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Adoption of IFRS in Brazil: Effects on Accounting Conservatism

Abstract

The objective in this study is to investigate the effect of the adoption of the International Financial Reporting Standards (IFRS) on the degree of conditional conservatism in the financial statements of companies listed on BM&FBOVESPA. Considering that the convergence process with the international standards aims for the standardization of accounting information disclosure and the enhancement of its quality, the goal was to investigate the quality standards of the accounting information in Brazilian companies after the adoption of the IFRS in the phases characterized by the period 2008, when accounting pronouncements (CPC) 1 to 14 were adopted, and as from 2010, when the adoption of the full IFRS became compulsory. Therefore, a sample of financial statements was used from 320 companies listed on BM&FBOVESPA between 2000 and 2012. As a proxy of information quality, the attribute Conservatism was used, as proposed by Basu (1997) and Ball and Shivakumar (2005). The results did not evidence changes in the degree of conservatism in the statements analyzed.

Key words: Conditional conservatism; Accounting Information Quality; Convergence with International Accounting Standards.

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Introduction

This study aims to verify evidence of changes in the degree of accounting conservatism in the financial statements disclosed by companies listed on BM & FBOVESPA as a result of the adoption of the International Financial Reporting Standards (IFRS). Thus, this research covers the changes deriving from Laws 11.638 / 2007 and 11.941 / 2009, which amended the provisions of Law 6.404 / 1976, regulating the beginning of the change process in Brazilian accounting standards to the standard based on IFRS.

From year-end 2008, Brazilian companies started to prepare their financial statements employing international standards on a voluntary basis and, as of 2010, compulsorily, allowing managers to adopt more flexible accounting policies, in which substance prevails over form, thus enabling the recognition and measurement of accounting facts more appropriate to the economic reality of the organization (Santos & Sales et al., 2009).

In the same sense, Saiki and Antunes (2010) argue that the adoption of international standards brought innovations both in the preparation of the financial statements and in the choices of accounting practices, as these standards are based much more on principles than on rules, allowing managers to use their discretion in defining the accounting criteria adopted.

In this sense, Hendriksen and Van Breda (1999) present some situations, such as the valuation of assets and their depreciation, in which, using international accounting standards, one can choose more than one alternative recognition of the same accounting fact, affecting the company's result, sometimes increasing and sometimes decreasing it.

This discretion permits the assumption that the adoption of international accounting standards is associated with increased quality of accounting information, as managers, basing their choices on principles and not only on rules, could perform accounting that is more faithful to the company's reality (Grecco, Geron & Formigoni, 2009). One of the elements that can be intrinsically related to this increase in information quality is accounting conservatism (Dechow, Ge & Schrand, 2010; Watts, 2003a), a characteristic that Basu (1997) and Ball and Shivakumar (2005) define as the more timely recognition of the "bad" news when compared to the recognition of the "good" news. Accounting conservatism has been highlighted in the literature as a proxy of accounting information quality (Dechow et al, 2010; Penman & Zhang, 2002; Watts, 2003a). This study follows the literature, taking conditional conservatism as a proxy of information.

Based on the above, this study aims to answer the following question: Did the adoption of the international accounting standards alter the degree of conservatism in Brazilian companies?

To answer this question, the models on conditional conservatism proposed by Basu (1997) and adapted by Ball and Shivakumar (2005) were used, applied to the sample of companies listed on the São Paulo Stock Exchange (BM & FBOVESPA) from 2000 to 2012.

The study extends previous research on the impacts of the adoption of IFRS on the Brazilian capital market and, therefore, it is expected to contribute to the development of the literature, showing the relationship between international accounting standards of information quality, believing it to be of interest to both researchers and the market. The results found showed no change in the degree of conditional conservatism in the financial statements disclosed in the period under analysis.

The following section presents a theoretical framework on the subject and a review of the literature on international standards of accounting and accounting information quality. The third section describes the method used for efficiency measures. Section four presents the results found in the search and, finally, the fifth section provides the final considerations and conclusions.

Literature review

IFRS and accounting information

Accounting plays an important role for financial markets, mitigating problems such as asymmetric information, agency conflicts, transaction costs, among others (Santos Lima, Lima & Freitas, 2011). The quality of accounting information, however, is that it tends to ensure informational efficiency to users, since there is evidence that it entails many economic consequences (Soderstrom & Sun, 2007).

The literature indicates that the quality of accounting is a function of the political system, legal and institutional framework of the country where the company operates, also considering the accounting standards adopted (Soderstrom & Sun, 2007). Thus, it is expected that the accounting standards adopted by countries exercise significant influence on the quality of accounting information (Santos et al., 2011).

In this context, the International Accounting Standards Board (IASB) sought to develop a set of internationally accepted standards with features that confer a high degree of quality to the financial information (Barth, Landsman & Lang, 2008). In 2005, the International Financial Reporting Standards (IFRS) were adopted in the European Union. In Brazil, in 2008, on an optional basis, and, from 2010, it became mandatory for all companies listed on the stock exchange.

The adoption of IFRS tends to improve the quality of financial reporting, first because it reduces the scope for the practice of opportunistic management by managers - evidence suggests that such adoption provides less earnings management, greater opportunity for the recognition of losses and greater value relevance of net income (Barth et al., 2008). Second, because the international standards, by prioritizing essence over form, which is common in countries with a common law tradition, provide more timely accounting profit than in countries with a code law tradition, as is the case of Brazil (Santos et al., 2011).

Recent studies support that the changes in accounting standards resulting from the adoption of IFRS provide improvements in the quality of accounting information. Daske, Leuz and Verdi (2008) investigated the economic effects of the enforcement of IFRS in 26 countries and concluded that the adoption of international standards caused an increase in market liquidity, reducing the cost of capital and increasing company value.

Barth, Landsman and Lang (2008), in turn, investigated the association of the adoption of International Accounting Standards (IAS) with the higher quality of accounting information in 21 countries and concluded that companies that adopt IAS generally present an increase in the quality of accounting information in the period prior to adoption.

In Brazil, Law No. 11.638 / 2007 was the legal framework for companies to adopt IFRS. It was approved at the end of 2007 and came into force in 2008, in an emergency environment, when the regulatory authority determined the adoption of international standards in Brazil in two phases. The first served as a transition period (2008 and 2009), in which accounting pronouncements (CPC) 1 to 14 were applied, and the second phase, from 2010, when the adoption of full IFRS became mandatory (Santos, 2010).

In this environment, Santos et al, 2011 - investigated the effects of this law on conditional conservatism in companies listed on BM & FBOVESPA, considering, however, only the optional adoption of companies as from 2008. The authors concluded that, for the sample analyzed, it cannot be inferred if the new standards had no effect on the level of asymmetric recognition of gains and losses.

In line with these studies, this research returns to the discussion of the effects of IFRS on the conditional conservatism of companies listed on BM & FBOVESPA, differing by seeking results in both phases of the convergence process with the international standards that have occurred in Brazil, with the adoption of the first 14 accounting pronouncements (CPC) in 2008, called the first phase of adoption, and the mandatory adoption of the full FRS as from 2010 (Santos, 2010).

Conservatism

The academic literature identifies two types of conservatism: the conditional conservatism, also called profit conservatism and unconditional or balance conservatism. In the light of the clean surplus accounting concept, there are differences between the two types of conservatism, since variations in balance sheet accounts would influence the results (Feltham & Ohlson, 1995). However, in Brazil, as well as in some countries, there are rules that permit accounting practices that cause the reflection directly in equity, rather than in the result (Costa, Lopes & Costa, 2006).

Profit conservatism, also known as conditional conservatism is defined as a higher degree of verification for the recognition of gains than for the recognition of losses (Watts, 2003b). Basu (1997) states, in this case, that profit tends to reflect the "bad news" more quickly than the "good news". Thus, the conditional conservatism captures the trend of accounting to require a greater degree of verification of "good news" than "bad news" in the financial statements.

Unconditional conservatism, on the other hand, is related to the adoption of a lower value for assets and revenues and a higher value for liabilities and expenses between two or more registration possibilities (Ball & Shivakumar, 2005). This kind of conservatism is an asymmetric response to uncertainty, since, among various possible values, we adopt the lowest, regardless of probable expectations of economic loss (Ball & Shivakumar, 2005).

Whereas the financial reports are disclosed in order to provide information to the capital markets, some researchers have criticized the use of conservative practices in accounting (Costa et.al., 2006; Hendriksen & Breda, 1999; Penman & Zhang, 2002). For Costa et al. (2006, p. 13), the "excessive use of conservatism can lead to the disclosure of information with false signals to its users".

In this sense, Penman and Zhang (2002) argue that conservatism raises issues about the quality of accounting information and profit. For the authors, the conservative practices create "hidden reserves", as such practices underestimate the assets and overvalue the liabilities. Additionally, Hendriksen and Breda (1999) argue that conservatism can lead to a lack of comparability, due to a lack of standards for its implementation, besides stating that it conflicts with the objective of disseminating all relevant information.

Such criticism is mainly related to unconditional conservatism, since, from this perspective, the conservative information is disclosed on the basis of rules without being necessarily backed by likely prospects of occurrence of economic losses, biasing the information. Otherwise, the conditional conservatism anticipates economic losses, based on probable estimates of its occurrence (Ball & Shivakumar, 2005).

Thus, the conditional conservatism finds justification in the literature for its practice. A beneficial effect is its role as a corporate governance mechanism, benefiting the users of financial reports of companies, as it works by reducing the opportunistic behavior of managers (Watts, 2003a). This process is mainly relevant in countries with legal systems based on code law, as the level of protection to investors is lower (LaPorta, López-de-Silanes, Shleifer & Vishny, 1998).

Another example is the close connection between conservatism and the contractual relationship between the company and third parties (Watts, 2003a), so that, by countering the dissemination of biased information by administrators, conservatism contributes to greater security in the fulfillment of the company's obligations, since the accounting reports serve as a reference for the establishment of contracts (Paulo Antunes & Formigoni, 2006).

Hence, the following research hypothesis is raised: **International standards provided for changes in the degree of conditional conservatism in the financial statements disclosed in the Brazilian market.**

Method

The research sample comprises the publicly traded companies listed on BM&FBOVESPA between 2000 and 2012. The data were collected from the database Economatica®. Companies from the financial and insurance sectors were excluded because of their specific accounting characteristics.

To verify the quality of the accounting information disclosed in the Brazilian capital market, conditional conservatism was used as a quality proxy. To estimate the indicators of conditional conservatism, we departed from the model proposed by Basu (1997):

$$\frac{Luc_{i,t}}{P_{i,t-1}} = \propto_0 + \propto_1 D_{i,t} + \propto_2 \frac{RE_{i,t}}{P_{i,t-1}} + \propto_3 D_{i,t} \frac{RE_{i,t}}{P_{i,t-1}} + \varepsilon_{i,t} \quad (1)$$

Where:
$Luc_{i,t}$ = Annual net (accounting) profit per share of company i in period t;
$D_{i,t}$ = Dummy variable equal to 1 if the return is negative and equal to 0 if it is positive.
$P_{i,t-1}$ = Stock price of company i at the end of the previous year (t-1).
$RE_{i,t}$ = Return of company i in period t obtained by the difference $P_{i,t} - P_{i,t-1}$ (adjusted by dividend payment);
$\varepsilon_{i,t}$ = Error term of the regression.

To control for heteroscedasticity and the scale effect, the variables were deflated by the stock price of the previous year (Basu, 1997).

The coefficients $\propto_1$ and $\propto_3$ capture the asymmetric recognition of "good" and "bad" news, in which $\propto_1$ measures the time lag between the recognition of "good" and "bad" news and $\propto_3$ measures the intensity of this lag. The highest level of accounting conservatism is associated with positive and significant values for $\propto_1$ and $\propto_3$. In accordance with the interpretation by Basu (1997), the coefficient $\propto_3$ highlights the recognition of the economic return by profit, both positive and negative. $\propto_1$, then, captures the recognition of economic returns by negative profit only. Thus, in the presence of conservatism, a positive and significant signal is expected for $\propto_1$.

The difference $|\propto_3|-|\propto_2|$ measures the speed of the asymmetric recognition between "good" and "bad" news, where positive values indicate greater conservatism (Antunes & Mendonça, 2008). The coefficient $\propto_2$ captures the positive and negative recognition of economic returns by the net income (Costa et al, 2006; Santos & Costa, 2008)

Hence, to capture the opportunity and accounting conservatism in the companies, following the adoption of IFRS, a binary variable (IFRS) was added to equation 1, which corresponds to 1 if, in the year in question, the international standards had already been implemented, and zero otherwise, and their interaction with the variables of the original model.

$$\frac{Luc_{i,t}}{P_{i,t-1}} = \propto_0 + \delta_t + \propto_1 D_{i,t} + \propto_2 \frac{RE_{i,t}}{P_{i,t-1}} + \propto_3 D_{i,t} * \frac{RE_{i,t}}{P_{i,t-1}} + \propto_4 IFRS * \frac{RE_{i,t}}{P_{i,t-1}} \quad (2)$$

$$+ \propto_5 IFRS * D_{i,t} * \frac{RE_{i,t}}{P_{i,t-1}} + \varepsilon_{i,t}$$

In Equation 2, the coefficient $\propto_5$ captures the difference in conservatism of companies between the period prior to the adoption of the international standards and the period after adoption. Under the assumption of conditional conservatism, it is expected that $\propto_5$ is positive and statistically significant and greater than $\propto_3$.

In order to expand the study to measure the degree of conservatism and enhance the strength to the tests, it was decided to test the hypothesis also as a model of Ball and Shivakumar (2005), following the method found in the literature (Antunes, Galdi, Azevedo & Mendonça, 2008; Mendonça, Costa, Galdi & Funchal, 2010). This model differs from the model by Basu (1997), which employs the stock price, while the model by Ball and Shivakumar (2005) employs only accounting variables, and conservatism is related to the occurrence or not of reversal of financial results. Hence, the authors argue that this model would have the advantage of providing an appropriate specification to identify the transitory components of income.

$$\Delta NI_{i,t} = \beta_0 + \beta_1 D\Delta NI_{i,t-1} + \beta_2 \Delta NI_{i,t-1} + \beta_3 D\Delta NI_{i,t-1} * \Delta NI_{i,t-1} + \varepsilon_{i,t} \quad (3)$$

In which $\Delta NI_{i,t}$ is the variation in the net profit of company *i* between year *t-1* and year *t*, deflated by the total assets at the start of period *t*; $D\Delta NI_{i,t-1}$ is a binary variable equal to 1 if $\Delta NI_{i,t-1}$ is negative and zero otherwise. $\Delta NI_{i,t-1}$ is the variation in the net profit of company *i* between year *t-2* and year *t-1*.

Like the modification in the model by Basu (1997), equation 3 was modified, inserting the binary variable *IFRS* adapting the model to capture the effect of convergence with the international accounting standards:

$$\begin{aligned}\Delta NI_{i,t} = \beta_0 + \delta_t + \beta_1 D\Delta NI_{i,t-1} + \beta_2 \Delta NI_{i,t-1} + \beta_3 D\Delta NI_{i,t-1} * \Delta NI_{i,t-1} + \beta_4 IFRS \\ + \beta_5 IFRS * D\Delta NI_{i,t-1} + \beta_6 IFRS_{i,t} * \Delta NI_{i,t-1} + \beta_7 IFRS_{i,t} * D\Delta NI_{i,t-1} * \Delta NI_{i,t-1} + \varepsilon_{i,t}\end{aligned} \quad (4)$$

In the model, the coefficient $\propto_2$ indicates whether the positive accounting results were reverted in the period (before the convergence). The positive variations tend to become a persistent component of the accounting profit, given the higher level of requirements in the degree of verifiability in the recognition of "good" news (Antunes *et al.*, 2008). Hence, it is expected that this coefficient is not negative. β_3, in turn, indicates the existence of reversal of the negative results. In this case, the low verifiability for the recognition of "bad" news tends to turn the negative variations into transitory components of the accounting profit (Antunes *et al.*, 2008). Thus, this coefficient is expected to be negative and significant.

In the model, β_6 and β_7 measure the conservatism after the adoption of the IFRS, indicating whether the persistence of the positive (β_6) and negative variations (β_7) in the income after the adoption of the international standards differs from the variations observed in the period before the convergence. Therefore, β_7>0 is expected to be more negative than β_3 indicating that, after the adoption of the international standards, the level of recognition of the losses deriving from "bad" news" decreased.

Results

Table 1 presents the results of equation 2. In Panel A, the results are presented in view of the first phase of the convergence with the international standards in Brazil and, in Panel B, the results after the adoption of the full IFRS.

Table 1

Test results based on the model adapted from Basu (1997)

$$\frac{Luc_{i,t}}{P_{i,t-1}} = \propto_0 + \delta_t + \propto_1 D_{i,t} + \propto_2 \frac{RE_{i,t}}{P_{i,t-1}} + \propto_3 D_{i,t} * \frac{RE_{i,t}}{P_{i,t-1}} + \propto_4 IFRS * \frac{RE_{i,t}}{P_{i,t-1}} + \propto_5 IFRS * D_{i,t} * \frac{RE_{i,t}}{P_{i,t-1}} + \varepsilon_{i,t}$$

Panel A – First phase of convergence (adoption of CPCs 1 to 14)				
Coefficients	**Expected Signal**	**Value**	**p-value**	**Economic Significance of coefficient/expected signal**
$\propto_0$	?	25.26	0.000	No theoretical/economic meaning
$\propto_1$	–	-19.11	0.103	If significant, the accounting information is transmitted timely. This indicates that the accounting profit is more sensitive to the negative than to the positive results.
$\propto_2$	+	5.26**	0.042	When positive and significant, this indicates a direct relation between profit and return. The profit incorporates the economic result, that is, the opportunity that the profit will capture the effect of good and bad news. **Before** the adoption of the IFRS.
$\propto_3$	+	-3.48	0.179	When significant, this indicates that the accounting profit, before the adoption of the IFRS, incorporates the negative economic return more significantly than the positive return. Presence of conservatism.
$\lvert\propto_3\rvert - \lvert\propto_2\rvert$	+	-1.78	–	
$\propto_4$	+	-16.50	0.125	When positive and significant, this indicates a direct relation between profit and return. The profit incorporates the economic result, that is, the opportunity that the profit will capture the effect of good and bad news. **After** the adoption of the IFRS.
$\propto_5$	+	37.38	0.283	When significant, this indicates that the accounting profit before the adoption of the IFRS incorporates the negative economic return more significantly than the positive return. Presence of conservatism.
$\lvert\propto_5\rvert - \lvert\propto_4\rvert$	+	20.88	–	
No. of observations: 3.236				

Panel B – Adoption of full IFRS				
Coefficients	**Expected Signal**	**Value**	**p-value**	**Economic Significance of coefficient/expected signal**
$\propto_0$	?	22.87	0.001	No theoretical/economic meaning.
$\propto_1$	–	-17.69	0.104	If significant, the accounting information is transmitted timely. This indicates that the accounting profit is more sensitive to the negative than to the positive results.
$\propto_2$	+	4.74***	0.065	When positive and significant, this indicates a direct relation between profit and return. The profit incorporates the economic result, that is, the opportunity that the profit will capture the effect of good and bad news. **Before** the adoption of the IFRS.
$\propto_3$	+	-2.96	0.250	When significant, this indicates that the accounting profit, before the adoption of the IFRS, incorporates the negative economic return more significantly than the positive return. Presence of conservatism.
$\lvert\propto_3\rvert - \lvert\propto_2\rvert$	+	-1.78	–	
$\propto_4$	+	-15.68	0.486	When positive and significant, this indicates a direct relation between profit and return. The profit incorporates the economic result, that is, the opportunity that the profit will capture the effect of good and bad news. **After** the adoption of the IFRS.
$\propto_5$	+	48.82	0.356	When significant, this indicates that the accounting profit before the adoption of the IFRS incorporates the negative economic return more significantly than the positive return. Presence of conservatism.
$\lvert\propto_5\rvert - \lvert\propto_4\rvert$	+	33.14	–	
No. of observations: 3.236				

In which: *, **, *** are statistically significant at 1%, 5% and 10% respectively.

The results indicate that the accounting profit significantly incorporates the economic result, that is, the profit incorporates the bad news timely before the adoption of the IFRS ($\propto_2$ significant and positive) for the first convergence period, as well as for the adoption period of the full IFRS.

Concerning the degree of conditional conservatism, however, the coefficient $\propto_3$ was negative and not significant, indicating that no evidence of conservative practices was found before the adoption of the international standards, in line with the literature (Christensen, Lee, Walker & Zeng, 2015; Santos *et. al.*, 2011; Santos & Costa, 2008; Paananen & Lin, 2009). No evidence of conservatism was found after the partial adoption of the international standards ($\propto_5$ not significant). For the period after the adoption of the full IFRS, the results found did not evidence the presence of conservative practices ($\propto_3$ and $\propto_5$ not significant).

Testing the research hypothesis based on the model by Ball and Shivakumar (2005), Table 2 presents the results found.

Table 2

Test results based on the model adapted from Ball and Shivakumar (2005)

$$\Delta NI_{i,t} = \beta_0 + \delta_t + \beta_1 D\Delta NI_{i,t-1} + \beta_2 \Delta NI_{i,t-1} + \beta_3 D\Delta NI_{i,t-1} * \Delta NI_{i,t-1} + \beta_4 IFRS + \beta_5 IFRS * D\Delta NI_{i,t-1} + \beta_6 IFRS_{i,t} * \Delta NI_{i,t-1} + \beta_7 IFRS_{i,t} * D\Delta NI_{i,t-1} * \Delta NI_{i,t-1} + \varepsilon_{i,t}$$

Panel A – First phase of convergence (adoption of CPCs 1 to 14)				
Coefficients	**Expected Signal**	**Value**	**p-value**	**Economic Significance of coefficient/expected signal**
β_0	?	-0.45**	0.000	–
β_1	?	0.15**	0.044	–
β_2	0	3.26**	0.050	Expected to be equal to zero due to the persistence of gains deriving from good news. The positive accounting information before the adoption of the IFRS is persistent if $\propto_2=0$.
β_3	–	-3.26**	0.051	The negative accounting information before the adoption of the IFRS is transitory if $\propto_3$ is negative and significant.
β_4	?	0.07	0.888	–
β_5	?	-1.07	0.363	–
β_6	?	59.82*	0.002	–
β_7	–	-59.36*	0.002	The negative accounting information after the adoption of the IFRS is transitory if $\propto_7$ is negative and significant.
No. of observations: 3.200				

Panel B – Adoption of full IFRS				
Coefficients	**Expected Signal**	**Value**	**p-value**	**Economic Significance of coefficient/expected signal**
β_0	?	-0.21	0.311	–
β_1	?	-0.17	0.265	–
β_2	0	-9.24	0.171	Expected to be equal to zero due to the persistence of gains deriving from good news. The positive accounting information before the adoption of the IFRS is persistent if $\propto_2=0$.
β_3	–	9.25	0.171	The negative accounting information before the adoption of the IFRS is transitory if $\propto_3$ is negative and significant.
β_4	?	0.31	0.418	–
β_5	?	0.45	0.281	–
β_6	?	42.37*	0.000	–
β_7	–	84.62	0.399	The negative accounting information after the adoption of the IFRS is transitory if $\propto_7$ is negative and significant.
No. of observations: 3.200				

In which: *, **, *** are statistically significant at 1%, 5% and 10% respectively.

The results found in the model by Ball and Shivakumar (2005) present evidence evidence of conservatism in the first phase of convergence to the international standards (β_3 <0 and statistically significant), indicating the more timely recognition of losses than gains, that is, the economic losses are transitory components of income and suffer reversal in a subsequent period. It is noteworthy that, after the partial adoption of this first phase of convergence, there was a significant increase in the degree of accounting conservatism ($\beta_7 < \beta_3$ and more negative). This partially supports the existing literature (Barth et.al., 2008; Liu and Liu, 2007).

One possible explanation for the increase in conditional conservatism in the first phase of the implementation of the IFRS was the adoption of standards that directly impact the company results, such as the standards for Asset Impairment (CPC 01) and Intangible Assets (CPC 04). The latter prohibits the capitalization of costs that used to be eligible to be launched in the deferred assets (Santos, 2010).

In the adoption period of the full FRS, the observed results did not show the presence of conservative practices, as the values found are not statistically significant.

This result may be due to the fact that, despite the ongoing convergence process since 2008, there is still a way ahead to achieve the compliance with all requirements of the international standards (Oliveira & Helms, 2008). Additionally, these results can be justified as a result of the high ownership concentration in the Brazilian securities market, which, the controlling shareholder being considered insider, may not require external information of higher quality (Antunes et al., 2008).

Final Considerations

This study investigated evidence of changes in the degree of conditional conservatism in the financial statements of companies listed on BM & FBOVESPA after the adoption of the International Financial Reports Standards (IFRS).

The results showed no change in the degree of conditional conservatism in the financial statements disclosed in the mandatory adoption period of the international standards. However, before the adoption and during the first stage of convergence with international standards, evidence was found of conservative practices and an increased degree of conservatism as from 2008, with the adoption of the first 14 CPCs, when analyzed according to the model by Ball and Shivakumar (2005).

The result may be due to the application, in the first phase, of standards that have generated great impact on the net result of companies, such as impairment and the prohibition of capitalization of expenses. In addition, it is noteworthy that the result may be due to the high ownership concentration of Brazilian companies, which act as an element of corporate governance regulating the opportunistic behavior of managers. It can also be highlighted that, given the short-term adoption of international standards in Brazil, the companies have not been achieved a higher level of compliance with the requirements of international accounting standards.

For future research, the application of other measures of accounting information quality is suggested, such as persistence of profits and the quality of accruals, earnings smoothness, in order to verify the influence of the adoption of international standards in the Brazilian capital market.

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