year each, the three companies have in Brazil an important lever for their returns. Marina Falcão shows, in a reportage from Valor, that E&Y's revenues grew by 26% in the country, compared to an expansion of 7% in the world. At PwC, revenues advanced 20%, or twice the overall result. A similar move occurred in Deloitte, which reported revenue growth of 15% in the country. KPMG, which completes the group known as the Big Four, announces its figures only at the end of the year.

In contrast to what happens in the international market, where the fastest growing area is consulting, in Brazil the giants of the sector experience similar growth in consulting and auditing. . . . (Bittencourt, 2011, free translation<sup>22</sup>).

Another sign of the growth of the market for accounting services during the adoption of the IFRS can be perceived through the increase of FIPECAFI's gross revenues from 2007 to 2010, evidenced in Figure 12. Besides being a founding member of the CPC, FIPECAFI offers training courses and business consultancy, being controlled by the professors of the USP Accounting Department. In 2008, the first year after Act No. 11,638/2007 entered into force, FIPECAFI's gross revenues grew 41.7% in relation to the previous year, followed by yearly growths of 15.6% and 23.4% that led to gross revenues in 2010, when the adoption of the IFRS in Brazil was completed, twice as big as those at the beginning of this process. In comparison, the Brazilian GDP had an accumulated growth of just 12.9% from 2007 to 2010 (World Bank, 2017).

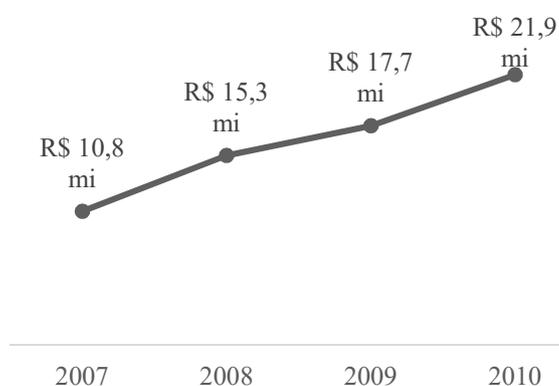
But what about the costs of this victory for the interpretative community that won the battle for the authority to issue accounting standards in Brazil? Since its inception, the CPC framed itself as a faithful translator and interpreter of the standards issued by the IASB, but not as a contestant – even when an IFRS was considered technically inappropriate, the CPC refused to

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<sup>22</sup> *O Brasil dá lucro aos investidores e para quem cuida deles. Três das gigantes globais de auditoria e consultoria – PricewaterhouseCoopers, Ernst & Young e Deloitte – tiveram por aqui crescimento de faturamento bem superior à média de expansão no mundo. Isso não quer dizer que somos mais regulados. Pesam a favor desse trio ajustes contábeis domésticos a padrões internacionais e oportunidades de negócios. O desempenho das empresas de auditoria e consultoria tem sido influenciado pela mudança do padrão contábil brasileiro para o IFRS (International Financial Reporting Standards), concluído no ano passado, e a expansão de negócios que mobilizaram vários setores da economia brasileira nos últimos anos e meses. . . . Donas de faturamento mundial da ordem de US\$ 20 bilhões a US\$ 30 bilhões ao ano cada, as três empresas têm no Brasil importante alavanca de retorno. Marina Falcão mostra, em reportagem do Valor, que a receita da E&Y cresceu cerca de 26% no país, ante expansão de 7% no mundo. Na PwC, as receitas avançaram 20% ou o dobro do resultado global. Movimento semelhante ocorreu na Deloitte que apurou expansão de faturamento de 15% no país. A KPMG, que completa o grupo conhecido como Big Four, divulga seus números só no fim do ano. Ao contrário do que ocorre no mercado internacional, onde a área que mais cresce é consultoria, no Brasil as gigantes do setor experimentam ritmo de crescimento semelhante em consultoria e auditoria. . . .*

amend it (see Table 4.21), and in face of the negative reception to IFRIC 15 by Brazilian firms, the CPC made an intense rhetorical effort to reach a solution without compromising its support to a full adoption of the IFRS (see Tables 4.23 and 4.24). With a standard-setter that does not set standards, but only translates them, the field of accounting regulation in Brazil as a whole became a space of much less power, what may explain why there are less conflicts within it: there is too little to compete for. Apparently, the institutional agents that promoted the adoption of the IFRS in Brazil were willing to give up their previous power in order to convert their symbolic capital, as much as possible, into the economic capital they earned through the expansion of the market for accounting services associated to the convergence.

Figure 12 – FIPECAFI’s gross revenues from 2007 to 2010



Source: Elaborated by the author, based on data from Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras (FIPECAFI, 2009, 2011).

#### 4.6 Epilogue: “We regret the decision we took to have completely converged towards full IFRSs since 2010”

In January 2014, the IASB issued *IFRS 14 – Regulatory Deferral Accounts*, which permits first-time adopters of the IFRS to continue to recognise and measure in their first and subsequent IFRS financial statements, in accordance with the GAAP they previously adopted, their regulatory deferral account balances, i.e.,

The balance of any expense (or income) account that would not be recognised as an asset or a liability in accordance with other Standards, but that qualifies for deferral because it is included, or is expected to be included, by the rate regulator in establishing the rate(s) that can be charged to customers. (IFRS 14, 2014).

In response to the approval of IFRS 14, the CPC sent a letter to the IASB, reproduced in Table 4.35.

Table 4.35 – CPC’s letter to the IASB regarding IFRS 14

<b>Textual evidence</b>
<p>Mr. Idésio da Silva Coelho Júnior CPC’s Chair of International Affairs – 3/19/2014 Dear Mr. Chairman of the BOARD,</p> <p>The Comitê de Pronunciamentos Contábeis – CPC (Brazilian Accounting Pronouncements Committee) believes that it is relevant to formally inform you its concerns about IFRS 14 – Regulatory Deferral Accounts issued by the International Accounting Standards Board – IASB.</p> <p>In our comment letter dated August 26, 2013, in general we agreed with the substance of the Exposure Draft 2013/5 – Regulatory Deferral Accounts, which became IFRS 14, but we did not agree with the restrictions of its applicability. Therefore, at that time we proposed the following:</p> <ol style="list-style-type: none"> <li>1) The recognition of regulatory deferral accounts should be applicable to all regulated entities and not just entities that shall adopt IFRS for the first time in the future.</li> <li>2) The recognition of regulatory account balances as established in the ED should be included in the definitive pronouncement on regulatory assets and liabilities;</li> <li>3) The basic conceptual framework under review should be changed in order to allow recognition of these regulatory assets and liabilities.</li> </ol> <p>The temporary condition of IFRS 14 is by no means a substantive reason for denying the right to recognize regulatory deferral accounts in the financial statements of early-adopter jurisdictions. We strongly believe that all entities that meet the recognition criteria for regulatory accounts, and when previous GAAP allowed such recognition, must be permitted to recognize such accounts, and not just those that shall adopt IFRS for the first time from now on. This permission, besides ensuring fair treatment among jurisdictions, would also favour comparability between entities across a given industry and among countries.</p> <p>Brazilian accounting standards in force prior to the first-time adoption of IFRS on this issue did permit recognition of Regulatory Deferral Accounts. Besides being based on sound economic and legal bases, in Brazil, Regulatory Deferral Accounts are sensitive issues mainly for power distribution (electricity) companies. All such companies had Regulatory Deferral Accounts recorded in their financial statements as a standard practice at the time of IFRS first time adoption in Brazil until 31<sup>st</sup> December 2009; once Brazil decided to fully converge towards IFRS as from 31<sup>st</sup> December 2010, all those companies were required to fully write-off in the 2010 closing the existing balances at that date — which, incidentally, provoked considerable stress among those preparers, their auditors and the Capital Markets regulator. Considering that now IFRS 14 allows to record Regulatory Deferral Accounts for newly adopters of IFRS without any sound economic reason, we see that all those companies in Brazil may (and eventually will) challenge this untimely and regrettable IASB position.</p> <p>Based on IFRS 14, we strongly believe and are aligned with power distribution companies in Brazil that recording Regulatory Deferral Accounts reflects the economic impacts of the actions of the rate regulators and faithfully represents regulated companies’ financial position and results of operation – it is definitely, in their and our view, a much more appropriate portrait of the underlying economics of their business under the prevailing Brazilian conditions — which including is supported by Federal Government assurance that the Deferrals shall have positive economic and financial consequences.</p> <p>We at CPC are asked to start a dialogue with many market participants to discuss which may be the alternatives on this matter to ultimately allow Brazilian companies to record Regulatory Deferral Accounts (Regulatory receivable or payables) on their balance sheets on an accrual basis as permitted in the IFRS 14 for new IFRS adopters.</p> <p>We all feel that IFRS 14, as it is, is not fair; we regret the decision we took to have completely converged towards full IFRSs since 2010; if we had postponed that decision until today, we would be benefited with this new IASB position which, being repetitive, is closer to the economics of the businesses than the write-offs called for and booked in 2010 in Brazil!</p> <p>This letter intends to express the common view of all members of CPC to the Board. If you have any questions about our comments, please contact us at <a href="mailto:operacoes@cpc.org.br">operacoes@cpc.org.br</a>.</p>
Source: Coelho Júnior (2014).

Not only the confrontational tone of this message is unusual, but also its form: a public letter sent to the IASB after it issued a standard and, thus, outside the public consultation procedures adopted by the Board. In this sense, it is important to stress that the CPC usually

engages with these consultations, sending comment-letters to the exposure drafts issued by the IASB. Therefore, one may interpret this letter as an expression of CPC's frustration at its lack of ability to influence the decision-making process of the IASB. The "frustration hypothesis" is corroborated by the fact that since June 2011, with the creation of the Group of Latin-American Accounting Standard Setters (GLASS), the CPC has been trying to coordinate its efforts to influence the IASB with its Latin-American counterparts. Mr. Juarez Domingues Carneiro, president of the CFC by that time and elected as the first chairman of the GLASS, issued a statement right after the inception of this initiative, reproduced in Table 4.36:

Table 4.36 – Latin-American coordination to influence the IASB

Textual evidence	Free translation
<p>Mr. Juarez Domingues Carneiro – President of the CFC and of the GLASS  <i>Jornal do CFC</i> (CFC's Newspaper) – Edition No. 108, Apr./May/Jun. 2011  <i>Mensagem do presidente do Glenif</i> (Message from the chairman of the GLASS)  <i>O Brasil conquistou o reconhecimento dos normatizadores da América Latina, elegendo-me, por unanimidade, como presidente do órgão que agora representa no Iasb os normatizadores da América Latina. Então, para mim, evidentemente como presidente do CFC e agora como representante do País no Glenif, sinto-me orgulho [sic] e satisfeito em poder levar a voz da América Latina ao Iasb, que é o órgão normatizador no mundo. É uma vitória que a gente reputa a um trabalho em equipe. Quero destacar os trabalhos de profissionais, como Amaro Gomes, Nelson Carvalho, Nelson Mitimasa e Ricardo Lopes, principalmente porque estiveram desde o começo ajudando a construir esse novo grupo.</i>  <i>Hoje, além do Glenif existem dois grupos organizados a Oceanian Standard-Setters Group (AOSSG) e o European Financial Reporting Advisory Group (EFRAG). O grupo da América Latina agora é uma realidade. Somos o quarto grande bloco que vai influenciar e contribuir para a construção de normas contábeis internacionais. É um momento importante e de reconhecimento, pois o Brasil passa a liderar esse grande bloco e mais esse desafio. Deixaremos de receber as normas, que são construídas e elaboradas por outros entes internacionais capitaneados pelo Iasb, e vamos agora passar a interferir no processo [grifos nossos].</i></p>	<p>Brazil has won the recognition of Latin American regulators, which elected me, unanimously, president of the body that now represents in the Iasb the standard setters of Latin America. So, for me, evidently as president of the CFC and now as representative of the Country in the GLASS, I feel proud and satisfied to be able to take the voice of Latin America to the Iasb, which is the standard setter in the world. It is a victory that we attribute to a teamwork. I want to highlight the work of professionals such as Amaro Gomes, Nelson Carvalho, Nelson Mitimasa and Ricardo Lopes, mainly because they were helping to build this new group ever since the beginning.</p> <p>Today, in addition to GLASS, there are two organised groups, the Oceanian Standard-Setters Group (AOSSG) and the European Financial Reporting Advisory Group (EFRAG). The Latin American group is now a reality. We are the fourth big block that will influence and contribute to the construction of international accounting standards. It is an important moment of recognition, because Brazil is leading this great block and this challenge. <b>We will no longer receive the standards, which are constructed and elaborated by other international entities headed by the Iasb, and we will now begin to interfere in the process</b> [emphasis added].</p>

Source: Carneiro (2011a).

However, this hypothesis leads to two other questions, at least: Did the members of the CPC really believe they would be able to influence IASB's decisions? And did they expect to be

more successful by putting the IASB under public pressure? For the second question, if the answer is affirmative, the response sent by the IASB, reproduced in Table 4.37, must have disappointed them.

Table 4.37 – IASB’s response to the CPC regarding IFRS 14

<b>Textual evidence</b>
<p>Mr. Hans Hoogervorst IASB Chairman – 3/26/2014</p> <p>Thank you for your letter outlining your concerns about IFRS 14 <i>Regulatory Deferral Accounts</i>, issued in January 2014. I and my fellow IASB members do understand that the issue of regulatory accounting is very sensitive in Brazil, especially for the electricity distribution companies. In making our decisions about IFRS 14, we were aware that it was very difficult for those companies and others when they eliminated their regulatory deferral account balances from the financial statements when adopting IFRS in 2010. This, we appreciate, created a lot of work to explain the issue to the users of those financial statements and to find an alternative way to communicate the regulatory balance information. I can, therefore, assure you that the IASB did not take lightly the decision to restrict its application only to first-time adopters of IFRS.</p> <p>The temporary nature of IFRS 14 is not the main reason for restricting its application to future first-time adopters of IFRS. As explained in the Basis for Conclusions on IFRS 14, rate regulation raises complex and fundamental accounting issues. In the IASB’s view, the solution to these difficult issues is by no means as straightforward as your letter suggests.</p> <p>I will try to explain why we made this difficult decision and why we could not follow the three proposals that you raised in your comment letter on the Exposure Draft and have repeated in your letter to me dated 19 March 2014. I will focus on the three proposals in reverse order because I think that this will help to explain more clearly our reasons for restricting the scope of IFRS 14 to future first-time adopters.</p> <p><b>The Conceptual Framework project</b></p> <p>In developing new Standards or making changes to existing IFRS, including the <i>Conceptual Framework for Financial Reporting</i> (the <i>Conceptual Framework</i>), we are required to carry out an extensive international consultation process.</p> <p>At this time, it is too early to say how the existing <i>Conceptual Framework</i>, which sets out the concepts that underlie the preparation and presentation of financial statements, will change as a result of the review that we are currently undertaking. We still have a long way to go through our extensive consultation and decision-making procedures (our ‘due process’) to ensure that any changes that we do make are supported and contribute to clearer and stronger concepts, which will underlie the development of future Standards. These concepts must be robust enough to provide a clear framework on which to address a wide variety of accounting issues across a broad range of industries.</p> <p>We are monitoring the interaction of this project with the Rate-regulated Activities project, but we cannot yet anticipate whether any potential changes to the <i>Conceptual Framework</i> would strengthen or weaken the arguments for recognising regulatory balances as assets or liabilities.</p> <p><b>The comprehensive Rate-regulated Activities project</b></p> <p>We respect your strongly held view that regulatory balances should be recognised as assets and liabilities. However, during the previous and the current Rate-regulated Activities projects, we have heard equally strong but opposing views that such regulatory balances should not be recognised in the financial statements as assets or liabilities.</p> <p>To help us reconcile these strongly opposing views, we have focused our resources since restarting the project on gaining a much clearer understanding of how rate regulation works globally. To help us, we have established an expert Consultative Group, which includes Brazilian representation. This group has helped us to understand and analyse the detailed information that we received from Brazil and many other countries in response to our Request for Information <i>Rate Regulation</i>, published in March 2013. We are continuing to work with the Consultative Group to develop a Discussion Paper, which we aim to publish in mid-2014.</p> <p>This Discussion Paper will set out various arguments both for and against the recognition of regulatory balances as assets and liabilities. In accordance with our extensive consultation procedures, we will seek feedback on these arguments through both comment letters and outreach discussions, which we hope will</p>

To be continued

## Continuation

**Textual evidence**

involve Latin American participation. We strongly encourage CPC and other Brazilian stakeholders to commit themselves to this process to provide us with strong evidence in support of your views. This will be vital to ensure that we receive a balance of evidence, because we are expecting to continue to receive contrary evidence from those who hold the opposing view.

Until our due process procedures are completed, we cannot anticipate whether or not the outcome of our ongoing Rate-regulated Activities project will result in regulatory balances being recognised as assets and liabilities in IFRS financial statements.

**The applicability of IFRS 14**

The IASB did consider, in public meetings both during the development of the Exposure Draft and in the redeliberations of the proposals, whether to make the interim solution available to a wider range of entities, as you suggested in your comment letter on the Exposure Draft. I provide a summary of the outcome of these discussions in the Appendix to this letter.

In particular, the IASB are mindful of the high degree of uncertainty as to the outcome of the ongoing project. This is because there is no guarantee that the project will result in entities being able to recognise regulatory balances as assets and liabilities in the same way as permitted in IFRS 14 or as previously permitted in accordance with some national GAAPs. Consequently, we decided not to require or even permit existing IFRS preparers to make a major change to their existing accounting policies to start (or restart) to recognise regulatory balances, which may then have to be eliminated again or be significantly modified in the near future when the comprehensive project concludes. We decided that the risk involved in making such major policy changes over a short period of time was too great. Such changes or potential changes would not only be costly but would seriously risk creating significant confusion and greater uncertainty for preparers, auditors, analysts and investors.

On balance, we considered that the best course of action was to complete the interim project as quickly as possible with a limited scope so that we, and our stakeholders with an interest in rate-regulated activities, could focus resources on the ongoing project. We are conscious that, because IFRS 14 is available only to a limited population of entities, we need to resolve quickly the fundamental issue as to whether rate regulation creates 'regulatory assets' and 'regulatory liabilities' and, if so, what the nature of these assets and liabilities is and how should they be accounted for in IFRS financial statements.

Consequently, I hope that CPC and other interested parties in Brazil will engage strongly in the work being done in the ongoing Rate-regulated Activities project. If you have any questions about that project or how you can contribute to it, please do contact directly my fellow Board member Mr Amaro Gomes (agomes@ifrs.org) or the project manager Mrs Jane Pike (jpik@ifrs.org).

Yours sincerely

Hans Hoogervorst

IASB Chairman

**Appendix: Why the scope of IFRS 14 is restricted to first-time adopters of IFRS**

The IASB's reasons for issuing IFRS 14 *Regulatory Deferral Accounts* are set out in paragraphs BC11-BC21 of the Basis for Conclusions on IFRS 14, which are consistent with the reasons proposed in the Basis for Conclusions on the Exposure Draft issued in April 2013. Having considered the responses to the Exposure Draft, the IASB decided that IFRS 14 balances the needs of preparers and users in jurisdictions that currently recognise regulatory deferral account balances in accordance with previous GAAP, and those that already prepare IFRS financial statements and do not recognise such balances (paragraph BC17).

While there were some respondents to the Exposure Draft who advocated a wider scope, they did not propose a clear solution as to how this could be achieved. Some suggested that entities should return to the policies that they used before making the transition to IFRS; others suggested allowing entities to develop their own policies; and others suggested that the IASB should determine what policies should be applied.

Consequently, the IASB took the difficult decision to restrict the application of IFRS 14 to first-time adopters for many reasons, including:

- IFRS 14 "is likely to remove a major barrier to the adoption of IFRS", which "should reduce the risk of entities adopting locally developed [solutions] that would otherwise create greater diversity of accounting treatment and greater confusion for users of financial statements" (paragraphs BC20(a)-(b) of the Basis for Conclusions on IFRS 14).
- Allowing entities to return to previous policies or to develop new policies would introduce more

## Conclusion

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### Textual evidence

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inconsistency and diversity in the treatment of regulatory balances.

- If we had tried to develop more detailed guidance in the interim project to enable more consistent policies to apply, this would have seriously delayed the main Rate-regulated Activities project (the main purpose of which is to identify how to identify appropriate accounting policies for the effects of rate regulation). This would have been contrary to the strong message that we received in our international consultation process, which was to try to complete the main project as quickly as possible.
- IFRS 14 does not anticipate the outcome of the main project (paragraph BC21).
- IFRS 14 is intended to help entities avoid having to make a major change to their accounting policies for regulatory deferral account balances until the comprehensive Rate-regulated Activities project is completed (paragraph BC18).

Permitting or requiring entities to make a major change to their existing accounting policies to start (or restart) to recognise regulatory balances would not only risk prejudicing the outcome of the main project, but would create confusion and greater uncertainty because there is no guarantee that the outcome of the main project will be to recognise regulatory balances as assets and liabilities in the same way as permitted in IFRS 14 or previously permitted in accordance with some national GAAPS.

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Source: Hoogervorst (2014).

Basically, the IASB politely reaffirmed its decision about IFRS 14 and stressed that its public consultations are the appropriate forum to discuss any changes to the IFRS. Furthermore, the Board also expressed its understanding that the matters addressed by CPC's letter have a polemic character; hence, CPC's letter may also have been an attempt to set the Rate-regulated Activities project among the priorities within the agenda of the IASB, and to reinforce CPC's position about this topic. But if that was indeed an intention of CPC's letter, it did not succeed either: after issuing a discussion paper in September 2014, as of August 2017 the Board has not decided yet whether to publish a second discussion paper or an exposure draft (IASB, 2017), what means that it is still far from issuing a standard about rate-regulated activities.

An alternative interpretation for CPC's letter, which does not necessarily contradict the previous ones, is that it was intended to address Brazilian audiences. In this sense, it is interesting to notice that, to threaten the IASB, the CPC speaks on behalf of power distribution companies, claiming that "all those companies in Brazil may (and eventually will) challenge this untimely and regrettable IASB position" (Coelho Jr., 2014) – as the case of SRF's Normative Instruction No. 1,397/2013 also evidences (see section 4.4.4), being an "independent" standard-setter does not preclude the CPC from acting as a business lobbyist. Other relevant aspect of CPC's letter is that the issue addressed – regulatory deferral accounts – is among those whose accounting treatment according to the IFRS is not endorsed by ANEEL, and the alternative policy proposed by the CPC was the same ANEEL demands for

regulatory purposes (see Table 4.28). Subscribing the accounting practice that ANEEL enforced and that power distribution companies wanted to see incorporated into the IFRS, the CPC acknowledged that it provides “a much more appropriate portrait of the underlying economics of their business under the prevailing Brazilian conditions” (Coelho Jr., 2014), what may be interpreted as an attempt of conciliation with an institutional agent that is one of the main challengers of the IFRS within the field of accounting regulation in Brazil.

And yet, this acknowledgement evidences once again the commitment assumed by the CPC, ever since its inception, to become only a translator for the IASB. After all, if the Brazilian accounting standards in force prior to the first-time adoption of the IFRS were “based on sound economic and legal bases” (Coelho Jr., 2014), and “closer to the economics of the businesses than the write-offs called for and booked in 2010 in Brazil” (Coelho Jr., 2014), why did the CPC overrule them? Because not doing so would require amending the IFRS to adapt them for the Brazilian context, and this, as I expect to have properly demonstrated in this chapter, was a step the CPC was never willing to take. As a further piece of evidence for this interpretation, the dialogue conducted by the CPC “with many market participants to discuss which may be the alternatives on this matter to ultimately allow Brazilian companies to record Regulatory Deferral Accounts” (Coelho Jr., 2014) resulted in OCPC 08, a Guidance issued in December 2014. Some excerpts from this Guidance are presented in Table 4.38.

Table 4.38 – CPC’s solution for the recognition of regulatory deferral accounts

Textual evidence	Free translation
<i>OCPC 08 – Reconhecimento de Determinados Ativos e Passivos nos Relatórios Contábil-Financeiros de Propósito Geral das Distribuidoras de Energia Elétrica emitidos de acordo com as Normas Brasileiras e Internacionais de Contabilidade</i> (Recognition of Some Assets and Liabilities in the General Purpose Financial Statements of Electric Power Distribution Companies issued according the Brazilian and International Accounting Standards) – 12/9/2014	
<i>IN10. Para reduzir incertezas relevantes quanto ao reconhecimento e à realização ou liquidação dos ativos e/ou passivos regulatórios e, conseqüentemente, qualificá-los como passíveis de reconhecimento nos relatórios contábil-financeiros de propósito geral das concessionárias de distribuição de energia elétrica brasileiras, a ANEEL decidiu, em 25 de novembro de 2014, e com a plena aceitação posterior de cada empresa concessionária e permissionária que quiser a isso aderir, aditar os contratos de concessão das companhias de distribuição de energia elétrica brasileiras. . . .</i>	IN10. In order to reduce relevant uncertainties regarding the recognition and realisation or settlement of regulatory assets and/or liabilities and, consequently, to qualify them as recognisable in the general purpose financial accounting reports of Brazilian electricity distribution concessionaires, ANEEL decided, on November 25, 2014, and with the full acceptance of each concessionary and permit holder that wishes to join it later, amend the concession agreements of Brazilian electricity distribution companies. . . .
<i>IN13. Após analisar essa situação e considerando, principalmente, o advento do aditamento dos</i>	IN13. After analysing this situation and considering, mainly, the advent of the amendment to concession agreements of concessionaires and permit holders of

To be continued

## Conclusion

Textual evidence	Free translation
<p><i>contratos de concessão das concessionárias e permissionárias de distribuição de energia elétrica brasileiras que alteraram os procedimentos de revisão tarifária, e levando em conta que, em decorrência de tal aditamento, as concessionárias que aderirem a essa alteração possuirão direito (ou obrigação) incondicional de receber (ou entregar) caixa ou outro instrumento financeiro a uma contraparte claramente definida, este Comitê entende não mais haver incerteza significativa que seja impeditiva para o reconhecimento dos ativos e passivos decorrentes da metodologia de definição da tarifa de distribuição de energia elétrica nos relatórios contábil-financeiros de propósito geral dessas entidades. Dessa forma, considerando as características fundamentais da relevância da informação, a necessidade de sua representação fidedigna e todos os atributos da informação contábil previstos na Estrutura Conceitual para Elaboração e Divulgação de Relatório Contábil-Financeiro, este CPC deliberou emitir esta Orientação a fim de assegurar nas demonstrações contábeis o registro e a divulgação das informações relevantes que auxiliem os usuários em seus processos de tomada de decisões.</i></p>	<p>Brazilian electric power distribution that altered the rate revision procedures, and taking into account that, as a result of this amendment, the concessionaires that adhere to this amendment will have the right (or obligation) to receive (or deliver) cash or other financial instrument to a clearly defined counterparty, this Committee understands that there is not any significant uncertainty anymore that would impede the recognition of assets and liabilities arising from the methodology to define the rates for electricity distribution in the general purpose financial reports of these entities. Thus, considering the fundamental characteristics of information relevance, the need for a faithful representation and all the attributes of the accounting information provided in the Conceptual Framework for Financial Reporting, this CPC decided to issue this Guidance in order to ensure the recognition and disclosure in accounting statements of relevant information that assist users in their decision-making processes.</p>

Source: CPC (2014).

As I did not investigate the process that led ANEEL to decide to amend the concession agreements of Brazilian electricity distribution companies, it is an educated guess at best, but apparently the CPC was more successful in adapting the Brazilian context to the IFRS than the other way around. What OCPC 08 evidences *per se* is a rhetorical effort similar to that of OCPC 04 (see Table 4.24), with the CPC developing an interpretation to accommodate the interests of Brazilian firms to the current version of the IFRS. In short, although the polemic about IFRS 14 suggests the emergence of a new locus of conflict in the field of accounting regulation in Brazil, with the CPC starting to openly challenge the IASB, it is still an incipient movement. Furthermore, the resolution of this specific case shows that, at least by now, the CPC is still not willing to explicitly reject any standard issued by the IASB<sup>23</sup>, being more likely to construct controversial interpretations to adapt the interests of Brazilian firms to the IFRS.

<sup>23</sup> To be fair, the CPC never issued a Pronouncement equivalent to *IAS 29 – Financial Reporting in Hyperinflationary Economies*. But this standard only applies to entities whose functional currency is the currency of a hyperinflationary economy, with cumulative inflation over three years of around 100 per cent or more – an unlikely scenario for the Brazilian economy in the foreseeable future.

Another recent initiative which suggests the CPC may be seeking for some level of autonomy is *OCPC 07 – Evidenciação na Divulgação dos Relatórios Contábil-Financeiros de Propósito Geral* (Disclosure in the Presentation of General Purpose Financial Statements). In this case, the CPC addresses the quantity and quality of information to be presented in the notes to the financial statements, an issue the IASB itself has not explicitly addressed yet. Future trends for this quest, however, are hard to tell: Will the CPC keep on looking for spots in the IFRS to fill? Or will it adopt a confrontational tone similar to that used for questioning IFRS 14? Or will it simply conform and try to influence the due process of the IASB? The only prediction I am comfortable to make is that, irrespective of the path followed by the CPC, it will be difficult for the field of accounting regulation in Brazil as a whole to ever recover any significant proportion of the power that was voluntarily transferred to the IASB.



## 5 CONCLUSIONS

*“Philosophers have hitherto only interpreted the world in various ways; the point is to change it.”*  
(Marx, 1845/2002).

In this thesis, I investigated the reconstitution of the field of accounting regulation in Brazil during the adoption of the IFRS, drawing on the Bourdieusian concepts of field, capital and habitus. As exposed in Chapter 2, I divided my analysis into two phases: a first-order mapping of the constitution of this field within the Brazilian socio-historical context, from its origins until the early-2000s, presented in Chapter 3; complemented by a second-order mapping of the linguistic habitus associated to this field and of its changes during the process of convergence towards the IFRS, presented in Chapter 4.

In Chapter 3, my review of the literature about the history of accounting in Brazil indicates that the constitution of the field of accounting regulation was driven by the State. Over the years, accounting regulation was deployed by different fringes of the State apparatus as a means to implement and control public policies, assuming a legalist and instrumental character. In this context, the development of the accountancy profession was also driven by its relationship of accommodation with the State – the infiltration of its leading members within different fringes of the State apparatus was the main route to advance the professional agenda.

Tax authorities, however, remained largely impervious to the influence of the profession, constructing accounting as a calculative technique to control taxation. But a new professional elite that started to be constituted by the end of the 1950s, with the arrival of the international accounting firms in Brazil, did succeed to obtain the support of financial sector regulators for accountants' agenda. During the 1970s, the approval of a new Corporations Act consolidated the formation of an interpretative community between financial sector regulators and some segments of the professional and academic fields of Brazilian accounting, through an arrangement by which the IBRACON, representing the professional elite that provided auditing services for multinational enterprises, for the financial sector and for listed companies, issued Anglo-American inspired accounting standards that were endorsed by the then-created CVM and disseminated by the USP Accounting Department.

But in opposition to the capital market pole, in the 1980s the CFC started to dispute the primacy within the field of accounting regulation, issuing accounting standards of its own. Instead of the decision-usefulness typical of the Anglo-American approach taken by the capital market pole, the standards issued by the CFC were framed by a discourse of scientificity, preserving the approach of the Italian schools of thought that influenced the development of accounting in Brazil since its early days. Representing the interests of small practitioners whose clients are small and medium-sized enterprises, the CFC was probably trying to enhance the symbolic capital of a constituency which enjoyed a lower social status – whereas a pragmatic approach to accounting regulation suited the needs of the professional elite represented by the IBRACON, which controlled the most prestigious and profitable segment of the market for accounting services, for small practitioners such an approach threatened to consecrate a view of accounting as an instrumental task that did not require complex knowledge for being carried out.

In Chapter 4, my analysis of the process of convergence of the Brazilian accounting standards to the IFRS corroborates the view of Chua and Taylor (2008), who affirm that “the crucial impetus at a national level for adopting IFRS has typically been from the government and/or government agencies” (p. 464). In the Brazilian case, the efforts to approve the legislative reforms necessary for the adoption of the IFRS were led by the CVM, which elaborated Draft 3,741/2000, and supported by other segments of the State apparatus, such as the BCB and the Ministry of Finance. At the discursive level, these efforts were characterised by a high homogeneity throughout the whole period analysed: Brazilian accounting standards were deemed as outdated, needing to be modernised, and the adoption of the IFRS would enhance the transparency, comprehensibility, comparability and reliability of the financial reports of Brazilian firms, what would allow them to compete for funding in international financial markets and attract foreign investments to Brazil, promoting the economic development of the country.

Although this economic rationale was usually uttered through categorical affirmations, the public debate about the adoption of the IFRS in Brazil was not informed by substantive empirical evidences. Further than unverified, most of the assumptions about the effects of the IFRS were also unverifiable – given their vagueness, the concepts employed to describe the benefits of the IFRS could fit any underlying scenario. In this sense, **transparency** was the main signifier employed to convey the profession of faith in the IFRS, even though a

definition of what it means and how the IFRS would promote it was not specified. Arguably, informing the public debate would be a task for the academic community, but as I argued elsewhere, the academic field in Brazilian accounting has a low level of autonomy in relation to the professional field (Homero Junior, 2017a), and the Brazilian academic discourse about the IFRS is marked by a subordination to the interests of the accountancy profession and by an uncritical reproduction of standard-setters' discourses (Homero Junior, 2017b).

The discourses of the interpretative community that promoted the adoption of the IFRS in Brazil were also characterised by the silence about the costs that this transition would impose to the national economy. The consideration of this aspect can only be grasped through an unaddressed contradiction: despite all the alleged benefits of the IFRS, their mandatory adoption by large private firms was championed on the grounds that it would eliminate a barrier for the development of the Brazilian capital market, claiming that listed firms complained about the fact that their non-listed competitors did not have the obligation to disclose their financial reports. This line of argumentation implies that the alleged benefits of the IFRS were not as attractive for firms as the pro-IFRS discourses suggested, what is corroborated by the fact that the approved version of Draft 3,741/2000, due to business lobbying, did not impose on large private firms the obligation to disclose their financial reports.

**Globalisation** was also a signifier that played a major role in the linguistic habitus of the field of accounting regulation in Brazil during the convergence to the IFRS. For their supporters, the IFRS were framed both as a means to facilitate the access of Brazilian firms to globalised financial markets and as a necessary consequence of globalisation, whereas some contestants also acknowledged that the adoption of the IFRS, due to globalisation, was unavoidable. Together with the frequent references to the international tendency of harmonisation of accounting standards, globalisation was mobilised by the interpretative community that promoted the adoption of the IFRS in Brazil to evoke the “there is no alternative” principle common to neoliberal discourses – something that time proved to be misleading, since five jurisdictions within the G20 (USA, Japan, China, India and Indonesia) have not generally adopted the IFRS yet (IFRS Foundation, 2017), and there are no news of any catastrophic consequences for them so far.

The CFC, as the main challenger of the capital market pole within the field of accounting regulation in Brazil by the early-2000s, fiercely opposed the creation of a private standard-setter at first. Discursively, this opposition was expressed through the support for the Brazilian accounting standards – their quality, CFC representatives claimed, was equivalent to the IFRS. However, my analysis of evidences in Chapter 4 suggests that the greatest concern for the CFC was not the content of accounting standards, but the authority to issue them. The opposition to the first attempts to create the CPC was framed as a defence of the self-regulation of the accountancy profession, which would be harmed, according to CFC representatives, if the authority to issue accounting standards were delegated to a body composed by non-accountants. To further sensitise the parliamentary against the CPC, these representatives also claimed that the CFC already played the role of standard-setter successfully and without costs for the State, alleging that the public interest would be better served if an explicit mandate to issue accounting standards were granted directly to the CFC.

In October 2005, though, in a somehow surprising turn of events, the CFC itself created the CPC, through Resolution No. 1,055. Actually, negotiations to create the CPC were already being conducted since August 2003 at least, and the final form taken by the CPC was possibly a compromise that allowed CFC representatives not to concede that the standard-setting process would no longer be fully controlled by the accountancy profession. However, although hosted by the CFC, the CPC was also composed by representatives from ABRASCA, APIMEC, BM&FBovespa, IBRACON, and FIPECAFI – pretty much the same entities that were represented in CVM's CCNC. Therefore, the creation of the CPC formalised the interpretative community of which the CFC had been an opponent, apparently solving the main conflict that structured the field of accounting regulation in Brazil until then. In the following years, the CFC achieved goals it was pursuing for a long time, such as an effective participation in the standard-setting process for the public sector, an explicit legal mandate to issue accounting standards for private and non-regulated firms, the right to promote a professional examination for aspirants to register as accountants, and the end of the registration of accounting technicians. If the social capital the CFC obtained was a facilitator for these symbolic gains – a hypothesis that needs to be better explored by further researches –, then its co-optation by the capital market pole apparently paid off.

Another major theme in the linguistic habitus associated to the field during the process of convergence to the IFRS was the influence of taxation on Brazilian accounting practices,

which played the role of a powerful and common enemy that justified the alliance between the CFC and the capital market pole. Unfortunately for the purposes of this thesis, tax authorities remained silent in the public debates about the IFRS, making it difficult to track the changes of their linguistic habitus and to assess their strategies. Tentatively, I suggest that the SRF invested on its technological capacity to compensate for its loss of relevance within the field of accounting regulation – with the development of the SPED, arguably the SRF achieved a greater level of control over Brazilian firms, and the regulation of accounting practices for reporting purposes became irrelevant for taxation.

In general, the main structural changes of the field of accounting regulation in Brazil during the adoption of the IFRS can be interpreted as a victory of the capital market pole, which managed to co-opt the CFC and to exclude the SRF from the field, making its view on accounting regulation prevail. Nevertheless, the hegemony of the CPC in the field is still challenged in three fronts, at least. Two regulators, the BCB and the ANEEL, refuse to fully endorse the standards issued by the CPC – they both contest the view that the single purpose of accounting regulation is to provide useful information for financial market participants, also construing it as a means for achieving their supervisory objectives. As a consequence, firms under their jurisdictions are required to prepare and disclose alternative sets of accounts, even though their strategies are different – whereas the BCB supports the claim that the IFRS are high-quality standards but remains indifferent to the CPC, the ANEEL endorses most of the standards issued by the CPC but openly challenges the quality of the standards it refuses to endorse. Another focus of conflict arose within the CFC – due to small practitioners' resistance to the adoption of the IFRS for SMEs, the CFC employed its newly-obtained mandate to issue accounting standards for private and non-regulated firms to bypass the CPC and re-establish the previous *status quo* for micro-enterprises and small-sized enterprises, which were exempted from most of the demands of this simplified version of the IFRS.

In spite of these remaining conflicts, the field of accounting regulation in Brazil became less disputed after the process of convergence to the IFRS. From the analysis developed throughout this thesis, my main suggestion is that the field as a whole is not a space of power anymore – ever since its inception, the CPC framed itself as simply a translator and interpreter for the IASB, what meant that, except from the few examples discussed in the previous paragraph, substantive decisions in the standard-setting process are not made in Brazil. In this sense, the consultation procedures conducted by the CPC are nothing but a simulacrum of

democracy – and not just because of a lack of the *demos*, since its non-elected members, like IASB's, are not bound to follow the suggestions received through these procedures, but also because of a lack of *kratos*, as only the wording of the translations issued by the CPC are effectively discussed, and contestations about the content of the standards being translated are dismissed even when the CPC agrees that an IFRS is technically inappropriate (see Table 4.21 and Table 4.35).

As a standard-setter that does not set, but only translates standards, the CPC could easily be replaced by an official translation of the IFRS, as the case of the BCB testifies. Constrained by a lack of power originated from its (largely self-imposed) commitment to not contesting the IASB, throughout the years the CPC acted as a representative of Brazilian firms in their conflicts with their auditors (see Table 4.24 and Table 4.25), the SRF (see Table 4.34), and even with the IASB (see Table 4.35 and Table 4.38), evidencing a search for an effective institutional role within the regulatory space as a mediator of conflicts and, irrespective of its claims of “independence”, as a business lobbyist. The relatively recent initiative to openly contest a decision made by the IASB, deeper analysed in Section 4.6, also indicates that, despite the attempt to coordinate Latin-American efforts to enhance its representativeness, the CPC still lacks the ability to influence the decision-making process of the IASB, being more successful in adapting the Brazilian context to the IFRS than the other way around.

Considering the politics of the international expansion of the IFRS, this thesis contributes for a deeper understanding of the role of local agents in their adoption within a jurisdiction. In the Brazilian case, this process was conducted by an interpretative community which had been constituted some decades before, gathering practitioners and academic accountants linked to the capital market, and having in the CVM its main interface with the State apparatus. These agents shared similar schemes of perception, thought and action, i.e., a common habitus, which was modelled after the Anglo-American approach to accounting regulation. Thus, the process of convergence to the IFRS can be interpreted, in a long-term perspective, as the culmination of the symbolic dispute between the Continental-European models that influenced the development of accounting in Brazil since its early days, and the Anglo-American model that started to be disseminated with the arrival of international accounting firms by the end of the 1950s. And although this conflict can be roughly associated to a dispute between different segments of the market for accounting services – non-listed local

firms versus multinational enterprises and listed firms – both sides of this conflict were represented by Brazilian practitioners<sup>24</sup>.

Foreign agents did play an important role in this process, though. After seven years being processed by the National Congress, Draft 3,741/2000 was set as a priority within the parliamentary agenda only after pressures from the World Bank and from participants of the World Economic Forum. The local interpretative community that led the Brazilian convergence, having failed to sensitise the political establishment before, did not waste the window of opportunity opened by this foreign help, and ensured the completion of a full transition to the IFRS within a little more than three years after Act No. 11,638/2007 was approved. During this process, they wilfully gave up any pretension of contesting the IASB, exchanging the symbolic capital they possessed as standard-setters for the economic capital they earned through the expansion of the Brazilian market for accounting services.

This development of a service industry associated with financial activities is also an aspect of the morphological transformation of capitalism entailed by financialisation (Chiapello, 2016). Looking at the broader picture, this thesis helps to illustrate how the international regulation of accounting advances the financialisation of capitalism – under “technical” discourses framed by vague signifiers like transparency, comprehensibility, comparability, reliability and so on, the political decision-making process in accounting standard-setting was shifted to the IASB, an unaccountable private body which promotes the interests of financial capital through standards that are “protected” from any effective form of public scrutiny. However, the examples of the BCB and of the ANEEL also illustrate that local regulators can challenge this process and effectively scrutinise the accounting standards they endorse – whether their alternative rules are less “financialised” than the IFRS is a question to be addressed by further investigations.

In fact, many questions raised throughout this thesis can be better addressed by future researches. My choice to restrict the sources of evidences to archival data was informed both by a pragmatic concern with their availability and by a methodological necessity to explore

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<sup>24</sup> To the best of my knowledge, there are not any investigation specifically focused on the role of foreign practitioners in the development of the accounting profession in Brazil. However, from my personal experience, corroborated by my reading of IBRACON (2007), even the local branches of international accounting firms have always been composed mainly by Brazilian practitioners – those occupying leading positions are usually trained abroad.

their temporal dimension, but other research approaches, such as interviews, participant observation, ethnography, etc., can certainly enrich the analyses provided here. Other theoretical lenses can provide a fruitful exploration of these evidences as well – the subalternity with which the CPC framed its role ever since its inception, for example, could be subjected to a post-colonial analysis such as proposed, among others, by Quijano (2000), who suggests that the social interests of the small white minority in control in certain Ibero-American societies during the nation-state formation were explicitly antagonistic to American Indians, blacks, and mestizos. According to him, “from the point of view of the dominators, their social interests were much closer to the interests of their European peers, and consequently they were always inclined to follow the interests of the European bourgeoisie. They were, then, dependent” (p. 566).

Notwithstanding these limitations, which I believe are inherent to any research with such a broad scope, I do stand for the results achieved. The Bourdieusian approach I adopted, which allowed me to place the conflicts within the field of accounting regulation in Brazil at the centre of my analyses, also suggests that this field, as any other, will keep on being structured by conflicts – either those pointed out here or new ones. Therefore, this thesis can contribute not only to interpret the past, but also the future of this field and, hopefully, to change it as well.

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