Revista de Educação e Pesquisa em Contabilidade
Journal of Education and Research in Accounting
Revista de Educación e Investigación en Contabilidad

REPeC, Brasília, v. 9, n. 2, art. 5, p. 193-208, Apr./Jun. 2015
Available online at *www.repec.org.br*
DOI: http://dx.doi.org/10.17524/repec.v9i2.1180

Quarterly journal, digital and free published by Brazilian Academy of Science in Accounting

ISSN 1981-8610

Bovespa Corporate Governance Levels and Information Disclosure to the Market: a Comparison of Business Combination Disclosures in Explanatory Notes

Abstract

In this study, the disclosure of information associated with Corporate Governance based on the listing segments of the São Paulo Stock Exchange (Bovespa) is focused on through the disclosure of business combinations in the annual financial statements. Based on Technical Pronouncement CPC 15, the explanatory notes to the statements for 2012 of companies listed on Bovespa were analyzed, considering the distinguished listing segments, to investigate whether the segments with higher governance levels would also present a higher disclosure level. The information published was analyzed descriptively in terms of type: simple, descriptive and detailed, including statistical confirmation by means of the Mann-Whitney test to compare the New and Traditional Market segments and the Wilcoxon test to compare the information blocks. No significant differences were found in the disclosure level attributed to the governance, but the level of disclosure dropped as the complexity of the required information increased. The results indicate greater sensitivity to the type of information related to the listing segments, an approach applicable to other normative pronouncements or other Corporate Governance indicators.

Key Words: Business Combinations; CPC 15; Listing segments

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

Received in 11/17/2014. Ask to Revise on 2/16/2015. Resubmitted on 3/13/2015. Accepted on 3/17/2015 by Valcemiro Nossa (Editor). Published on 6/30/2015. Organization responsible for the journal: Abracicon.

1. Introduction

Mergers and acquisitions motivate research, due to the nature of the negotiations as well as the magnitude of the transactions. The different legal possibilities for corporate restructuring include those that provoke a change in the companies' control. At bottom, these are business combinations, which are of particular interest to accounting re search. According to Iudícibus, Martins, Gelbcke and Santos (2010), "a business combination is a relevant event to the extent of altering the valuation base of the companies' assets and liabilities or purchases businesses". Thus, this is an operation with accounting consequences for the purchased company as well as for the company purchasing the business.

Disclosing business combinations in the financial information is relevant in terms of the reception by the market. In 2012, more than 400 financial statements were publishes, among which almost 100 disclosures of business combinations were identified. As these corporate operations lead to changes in the companies' control structure, this information is particularly useful in the decision process of external users. In accordance with a higher corporate transparency level, the São Paulo Stock Exchange (Bovespa) has special listing segments, for voluntary adherence, appropriate to the different company profiles, with strict governance rules, which attract the investors. Thus, rights and guarantees are warranted to the stockholders, as well as more comprehensive information disclosure to the market participants (Bovespa, 2013b).

As regards the special listing segments on the stock exchange, New Market, Level 2 and Level 1, according to Bovespa (2013a), the transparency and governance the investors require are considered, involving additional governance practices besides those required by Brazilian legislation and more transparent and comprehensive information disclosure. On the opposite, according to the Brazilian Corporate Governance Institute (IBCG) (2013), a high concentration of stock control is characteristic of the Brazilian market, as well as low efficacy of the boards of directors and high overlapping between property and management, which appoints the companies' lesser interest in providing information to the market transparently.

In that context, the research question is: Does the Corporate Governance level, represented by the adherence to the special listing segments on Bovespa, influence the disclosure of strategic information to the market, such as business combinations? The objective in this research was to investigate the information disclosure level on business combinations in the financial statements of publicly traded companies on Bovespa for 2012, considering the different market segments.

Earlier studies show that, when the companies' voluntary information disclosure is considered, the special listing segments are determinant factors in the level of information disclosure, according to Lanzana, Silveira and Famá (2006), Murcia and Santos (2009), Mendes-da-Silva, Ferraz-Andrade, Famá and Maluf (2009). When information disclosure on business combinations is analyzed in the context of the new accounting standard CPC 15 – Business Combinations, which is compulsory, this stratification is not relevant, according to Nakayama (2012), Bachir (2013), Assis, Marinho, Silva and Andrade (2013) and Nakayama and Salotti (2014). These studies included the years 2010 and 2011 though and associated the lack of full compliance with the standard to its novelty, possibly indicating the companies' learning curve, thus expecting that, in subsequent years, the information preparers' maturing would promote full information disclosure.

As the accounting practice has not fully absorbed this compulsory information yet, and as the standard was adopted some years ago, differences among companies are to be expected in the level of disclosure. Reflecting the additional disclosure commitments due to the adherence to the special segments and, therefore, greater interest in full information disclosure, as Bovespa argues (2013c), in comparison with the traditional Brazilian market the IBCG describes (2013), based on the main research hypothesis, a higher level of information disclosure on business combinations is expected in New Market than in Traditional Market companies.

The standard that currently regulates the disclosure of business combinations is Technical Pronouncement CPC 15 (R1) – Business Combinations, issued in 2011. To analyze the disclosure level of business combinations, a list was elaborated with unconditional items to be informed about the operations, and the publications were observed in the explanatory notes to the yearly financial statements. The list was elaborated to measure different levels of compliance with the pronouncement: simpler and more direct information on the operations: qualitative descriptive information; and more complex information on financial and accounting details. In an additional research hypothesis, a higher disclosure level of simpler information is expected, as well as a lower disclosure level depending on the increasing complexity of the required information.

Based on the grouping of the companies according to the listing segments and the type of normative requirement, evidence of sensitivity was found with regard to the kind of information reported, although no significant evidence was of greater disclosure associated with the corporate governance levels used in this research in general. Thus, the intent is to contribute to the companies' disclosure of different information levels, associated with the type of information required in the standard and disseminated by the companies.

In the next section, the theoretical foundations are presented about business combinations and Corporate Governance information is disclosed, as represented by the special listing segments on the stock market. The methods section discusses the data survey, presenting the requisites analyzed and the relevant statistical tests. Next, the analysis of the results is presented and, finally, the conclusions.

2. Theoretical Background

Business combinations are operations whose disclosure is currently regulated in Technical Pronouncement CPC 15 (R1) – Business Combinations, issued in 2011, corresponding to IFRS 3 – Business Combinations (International Accounting Standards Board [IASB], 2011). According to the pronouncement, a business combination is "an operation or other event through which a buyer gains control over one or more businesses, independently of the legal form of the operation", including mergers between independent parties. The term "business" is defined as "an integrated set of activities and assets capable of being conducted and managed to produce a return, in the form of dividends, cost reduction or other economic benefits, directly to its investors or other owners, members or participants". Control is defined as: "the power to govern the entity's financial and operational policy to gain benefits from its activities".

The entity that gains control is referred to as the acquiring company, and the business whose control is bought through the operation is the target company. In the scope of the pronouncement, it is observed that, when control is shared, which is the case of joint ventures, Technical Pronouncement CPC 19 (R1) – Investment in Joint Ventures should be complied with and CPC 15 (R1) – Business Combinations does not apply. It is important to highlight that, to be considered a business combination, control should be transferred. Iudícibus et al. (2010) observe that corporate restructuring operations in which the entities remain under the same control do not represent business combinations for accounting purposes, as the transfer of control is not present.

In compliance with CPC 15 (R1), items 4 and 5, in business combinations, the acquired business should be assessed by means of the acquisition method. For its application, the company acquiring the business should be identified and the acquisition date should be determined. In addition, the following should be recognized and measures, the identifiable assets acquired, the liabilities assumed, and the corporate interests of non-controllers in the acquired company; the goodwill or gain from a profitable purchase.

In general, any information on business combinations for disclosure is included under item B64 of Technical Pronouncement CPC 15 (R1) – Business Combinations (2011). The disclosure requisites include unconditional items, which do not depend on specific factors of the operation, and conditional items, applicable to certain cases only. Hence, unconditional information should always be included, such as the name of the acquired company, date and motives for the acquisition. On the opposite, information like interests of non-controllers are not relevant for cases in which the entire business is acquired, when only the controller exists, and is therefore conditional.

In Bachir (2013), statements were analyzed for 2010 and 2011, based on a list of requisites that included seven unconditional items, and one of the author's findings was that, the more complex the information, the lesser the disclosure. One important consideration used in the research was that the choice of the unconditional items permits a comparative frequency analysis of the information included in the financial statements analyzed as a whole. On the other hand, items were selected directly from CPC 15, without segregating any compound items, so that, when only partially complied with, the author decided to consider that the requirement had not been complied with.

In Nakayama (2012) and Nakayama and Salotti (2014), statements were analyzed for 2010 to observe what factors influenced the companies' disclosure level, building a disclosure index of business combinations based on the work by Shalev (2009). It is highlighted that the authors consider this disclosure as the companies' level of compliance with the standards, as these items are not compulsory and therefore depend on voluntary disclosure. Among the factors analyzed, it was concluded that the size of the audit company and the relative size and the target company in relation to the acquiring company were relevant for the index, while listing on the segments Level 2 or New Market revealed not to be significant for the model. Assis et al. (2013) developed a research in New Market company reports only for 2011, based on the same list elaborated by Nakayama (2012), and observed no significant evolution between one year and the other.

In a study in the American market, Shalev (2009) verified the disclosure of business combinations focused on the goodwill in the operation. The results showed that the information level disclosed drops as the goodwill increases, suggesting that companies tend towards lesser disclosure when the acquisition is less favorable. In Nakayama (2012) and Nakayama and Salotti (2014), for Brazil, goodwill was not a relevant factor to explain the disclosure level.

Considering that greater information disclosure permits more precise company valuation, Hodgdon, Tondkar, Harless and Adhikari (2008) measure the commitment in a sample of companies, mainly from Switzerland and Germany, to the IFRS requirements for valuation by market analysts. The results support the importance of disclosure for accurate analyses and the authors emphasize the commitment to information disclosure as being as important as the regulation itself.

Concerning the Brazilian market, Murcia and Santos (2009) analyzed the financial information for 2007 in the 100 largest companies listed on Bovespa and observed that the disclosure index the authors developed showed a positive relation with the activity sector, size, presence on the New York Stock Exchange and presence in distinguished listing segments of the stock exchange. The authors associate the latter two factors with the bonding hypothesis, which considers that companies located in countries with weak institutional frameworks are driven to seek additional mechanisms to demonstrate trust to the investors and get external funding, according to Leuz (2006). Thus, adherence to the special listing segments on Bovespa would reflect the commitment to greater transparency and better disclosure practices. Another study that associates the presence in the special segments with a higher disclosure level was Mendes-da-Silva et al. (2009), focused on information disclosure on websites, even without standardization for the use of the Internet in communication with investors.

As regards the companies' disclosure level with respect to Corporate Governance, Lanzana et al. (2006) present a study that appoints a complementary relationship: companies with a better governance structure present a higher disclosure level. For the research, five independent governance variables were used, related to the property structure and the board of directors. The authors' job context reflects a reality in the Brazilian market with a strong concentration of voting stock, in combination with a high issue rate of non-voting stock.

Rabelo, Rogers, Ribeiro and Securato (2007) empirically tested to return to shareholders of two types of stock portfolios: including companies listed and companies not listed in the special segments. The authors show that there are signs of a better performance of the portfolios with companies in the special segments when compared to companies from the traditional market.

In a similar approach, Sirqueira, Kalatziz and Toledo (2007) also verified a higher return in a portfolio with distinguished governance practices when compared to a portfolio with companies that did not adopt those practices. As the authors argue, among other practices, Corporate Governance consists of measures aimed at increasing the transparency and accountability, which permit reducing the information asymmetry. That allows the investors to further compare the companies, observing that the small investors "are negatively affected by the lack of transparency in the information disclosure".

The Brazilian Corporate Governance Institute contributes through its Code of Best Corporate Governance Practices (IBGC, 2009) to strengthen the relevance of the theme. According to that document, the best practices convert principles into objective recommendations, so as to align interest and enhance the corporate value, involving transparency, equity, accountability and corporate responsibility.

In addition, the IBGC (2013) outlines a historical perspective of globalization, privatization and deregulation processes of the economy that culminates in a competitive corporate environment. The Institute highlights the formation of the Corporate Law, the folder of the Brazilian Securities Commission (CVM) to guide the relationship among administrators, stockholders, auditors; the creation of Bovespa's special listing segments and the Institution's awards as contributions to encourage the dissemination and application of the Corporate Governance practices. Despite the deepening of the debates, the Institute considers that, in Brazil, the high concentration of stock control, low efficacy of boards of directors and high overlapping between property and management remain, concluding that "there is a vast area to encourage knowledge, actions and disclosure of corporate governance premises" (IBGC, 2013).

As a rule, disclosure studies discuss the companies' voluntary information disclosure. This study focuses on compliance with the requirements of CPC 15 (R1) that, among other aspects, regulates the compulsory information disclosure on business combinations. This difference raises an argument against the research hypothesis that also motivates it, as it could be considered that, as the disclosure in compliance with the technical pronouncement is compulsory, no differences should be found among the companies in terms of the disclosure level.

Nevertheless, previous study results, particularly Bachir (2013), Nakayama (2012), Nakayama and Salotti (2014) and Assis et al. (2013) show incomplete information disclosure with regard to this specific technical pronouncement. Nakayama (2012) and Nakayama and Salotti (2014) propose that the disclosure level can be used to show the companies' compliance with the standards, given that the disclosure of the items is compulsory.

As those authors conclude, a learning curve, due to the novelty of the standard, may promote a higher disclosure level as the years advance. In view of that perspective, and due to the fact that the companies listed in the special segments assume additional information disclosure commitments, it can be argued that differences emerge in the compulsory disclosure level of business combinations related to the presence in the special listing segments. In addition, as Bachir (2013) observes, the disclosure requisites have distinct characteristics, which permits clustering. Thus, differences can be investigated regarding the disclosure level related to the type of information required, something that had not been identified in earlier research. Based on these considerations, the methodological procedures were outlined, as described next.

3. Method

According to the typology by Raupp and Beuren (2010), according to its objectives, this research can be classified as descriptive, as it aims to compare the disclosure levels of business combinations in the companies' explanatory notes, considering their Corporate governance level and information complexity. According to its procedures, the research can be classified as bibliographic and documentary, as it uses references from earlier studies, aiming to organize disperse information, like the information the companies disclose. According to its approach of the problem, the research is quantitative, observing the general behavior and using statistical instruments to further support the observations.

In this research, compliance with the requisites of CPC 15 (R1) – Business Combinations was observed for unconditional items, so as to compare the information disclosure among the companies and associate it with the market segment. The list of companies for consultation was obtained from the database available on the Bovespa website, considering the Corporate Governance level according to the listing segment. The following companies' explanatory notes were analyzed: 130 New Market companies; 21 companies at Corporate Governance Level 2; 32 companies at Level 1; and 258 companies in the Traditional Market. In total, the explanatory notes of 441 companies were analyzed.

As the recent studies by Nakayama (2012), Assis et al. (2013), Bachir (2013) and Nakayama and Salotti (2014) were focused on 2010 and 2011 and found disclosure levels the authors considered low and which they attributed to the novelty of the standard, more recent information was analyzed to develop this research, focusing on 2012. Thus, the intention was to maintain further distance from this possible influential factor on the rules for information disclosure in explanatory notes.

To observe the information disclosure, only unconditional items were maintained, that is, items that do not depend on specific factors of operations accomplished. That permits further comparability among the company practices, as only compulsory disclosure items in all cases are considered, even when considered as a whole, like in the case of the goodwill item associated with an advantageous purchase. As the payment is the actual fair value in some cases, it was determined that the company should inform that no differences were verified, maintaining this item as the only and unconditional item.

Another relevant consideration was the individualization of compound items with a view to assessing the partial compliance with a certain item in the pronouncement. To give an example, item B64 (a) in CPC 15 (R1) was separated in two: the name of the target company in a group of more direct information on the operation, and its description in a group of qualitative, descriptive information. This revealed that the name of the acquired company was always disseminated, although a description on the business acquired was not always included.

Group 1: Simple and direct information on the operation	
A	Name of the company purchased
B	Date of the operation
C	Part purchased, including percentage of capital
D	Fair value of total consideration
Group 2: Qualitative descriptive information	
E	Description of company purchased
F	Motives or objectives of purchased, such as competitive advantages
G	Description of control acquisition process
H	Qualitative foundation for goodwill or beneficial purchase
Group 3: Information on financial and accounting details of the operations	
I	Fair value of most relevant types of consideration
J	Disclosed amount of main classes of assets purchased and liabilities assumed
K	Revenues and income generated by purchased company since acquisition
L	Revenues and income possibly generated by purchased company since start of the year

Figure 1. Items analyzed in the composition of each group

Source: elaborated by the authors

Besides the regulations in CPC 15 (R1), the arguments and items on the lists elaborated by Nakayama (2012) and Bachir (2013) were considered to determine what aspects should be assessed, resulting in 12 items that can be divided in three groups to measure different information dimensions. In Group 1, the disclosure of simple and direct information was observed, related to a more general information level on the operation. In Group 2, qualitative and descriptive information was identified. And in Group 3, information was allocated that is considered more complex, related to financial and accounting details. The items are displayed in Figure 1.

Based on the list of requisites, the information disclosed in the explanatory notes to the financial statements for 2012 was analyzed, based on the database available on the CVM website. The goal was to identify the practice of business combinations disclosed in these explanatory notes, looking for the use of terms like "combination" or "combinations". "Acquisition", "acquisitions", "control", "controlled" and similar terms were also sought. Descriptions were analyzed about the operational context and relevant facts, presented at the start of the explanatory notes; proportions of interests in controlled companies, when the bases for the consolidation of the statements are presented; and specific information on investments in a specific explanatory note. Finally, when no business combinations were explicitly identified, the search was accomplished through general inspection of the explanatory notes, mainly when corporate restructuring operations are disclosed.

The use of the inspection technique of documents entails limitations. As observed, the items were not always presented together in a separate explanatory note, which demands a search across the document. Hence, the business combination can be informed in different separate points, for example: description of the acquisition when the relevant facts are reported at the start of the explanatory notes, changes of interests when the controlled companies are presented for the purpose of consolidation, description of the controlled companies and their values under investments and detailing of the goodwill under intangibles. Thus, any requisite disclosed can go by unnoticed, influencing the assessment of a certain company. In general, however, the disclosure of combined information was found: the information normally appears in a specific explanatory note for business combinations, or together with investments, or described as relevant events. Therefore, possible punctual situations may not relevantly distort the results obtained and the conclusions of the research.

Based on the identification of the publication of business combinations, the information disclosed for each item could be analyzed. When the information was present, it received score 1; when absent, score 0. Out of 441 companies, 53 disclosed the practice of business combinations in 2012, in 94 operations. The results presented in the following section are analyzed in terms of the total number of operations disseminated.

It should be added that, sometimes, different levels of disclosure on distinct operations were found in the same company. In addition, certain operations were published by more than one company, for example, when companies whose controlled companies were also publicly traded practiced business combinations, the operation was reported in both statements. Although this may not have shown the exact number of operations practiced during the year, the research problem is focused in the publications of publicly traded companies' operations in explanatory notes to the statements for 2012.

Besides the descriptive analysis of the analyzed items' disclosure frequency, statistical tests were applied to verify whether the frequencies would be the same or different among the market segments and information blocks. In view of the nature of the data – disclosure frequency of few items, and the small number of observations, non-parametric tests were chosen.

According to the main hypothesis, a higher information disclosure frequency is expected in the New Market than in the Traditional Market. Therefore, the Mann-Whitney test for two independent samples is relevant. In line with Fávero, Belfiore, Silva and Chan (2009), this kind of tests do not require the same sample size, and the only requirement of the Mann-Whitney test is that the variable should be at least ordinal. In the investigation of the main research hypothesis, a statistical result that appoints the rejection of the Mann-Whitney test confirms the research hypothesis when it indicates a statistically higher information frequency in the New Market when compared to the Traditional Market. This test was also applied to compare the two segments in relation to the isolated information blocks, so as to investigate statistical differences among the governance levels with regard to each type of information.

In the additional hypothesis, higher disclosure frequencies are expected for simpler information and lower frequencies as the complexity of the information increases. In this case, the Wilcoxon test for paired samples was applied, given that the information blocks of the same companies are compared. According to Fávero et al. (2009), this test works with information about the sense of the differences in each pair and the magnitude of the difference within the pairs. Its null hypothesis affirms that there are not differences among the samples. In other words, the Wilcoxon test is applied to check for statistically significant differences among the disclosure frequencies of the information blocks in the group of companies as a whole, and also in each market segment.

4. Results and Analyses

The group of companies was segmented according to the special listing segments on Bovespa, resulting in four groups. The quantities and proportions of the operations disclosed according to each market segment are presented in Table 1.

Table 1
Number of companies and combinations disclosed in terms of market segment

Market Segment	Number of companies in each segment		Companies that disclosed business combinations		Number of business combinations disclosed	
New Market	130	29%	32	60%	56	60%
Level 2	21	5%	4	8%	8	9%
Level 1	32	7%	8	15%	8	9%
Traditional Market	258	59%	9	17%	22	23%
Total	**441**	**100%**	**53**	**100%**	**94**	**100%**

Source: elaborated by the authors.

A greater disclosure frequency of business combinations is observed in the New Market, although most companies belong to the Traditional Market. The intermediary segments, Level 1 and Level 2, reveal a small number of companies in relation to the total market, and the amount of operations disseminated in relation to the total number of operations is also lower.

Based on the analysis of the explanatory notes to the companies' financial statements, the presence or not of the information in relation to the disclosure criteria considered could be determined. As described in the method, a binary variable was used, associated with the presence or not of the information, which permits analyzing the frequency of the information disclosed in each market segment. In Table 2, the percentages of the disclosure frequency for each item analyzed is displayed.

Table 2
Disclosure frequency – Per requisite (in %)

Market Segment	1. Simple and Direct Information				2. Qualitative Information				3. Detailed Information				Mean (sgmt)
	A	B	C	D	E	F	G	H	I	J	K	L	
New Market	100.0	91.1	100.0	98.2	83.9	58.9	73.2	67.9	96.4	73.2	35.7	35.7	76.2
Level 2	100.0	100.0	100.0	100.0	75.0	87.5	100.0	50.0	100.0	87.5	25.0	37.5	80.2
Level 1	100.0	100.0	100.0	100.0	100.0	37.5	87.5	75.0	75.0	87.5	62.5	25.0	79.2
Traditional Market	100.0	100.0	100.0	100.0	68.2	27.3	77.3	59.1	77.3	63.6	50.0	31.8	71.2
Mean (requisite)	**100.0**	**97.8**	**100.0**	**99.6**	**81.8**	**52.8**	**84.5**	**63.0**	**87.2**	**78.0**	**43.3**	**32.5**	**76.7**

Source: elaborated by the authors.

The final column in Table 2 shows the mean disclosure frequency when the market segment is considered, and the final line shows the mean frequency per requisite. In the first case, the highest mean frequencies are observed for the special segments, while the lowest frequencies are related to the Traditional Market. Although with little difference, this suggests that the companies listed in the Corporate Governance segments enhance the disclosure level of the information in explanatory notes. In the disclosure per requisite, the first information group is highlighted with mean frequencies of more than 97%, while the other two blocks show lower percentages. This suggests that simpler or more general information tends to be disclosed more than qualitative or detailed information.

The first block reveals a higher disclosure level of simpler and more direct information about the operations, in which: all companies disseminated the name (A) and the size of the interest in the target company (C); and the total consideration (D) and date (B) showed lower frequencies in the New Market. In this segment, five cases were found, four of which were related to the same company, in which the date was considered as not disseminated because the day of the operation was not informed, but only the month and year; and one case from another company, in which the total consideration was not disseminated explicitly. In the other segments, all companies completely disclosed these four items.

As regards the second and third blocks, the mean frequencies per requisite of all items were lower than in the first, according to the final line in Table 2. In Block 2, regarding qualitative information, the highest frequencies relate to the description of the control acquisition process (G) and the acquisition of the target company (E); while the lowest frequencies refer to the motives or objectives of the acquisition (F) and the qualitative foundations for the goodwill or advantageous purchase (H). In the description of the target company, information was found mainly related to the geographic location, operating activities and markets attended. Concerning the control acquisition process, many operations were practiced through the signing of contracts or were cases of combinations practiced in stages. The qualitative foundation for the goodwill was due to aspects related to operational or administrative synergies, economies of scale, the value of the bargaining power with funders and expected future profitability. The advantageous purchase was due to high indebtedness and risks of breaches in financial commitments.

In Block 3, more detailed information was analyzed, related to accounting and financial aspects of the operation. A higher mean frequency is highlighted for the disclosure of the fair values of the most relevant types of consideration (I) and the disclosed amount of the main classes of assets purchased and liabilities assumed (J). The items revenues and income of the target company since the acquisition (K) and estimated revenues and income since the start of the year (L) showed lower mean disclosure frequencies, not reaching half of the total observations.

With a view to a broader perspective on the types of information and their disclosure level according to the company segment, the disclosure frequencies can be analyzed in blocks, in accordance with Table 3. When grouped, in the final line of the table, it was observed that the simple and direct information about the operations (Block 1) show an almost total mean general frequency, and that the disclosure decreases as the complexity increases. Again, the cases of non-compliance with the items complete date and business value are evidenced in New Market companies, while the other segments show full compliance with these items.

For the qualitative information (Block 2), the special segments show disclosure frequencies between 70 and 80%, against less than 60% in the Traditional Market. For the group of more detailed information, represented in Block 3, the distinguished segments show mean frequencies superior to 60%, slightly higher than the Traditional Market with 55.7%.

Table 3

Disclosure frequency – Per block (in %)

Market Segment	1. Simple and Direct Information	2. Qualitative Information	3. Detailed Information
New Market	97.3	71.0	60.3
Level 2	100.0	78.1	62.5
Level 1	100.0	75.0	62.5
Traditional Market	100.0	58.0	55.7
General Mean	**99.3**	**70.5**	**60.2**

Source: elaborated by the authors.

The greater information disclosure in Levels 1 and 2, higher than in the New Market, can derive from reasons not disseminated in this research, or from the small number of companies listed and operations disseminated, showing an unexpected pattern for the segment. Thus, as the New Market was compared with the Traditional Market in the investigation of the main research hypothesis, in addition, the special segments were also grouped for comparison with the Traditional Market.

In the analysis of the information combined in blocks, a higher disclosure frequency is perceived in the New Market for qualitative information (Block 2) and detailed information (Block 3) when compared to the disclosure level in the Traditional Market. For Block 1, related to simpler and more direct information, the disclosure frequency in the New Market was slightly lower than the total in the other segments, reflecting the cases of non-disclosure of the complete date and total consideration mentioned in the analysis of Table 1. These considerations point towards the confirmation of the main research hypothesis, that the information disclosure level is higher in the New Market than in the Traditional Market, in line with the result by Lanzana et al. (2006), indicating the complementariness of the companies' governance structure and disclosure level.

To complement the descriptive analyses of the disclosure frequencies, in the statistical approach, the non-parametric Mann-Whitney test for independent samples was applied. In this test, initially, the general and block-wise information disclosure frequencies were compared between the New Market segments and the Traditional Market, as presented in Table 4. Next, as a complement, the three special listing segments were also compared with the Traditional Market.

For the general mean disclosure frequency, the result shows that there is no difference among the segments, not even at a statistical significance level of 10% (p-value = 0.290). In the analysis per information block, the test results appoint a higher disclosure for Block 2 only, regarding qualitative information, at the level of 5%, but not at 1% (p-value = 0.022); and Blocks 1, regarding direct information, and Block 3, regarding details on the operation, appoint the same disclosure level among the segments, even at a statistical significance level of 10% (p-values = 0.112 and 0.868, respectively).

Table 4

Results of Mann-Whitney Test for New Market – NM and Traditional Market – TM segments

	Information Blocks			
	General Mean	[1]	[2]	[3]
Mean Rank – NM	41.18	38.32	43.00	38.84
Mean Rank – MT	35.23	42.50	30.59	39.76
Sig. Asint.	0.290	0.112	0.022	0.868
Conclusions (Sig. = 0.05)	NM = TM	NM = TM	NM > TM	NM = TM

Source: elaborated by the authors.

Based on the final line in Table 4, it is observed that the general disclosure level is not considered statistically significant, pointing towards the non-confirmation of the main research hypothesis. It is interesting that, in Nakayama (2012), observing the financial statements for 2010, the presence of the company in a distinguished listing segment (Level 2 or New Market) was treated as a binary explanatory variable for the disclosure level of the index the researcher elaborated, and was not statistically significant either (p-value = 0.374).

As governance Levels 1 and 2 showed higher disclosure frequencies than the New Market, as a complement, the same statistical test was applied, comparing the companies listed in the special segments as a sole set in relation to the Traditional Market. For the general mean, a p-value of 0.185 was found; 0.164 for Block 1; 0.009 for Block 2; and 0.853 for Block 3. Thus, even when considering the distinguished levels as a whole, no statistical differences were found in the general disclosure levels among the segments. As regards the information separated per type, only the descriptive information in Block 2 were statistically significant at 1%, while the simpler and more detailed information remained the same among the segments, even at a significance level of 10%. This underlines the perception that no statistically significant evidence is found for the disclosure level of information on the type of listing.

Thus, although the descriptive analysis of the disclosure frequencies indicates a higher level of information on the distinguished segments, the statistical approach does not support these results, not confirming the main research hypothesis. At bottom, it is concluded that, although higher in absolute terms for 2012, these differences may be associated with stochastic factors. In view of these considerations, it is concluded that the main research hypothesis is not confirmed, as it cannot be affirmed safely that the disclosure level of the information on business combinations in the New Market is higher than in the Traditional Market.

This result may also reflect that the listing in special segments alone is insufficient to identify a higher or lower information transparency level, or to disclose distinguished learning, going against the argument that supported the main hypothesis and the motive for this research. Traditional Market companies may not adhere to the special segments for reasons not related to transparency, adopting a disclosure policy similar to the special segments although they are not listed on it. Nevertheless, the findings by Lanzana et al. (2006) should be considered, observing greater disclosure in terms of Corporate Governance. These authors elaborated an index based on variables related to the property structure and the board of directors.

On the other hand, for the descriptive information, significant differences were found in the level of disclosure related to listing on special segments. This evidence may appoint that this more qualitative information is more aligned with voluntary information the companies disclose, according to the findings of earlier studies in the Brazilian market, such as Mendes-da-Silva et al. (2009) and Murcia and Santos (2009).

As an additional hypothesis, it was considered that a higher disclosure level would be found for simpler information, and a lower level as the complexity of the requisites increased. Adopting a similar procedure, the items should be analyzed in their respective blocks displayed in Table 3, with a complementary statistical approach presented in Table 5.

In Table 3, when the blocks are compared horizontally, that is, for each market segment, it can be observed that the information in Block 1, simple and direct, is more frequent than in Block 2, qualitative; which, in turn, is more frequent than in Block 3, about the details of the operations, in all four segments. The same behavior is reflected in the general mean frequency of the blocks, as summarized in the final line of the table. This observation indicates a higher compliance level with simpler disclosure requisites, followed by descriptive information, and a lower level for details on the operation, confirming the additional hypothesis.

In a statistical approach, the non-parametric Wilcoxon test for paired samples was applied. The differences in the disclosure frequencies were statistically significant among the three information blocks analyzed, even at 1%. Based on the results in Table 5, it is observed that information in Block 1 is the most and information in Block 3 the least disseminated.

Table 5
Results of Wilcoxon Test for information blocks

	Differences among Information Blocks		
	[1] – [2]	[1] – [3]	[2] – [3]
Positive Ranks	71	71	43
Negative Ranks	0	0	22
Ties	23	23	29
Sig. Asympt.	0.000	0.000	0.004
Conclusions (Sig. = 0.05)	[1] > [2]	[1] > [3]	[2] > [3]

Source: elaborated by the authors.

In general, it is observed that simpler and more direct information is disclosed more frequently and detailed information less frequently. This effect is consistent with Bachir's observations (2013) for 2010 and 2011, "as the complexity and relevance of the requested information increase, the disclosure level of that information in explanatory notes drops".

The descriptive and statistical analysis confirm the additional research hypothesis that, the greater the complexity of the required information, the lower its disclosure level. Therefore, it can be affirmed that the information on business combinations disseminated in explanatory notes was disclosed more frequently when simpler and less frequently when more complex.

Considering the argument of the learning curve, it can be considered that companies would take more time to fully disclose more complex items and that, as the years go by, these requisites would show a higher disclosure level. In addition, issues related to the cost-benefit of the information disclosure can be relevant to publish more detailed information, so that companies may not spend resources to obtain, elaborate and disseminate more complex information.

This finding by also indicating that the companies avoid publishing more strategic or revealing information, as observed by Aillón, Silva, Pinzan and Wuerges (2013) with regard to segment information. The authors analyze the management information published in explanatory notes and conclude that there is a trend to hide them, limiting companies' long-term analyses and investment decisions. Similarly, Shalev (2009) suggests that there is a certain choice in the information disclosure level according to the company's interests, as identified in the American market for business combinations.

To further elaborate the statistical approach, the differences among the blocks were also compared, isolating the market segments. In these cases, the frequencies of the simplest information were statistically higher than the other types in all market segments (p-values < 0.001). The descriptive and detailed information showed less statistical differences, being significant at 5% in the New Market (p-value = 0.015), but not in Level 1 and 2 (p-values = 0.102 and 0.163, respectively), nor in the Traditional Market (p-value = 0.540). These results are in line with the direct observation of Table 1 that simpler information is the most disseminated in all segments.

In that context, it should also be highlighted that the special listing showed differences in the disclosure of the less immediate information. The results of the Mann-Whitney test, which compares the disclosure frequencies of the descriptive information between the New Market and the Traditional Market, and of the Wilcoxon test, focused on the differences between the descriptive and detailed information for the New Market, with statistically significance, but not for the Traditional Market, clearly capture this effect.

Hence, although it cannot be affirmed that the special listing promotes a higher information disclosure level as a whole, it was evidenced that, for the qualitative information, the companies from the distinguished listing segments showed a higher disclosure level than the Traditional Market companies. This suggests greater sensitivity concerning the type of information disclosed with regard to the market segment.

Considering that a structure is needed to prepare the information for disclosure, and that larger companies have a better structure and can pay for the costs of capturing and elaborating the information for disclosure, in an additional analysis, the disclosure level was related to the company size, as measured by the total assets. Therefore, the correlations were calculated between the disclosure frequencies and the total assets for 2012, in general and for each information block, for the entire sample and stratified per listing segment. Table 6 displays the correlations between the disclosure frequency of each group of information, according to the type and market segment of the companies, in relation to the companies' total assets, as a measure of company size. Concerning the information in Block 1 (direct information), for Levels 1 and 2 and the Traditional Market, the calculation of the correlation with the size does not apply, as the companies fully complied with the requisites.

Table 6
Correlations of each information group with Total company assets

Market Segment	1. Simple and Direct Information	2. Qualitative Information	3. Detailed Information	General Level
New Market	0.046	0.173	0.204	0.245*
Level 2	–	-0.218	-0.039	-0.161
Level 1	–	-0.471	0.045	-0.311
Traditional Market	–	0.085	0.286	0.255
Total companies	**0.031**	**0.140**	**0.168**	**0.197***

* Correlation significant at 0.10

Source: elaborated by the authors.

When compared to the relevant critical value, as defined by the number of total combinations and for each market segment disseminated, at the level of 5%, none of the correlations was significant; at 10%, then, only general disclosure showed a significant and positive correlation with the company size for the total group of companies and for the New Market segment (p-values = 0.056 and 0.069, respectively). Therefore, weak evidence is observed for the relation between size and disclosure level, concluding that larger companies do not necessarily disclose more information in the Traditional Market, but that there are signs of greater sensitivity to the company size in general information disclosure to the entire market and in the New Market.

The nature of the information analyzed should be discussed. Being compulsory, its non-disclosure indicates only partial compliance with the regulations, independently of any additional commitments assumed in the special listing segments. This reflects an issue that may be related more to the companies' compliance than to their disclosure. Assis et al. (2013) criticize this behavior: "The financial statement preparers need to disclose at least what is determined in CPC 15 .... It is unthinkable that companies neglect to disseminate important items", declaring that further maturity is expected from the preparers and auditors, enhancing the disclosure level. In Nakayama (2012) and Nakayama and Salotti (2014), the first year when the standard was applied is analyzed, i.e. 2010, and the authors judge that the disclosure level found was not high due to the novelty of the legislation, but alert that, without the regulators taking an active role, "there is a risk of not advancing in the improvement of the information level disclosed, as a standard without enforcement can be understood as a mere suggestions". Bachir (2013) also attributes the low level of compliance to the recent date of the standard, underlining that "the information the companies disclosed in the financial statements, regarding Business Combinations, is very important for investors and analysts to be able to understand what can be expected for the future after the acquisition".

5. Conclusions

This research was aimed at investigate the information disclosure level about business combinations in the 2012 financial statements of the publicly traded companies listed on Bovespa, considering the different market segments. The research method revealed compliance with unconditional items in CPC 15 (R1) concerning disclosure in explanatory notes. The items verified were elaborated based on the technical pronouncement and considerations on similar studies, especially Bachir (2013) and Nakayama (2012); and were clustered in three information blocks in terms of type: simple and direct, qualitative-descriptive and accounting-financial details on the operations disclosed.

The motivation for this research rests on the conclusions of earlier research on the theme about the existence of a certain learning curve. The main hypothesis is fundamentally based on the argument that companies with distinguished Corporate Governance levels are more committed to more transparent and comprehensive information disclosure, so that the disclosure in the New Market offers a higher information level than in the Traditional Market. In addition, the hypothesis was tested of a higher disclosure level for simpler requirements and a lower level as the complexity of the information required increased.

The analysis of the information reveals a higher disclosure frequency in the New Market for qualitative information when compared to the Traditional Market. For the simpler and more detailed information blocks, then, no significant differences in disclosure were found among the segments. This result may reflect that the learning indicated in Nakayama (2012), Assis et al. (2013) and Bachir (2013) and Nakayama and Salotti (2014) may already have been perceived for the descriptive information. For this information, being more descriptive, the companies showed a behavior similar to the voluntary disclosure investigated in disclosure research, when compared to more direct or more complex information, for which the companies' behavior shows no distinction associated with the listing segment.

For more precise conclusions on information disclosure, panel observation can be used, in the course of the financial years, or in combination with other items published, similar to Hogdon et al. (2009). That would be one way to investigate if the companies choose not to disseminate strategic information, as appointed in Aillón et al. (2013), or to confirm a time-related learning curve, as argued in earlier studies. Another way to enhance this research would be to work with a list of more elaborated variables to distinguish the companies in terms of corporate governance or more associated with variables that are considered determinants of transparency.

Finally, the deeper comparisons among the information blocks and segments showed signs of greater sensitivity to the type of information disclosed related to the market segment. Thus, the intent is to contribute by appointing the possibility to cluster the type of information required in the standards in general, relating them with the additional commitments assumed through the adherence to special Bovespa listing segments or with other transparency indicators.

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