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Level of adherence of the brazilian listed companies of the telecommunications sector to the accounting pronouncement CPC 47

Nivel de adherencia de las empresas brasileñas listadas del sector de telecomunicaciones al pronunciamiento contable CPC 47

Nível de aderência das empresas brasileiras listadas do setor de telecomunicações ao pronunciamento contábil CPC 47

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Abstract

Purpose: The present work sought to analyze the level of compliance of the Brazilian companies in the telecommunications sector listed in B3 to accounting pronouncement CPC 47.

Methodology: A checklist was elaborated containing 8 (eight) criteria in which companies should disclose in order to obtain a high level of compliance with CPC 47. It's characterized as a documentary research with analysis of content over the consolidated financial statements (balance sheet and income statement), explanatory notes and management reports published by the companies in the years 2017 and 2018.

Results: The results show that no company presented adherence to the new standard. The company Telefonica Vivo Brazil was the one with the highest level, 56.25%, while Telebras presented the lowest, 29.16%. In addition, it was checked whether the companies already disclosed their information in accordance with the standard before it became mandatory, as a voluntary disclosure. The companies OI S.A., Telebras and Algar Telecom did not mention CPC 47 in the first three quarters of 2017. On the other hand, Telefonica Vivo Brazil and TIM Holdings alluded to the norm since the first period analyzed.

Contributions of the Study: It's a current topic in accounting research because it's the year of implementation of CPC 47, and relevant, as it will bring significant changes in the recognition and disclosure criteria of revenues. From the literature review, few studies have been done dealing with the topic. From this, this research sought to contribute to expand the list of works produced on the new CPC, with a quantitative approach, in the lines of accounting disclosure and regulation.

Keywords: CPC 47, adherence, compliance, telecommunications.

Resumen

Objetivo: El presente trabajo buscó analizar el nivel de adherencia de las empresas brasileñas del sector de telecomunicaciones listadas en la B3 al pronunciamiento contable CPC 47.

Metodología: Se ha elaborado un *checklist* que contiene 8 (ocho) criterios que las empresas deberían divulgar para obtener un alto nivel de cumplimiento al CPC 47. Se caracteriza por ser una investigación documental, con análisis de contenido junto a los estados financieros consolidados (balance general y pérdidas y ganancias del ejercicio), notas explicativas e informes de la administración divulgados por las compañías en los años 2017 y 2018.

Resultados: Los resultados muestran que ninguna empresa presentó una amplia adherencia a la nueva norma. La empresa Telefónica Vivo Brasil fue la que presentó el mayor nivel, 56,25%, mientras que la empresa Telebrás presentó el menor, 29,16%. Adicionalmente, se verificó si las empresas ya divulgaban su información de conformidad con la norma antes de convertirse en obligatoria, como forma de divulgación voluntaria. Las empresas OI S.A., Telebrás y Algar Telecom no presentaron ninguna mención al CPC 47 en los tres primeros trimestres del año 2017. Por otro lado, las empresas Telefónica Vivo Brasil y TIM Participações hicieron alusión a la norma desde el primer período analizado.

Contribuciones del Estudio: Es un tema actual en las encuestas en contabilidad, por ser el año de implementación del CPC 47, y relevante, pues traerá cambios significativos en los criterios de reconocimiento y evidencia de los ingresos. A partir de la revisión bibliográfica, se verificaron pocos estudios tratando el tema. A partir de eso, esta investigación buscó contribuir en el sentido de ampliar el rol de trabajos producidos sobre el nuevo CPC, con un abordaje cuantitativo, en las líneas de evidencia contable y regulación.

Palabras clave: CPC 47, adherencia, conformidad, telecomunicaciones.

Resumo

Objetivo: O presente trabalho buscou analisar o nível de aderência (*compliance*) das empresas brasileiras do setor de telecomunicações listadas na B3 ao pronunciamento contábil CPC 47.

Metodologia: Foi elaborado um *checklist* contendo 8 (oito) critérios que as empresas deveriam divulgar para obter alto nível de *compliance* ao CPC 47. Caracteriza-se por ser uma pesquisa documental com análise de conteúdo junto às demonstrações financeiras consolidadas (balanço patrimonial e demonstração de resultado do exercício), notas explicativas e relatórios da administração divulgados pelas companhias nos anos de 2017 e 2018.

Resultados: Os resultados mostram que nenhuma empresa apresentou uma ampla aderência à nova norma. A empresa Telefônica Vivo Brasil foi a que apresentou maior nível, 56,25%, enquanto que a empresa Telebrás apresentou o menor, 29,16%. Adicionalmente, foi verificado se as empresas já divulgavam suas informações em conformidade à norma antes dela se tornar obrigatória, como forma de *disclosure* voluntário. As empresas OI S.A., Telebrás e Algar Telecom não apresentaram qualquer menção ao CPC 47 nos três primeiros trimestres do ano de 2017. Por outro lado, as empresas Telefônica Vivo Brasil e TIM Participações fizeram alusão à norma desde o primeiro período analisado.

Contribuições do Estudo: É um tema atual nas pesquisas em contabilidade, por ser o ano de implementação do CPC 47, e relevante, pois trará mudanças significativas nos critérios de reconhecimento e evidenciação das receitas. A partir da revisão bibliográfica, verificou-se poucos estudos tratando o tema. A partir disso, esta pesquisa buscou contribuir no sentido de ampliar o rol de trabalhos produzidos sobre o novo CPC, com uma abordagem quantitativa, nas linhas de evidenciação contábil e regulação.

Palavras-chave: CPC 47, aderência, *compliance*, telecomunicações.

1 Introduction

The International Accounting Standards Board (IASB) recently issued IFRS 15, which provides for the recognition of revenue from customer contracts, corresponding to accounting pronouncement CPC 47 in Brazil. The purpose of these standards is to establish principles that entities should apply in order for financial information to be useful and capable of demonstrating the nature, amount, timing, and uncertainties inherent in the recognition of revenue and cash flows from a contract with a financial institution. client. For Mota, Campos,

Niyama and Paulo (2012), the publication of this new standard is due to differences in the revenue recognition process between IASB and FASB - Financial Accounting Standards Board. Therefore, for the authors, this norm arose to harmonize and promote greater convergence between the normative of the two organs.

However, Cova (2016) reports that the advent of the new standard produced some apprehension, given that the new requirements would affect companies in different ways in their business, such as changes in the characteristics and models of contracts, changes in the moment of revenue recognition. , in the control systems and internal processes, compliance with debt clauses and in the variable remuneration program of the employees, which would significantly impact the companies' results and performance indicators (KPMG, 2014), to the point of their effective introduction being postponed. January 2017 to January 2018, with retroactive application since 2016.

The one-year postponement for the application of the new standard was relevant, given that companies had a transition period to establish an appropriate adoption schedule and to manage the entire process. Therefore, it is expected that upon effective adoption, companies will be able to fully adhere to IFRS 15 and CPC 47 (Cova, 2016).

In Brazil, companies sought to adapt to meet the requirements of the new CPC issued, effective from the same date as the international standard, affecting various economic sectors due to the change in revenue recognition, notably those related to the provision of services, such as construction, telecommunications, transportation, among others (Silva, 2018).

According to Beckman and Koczan (2006), revenue recognition has been a major issue in the international accounting environment among companies, regulators and users, as companies are often required to republish their statements due to inconsistency in accounting for revenues. Thus, the economic and financial information will only be useful to users' decision making if the transactions are measured, recognized and evidenced in accordance with the provisions of the standard.

Thus, disclosure becomes a very important tool, as it is the way the company communicates with stakeholders. Backes, Ott and Wiethaeuper (2005) affirm that disclosure is one of the main goals of accounting, whose function is to transmit useful information for users' decision making. Disclosure is fundamental to reduce the informational asymmetry in the capital market between managers and investors, making the principal aware of the business risks assumed by agents (Sousa, Mapurunga, & Ponte, 2014).

In this regard, there are several studies that investigate the benefits of better accounting disclosure. It is worth mentioning Verrecchia (2001), which subdivides the theory of disclosure into three classes: (a) Association-based disclosure, which investigates the behavior of investors based on the information disclosure event; (b) Discretionary-based disclosure, which seeks to investigate why entities disclose certain information; and (c) Efficiency-based disclosure, which investigates the most widely accepted types of disclosure to inform users' decisions.

Given the context presented, the following research question emerges: **what is the level of adherence to CPC 47 of companies listed in B3 belonging to the telecommunications sector?** The general objective being set is to verify whether such companies are broadly compliant with the new accounting pronouncement, given the mandatory environment for disclosing the information they contain.

Lima, Fonseca and Brito (2009) emphasize that full disclosure should not be limited to the aspects required by law, and should add other information that may be useful for business decision making. In this sense, we distinguish between mandatory disclosure and voluntary disclosure. Teixeira (2010) emphasizes that companies that value voluntary disclosure as a way to differentiate themselves within the capital market are presented as more interesting

investment alternatives. On the other hand, Yamamoto and Salotti (2006) understand that voluntary disclosure is not always advantageous, since disclosure of information incurs preparation costs, always considering the production costs and benefits of voluntary disclosure. Dye (2001) summarizes this debate, mentioning that voluntary disclosure is a choice of companies and should be used if, and only if, it brings gains in some way to the entity.

In this context, as an additional analysis, this research will try to verify, in light of the Voluntary Disclosure Theory, if the companies object of study already showed their information according to CPC 47, during the transition period, when the standard was not yet mandatory. .

The choice of the telecommunications sector is justified for two reasons. The first is for its importance. Data from the 2018 Report of Telebrasil - Brazilian Telecommunications Association - show that the services of the sector reached around 323.7 million subscribers and produced Gross Operating Revenue of R $ 117.8 billion in the first half of 2018, representing 3.5 % of GDP so far. This amount represents an increase of 0.2% over the same period of 2017. In addition, the sector employs 483.4 thousand people and the combined market value of the component companies recorded a value of R $ 110 billion in the first half of 2018. The second reason that justifies the choice of the sector is based on the analysis of the KPMG (2014) report, which mentions this as one of the sectors that could be most affected by the rule changes in the recognition and disclosure with customer contracts.

In this sense, the research is justified and relevant because it seeks to verify whether companies are presenting information in line with the standard, freeing organizations from problems with regulators and making the information useful to the user. It also contributes to presenting a metric to verify the level of disclosure, which can be replicated for other research. In addition, there were few studies that explored the aspects of the standard, since its obligation is recent. Thus, it is expected that the study will contribute to the literature about accounting disclosure and regulation.

2 Background

2.1 Standardization of Revenue from Contracts with Customers

Until 2014, the IASB issued several standards that addressed matters related to the identification, recognition, measurement and disclosure of revenues, such as IAS 11- Construction Contracts, IAS 18- Revenue, IFRIC 13- Loyalty Program, IFRIC 15- Construction Contracts. real estate sector, IFRIC 18 - Receipt in transfer of client assets and, finally, SIC-31 - Exchange Transaction involving advertising services. However, as reported by Oncioiu and Tãnase (2016), such regulations presented difficulties in accounting for multi-element sales contracts.

For Falcão, Niyama and Pinto (2014), the standardization of the recipe brought complexity to its application and some important themes, such as the recognition of recipes for several items in the same arrangement, were limited. The absence of robust guidelines, according to Oncioiu and Tãnase (2016), made preparers perform different accounting for similar transactions. In this sense, it was necessary to develop and improve a single approach.

In line with the regulatory improvements promoted and developed by the IASB, a joint project was initiated with the FASB to develop a single standard for customer revenue recognition, culminating in the publication on May 28, 2014 by IFRS 15. IASB and ASC 606 by the FASB. Such regulations were considered as great achievements for regulatory agencies, as in general the hitherto existing standard was undermined due to the lack of sufficient detail

on recognition requirements (Cova, 2016). In addition, the joint publication of the standards represents a historical landmark in world accounting, as it shows effective signs of convergence between international standards issued by the IASB and North American standards issued by the FASB (Tavares, 2016).

For the assimilation of the principles of IFRS 15, companies will have to carry out a thorough analysis of their contracts in order to correctly fit in with the imposition of the new standard. From a broader perspective, the various stakeholders will need to understand the impact that the new standard will have on the company's operations in order to support their assessments and forecasts. In addition, it may impact numerous dimensions of the corporate environment, such as control, to ensure ongoing compliance with the standard, information technology, to ensure secure accounting for transactions, and tax management, to proceed with tax strategies to the best tax planning (Cova, 2016).

For McConnell (2014), the relevant changes brought by IFRS 15 depend on the sector in which companies operate, and the assessment of the actual impacts of adopting this standard will depend, in particular, on each company, especially at the exact moment when revenue will be recognized.

Rutledge, Karin and Kim (2016) consider that the new standard should contribute to greater consistency in revenue recognition and presentation. However, a single accounting principle-based model will require the preparers of the financial statements to use additional professional judgment in measuring corporate performance obligations and in meeting those obligations. In addition, the new recognition standard requires enhanced disclosures, which are quantitatively higher than previously required, which will increase the cost of disclosure. Still, for the authors, the success of the new revenue recognition standard is that all companies will be required to disclose their judgments used in determining the timing and values of a transaction price allocated to performance obligations.

According to Silva (2018), the standard aims to create a unique model for recognizing customer contracts, providing better comparability of financial statements, which, according to the Conceptual Framework, is one of the qualitative characteristics of improving accounting information.

Regarding Brazil, according to Niyama, Cavalcante and Rezende (2010), the flexibility provided in the revenue recognition hitherto established in CPC 30, as well as the particularities of each contract result in distinct practical applications for the same transaction. In order for companies to adapt to the new standards, CPC 47 - Customer Contract Revenue - in accordance with IFRS 15 was approved in November 2016.

Bodies such as the Federal Accounting Council (CFC), through NBC TG 47 and the Brazilian Securities Commission (CVM), through Resolution 762/16, approved and made Accounting Pronouncement 47 mandatory for publicly traded Brazilian companies.

2.2 Impacts of the adoption of Accounting Pronouncement CPC 47 and disclosure of accounting information

According to CPC 47, for contract identification, companies must analyze the rights and obligations that are required. The customer agreement must meet the following criteria to be properly recognized: (i) the parties must approve the agreement, either in writing, verbally or in accordance with other customary business practices, and are committed to fulfilling their respective obligations; (ii) when the rights of each party with respect to the goods and services to be transferred can be identified; (iii) when the payment terms for the goods or services to be transferred can be identified; (iv) when the contract has commercial substance, eg, the economic

risks and benefits at the time are expected to change as a result of the contract; and (v) when it is probable that the company will receive the consideration to which it will be entitled in exchange for the goods and services transferred to the customer. The amount of the consideration, inclusive, may be lower than the price stated in the contract.

Revenue must go all the way previously described before it can be recognized. Moreover, the points regarding measurement and disclosure must also be obeyed, as well, according to Silva (2018), the tax legislation must be verified, so that the tax planning is carried out in the best way.

Given this new approach promoted by CPC 47, according to a report by KPMG (2014), certain companies may suffer significant impacts on their results, especially those in the service sector, such as construction, telecommunications, transportation, technology, among others. others. From this perspective, Silva (2018) warns that, due to changes in revenue recognition, companies will need to assess the nature of their obligations and make a detailed review of their contractual aspects, as one thing can significantly impact the other, while observe the legal aspects.

In this sense, also in Silva (2018), revenue recognition can be accelerated or deferred for transactions with multiple elements, variable consideration values or licenses, which can directly affect financial indicators, widely used in fundamentalist analysis, which say a lot to respect of the entity's performance, which affects the restrictive clauses for compliance with covenants, naturally affecting the availability of profit for distribution to shareholders and staff, as well as the tax policy and even the compliance schedule company goals, which in turn directly affect employees who are entitled to this type of compensation (commissions).

Still regarding the impacts, according to the same report of KPMG (2014), the companies' suitability to CPC 47 may mean several actions in the entity's operational structure, such as implementation of new systems, new process management structure, which may require staff training, hiring new employees and dismissing others. It is also important to note that CPC 47 allows a retrospective application for the transition period, and may be full, in which said technical pronouncement is applied for all periods presented, as if all customer contracts in force on the date of disclosure of the information. had been constructed in light of that standard, or a modified adoption, that is, the companies will present their accounting and financial information in accordance with the new standard only for the last period of publication.

The literature is also unanimous about the disruption that the new CPC will promote about corporate accounting information. Tavares, Anjos and Paulo (2014) argue that there are strong complaints from companies regarding the detailing of the information required by the new standard, especially in the aspects related to disclosure. Souza and Souza (2015) show that there will be a significant increase in complexity in the analysis of contract elements to recognize revenue. Cova (2016) and Severiano, Alencar and Garcia (2017) comment that this regulatory innovation will bring several challenges and impacts for companies and, therefore, the implementation process would be laborious and costly, so it would be prudent to act timely towards of already adapting to the new reality. Finally, Silva (2018) states that the main impacts of adoption will be on key indicators and metrics, which involve the value of revenues and their origin, as well as the possible reallocation of part of revenues in other income items.

Given all this conjuncture, when observing the structural aspects of this norm and imminent impacts, the adequacy of information by companies, besides being mandatory, makes the disclosure process more transparent and makes users aware of the recognition process. revenue, especially if it is being carried out as planned, which helps the decision-making process.

According to Healy and Palepu (2001), disclosure is the result of both the process of providing the largest amount of information to stakeholders and the mandatory disclosure, in order to comply with current legislation. Verrecchia (2001) mentions that disclosure plays a relevant role in the functioning of markets, as it contributes to the reduction of information asymmetry, enables an increase in the amount of business and contributes to the reduction of the cost of capital of companies. In addition, qualitative accounting information allows reliability and comparability, precisely because it conveys relevance (Quinteiro, & Medeiros, 2005; Oliveira, 2016).

Disclosure is one of the three pillars of accounting. The CVM states that Accounting is an information system designed to provide stakeholders with economic, financial and productivity statements and analyzes with respect to the entity (CVM, 1986).

For a company to achieve greater levels of transparency, it must disclose qualitative and quantitative information that enables stakeholders to reliably assess the present economic situation and make inferences for the future (Dantas, Zendersky, & Niyama, 2004).

Lanzana (2004) and Oliveira (2016), mention that, from the point of view of legitimacy, some companies are more interested in disclosing their information than others, because in this way, they become more legitimate for the investor market, even more than, According to Arbel and Strebel (1982), investors only invest resources in what they know, and the more one knows, the less informational asymmetry between principal and agent.

Thus arises what is called voluntary disclosure. It is the level of additional disclosure, more than the obligatory and self-made. By acting in this way, stakeholders would show more interest in this type of company (Rodrigues, 2014). This has become a lucrative market: companies interested in enhancing their reputation, enhancing their image and thereby attracting more investors have incorporated in their business strategy the art of voluntary disclosure of relevant information in user decision making (Oliveira, 2016).

Dye (2001) warns of the omission of relevant variables in the disclosure process. He believes that this may lead to negative inferences about the organization and may impact the credibility of the information disclosed. Therefore, it should be emphasized that the company must be committed to the complete and voluntary disclosure of socio-economic and even environmental information, as a way of legitimizing its actions and raising gains for the institutional image.

Thus, it is clear that voluntary disclosure can represent a differential to guide decisions of the various stakeholders, since this level of disclosure increases the informational quality of the financial statements and the environment in which organizations are inserted (Oliveira, 2016).

3 Methodology

3.1 Search Type

The research is divided into two moments. In the first, it presents a literature review, which seeks, according to Tickim, Amaro and Moreira (2010), to present, briefly and comprehensively, previous studies that dealt with the research theme and problematic, the contextualization and by which authors. the topic in question has already been addressed.

It has a qualitative nature throughout the documentary analysis performed with the accounting information of the companies studied. Malhotra, Kim and Patil (2006, p. 154) state that "qualitative research provides better insight and understanding of the context of the problem." The research is also descriptive, as it describes the characteristics for accounting

recognition of Customer Contract Revenue, considering the new Technical Pronouncement issued - CPC 47. According to Gil (2002), this type of research describes characteristics and evidences of a given sample and still establishes relationships between variables.

Secondly, statistical tools were used to assess the adherence level of the companies studied to CPC 47, based on a metric used in the research by Gonçalves (2011) and Oliveira, Gonçalves, Medeiros and Fernandes (2018). For Diehl and Tatim (2004), researches of this type seek to present results with greater reliability margin, as they reduce possible distortions in analysis and interpretation.

3.2 Study object

The object of this research is the telecommunications sector companies listed in B3, namely: Algar Telecom S/A, OI S/A, Brazilian Telecommunications - Telebras S/A, Telefonica Vivo Brazil S/A and Tim Holdings S/A. It is noteworthy that the company Telemar Norte - Leste S/A is listed on the Stock Exchange, however, it belongs to the OI S/A group, and its financial statements and financial statements are presented to the parent company and are not individually reviewed in this study.

The timeframe is the first three quarters of 2018, the year accounting pronouncement 47 became effective for listed Brazilian companies. The information for the fourth quarter of 2018 was not analyzed, since at the time of writing this information had not been published.

In addition, the 2014 KPMG report mentioned that the adoption of IFRS 15 could be anticipated, but not expected. Therefore, the 2017 accounting information was also analyzed. This verification is also justified by Dye (2001), who argues that the organization will disclose information on a voluntary basis if and only if it is positive for its image and appreciation.

3.3 CPC 47 Compliance Level Analysis Metric

The objective of this study was the Accounting Pronouncement Level CPC 47, which aims to measure the level of compliance of the companies studied with the application of the new CPC, evaluated from the perspective of recognition, measurement and disclosure for Revenue with customers.

To reach the index, a checklist was assembled with information gathered from the KPMG report (2014) and Silva's research (2018). For both studies, entities may have high costs with the implementation and adequacy of CPC, and should not treat this change solely as a change in accounting standards, but rather as a structural change in the business model, which may affect several economic aspects.

Cova (2016) corroborates this prediction by highlighting that companies must establish action plans regarding adjustments to key performance indicators, as well as assessing the requirements for any changes to internal management reports. The table below lists these possible impacts that make up the above checklist. The idea is to verify if the companies object of study made this information widely available to users.

Table 1
Verification Checklist

Theoretical support	Item to be verified
Silva (2018)	The company mentions the adoption of CPC 47, whether retrospectively and in its entirety or if modified or if no specification on this point.
Silva (2018)	The company informs operational actions to adapt to the requirements of the new standard, for example, implementation of a new system or simply changes in the system already in use, training of staff, hiring, dismissals, among others.
KPMG Report (2014)	The company informs or presents changes in performance indicators due to the new way of recognizing revenue from customer contracts.
KPMG Report (2014)	The company reports that there was a review of internal controls and process management to comply with CPC 47.
KPMG Report (2014)	The company reports changes to its tax policy due to the adoption of CPC 47.
KPMG Report (2014)	The company informs or presents that the impacts of adoption will affect the availability of profit for distribution to shareholders and employees.
KPMG Report (2014)	The company reports whether adoption of CPC 47 has impacted its employees' schedule of goals and the variable remuneration policy, when applicable.
KPMG Report (2014)	The company reports whether adoption of CPC 47 had any impact on its lending policy with creditors, especially covenants.

Source: *Research data (2018).*

Thus, the items that guide the companies' level of compliance, which will be sought in their accounting information, are presented, leaving now the categorization and scoring criteria of the items listed above. To this end, this classification was adapted from research by Gonçalves (2011) and Oliveira et al. (2018) and is presented below.

Table 2
Adherence Level Classification Criteria

Categories	Classification Criteria	Score
Restricted	Classification occurs in this category if the company does not disclose the information evaluated by the proposed item.	1
Low	Classification occurs in this category if the company discloses the information evaluated by the proposed item, but in a superficial way, in general.	2
Medium	Classification occurs in this category if the company discloses the information evaluated by the proposed item, making it with good description capacity.	3
Large	Classification occurs in this category if the company discloses the information evaluated by the proposed item in a detailed manner, with rich details, in a well-evidenced manner.	4

Source: *adapted from Gonçalves (2011, p. 68) and de Oliveira et al. (2018).*

The proposed categorization finds argument in Bardin (1977), who emphasizes this as an efficient way of organizing elements in the same set, according to their similarities and divergences. Malhotra et al. (2006) and Oliveira (2016) corroborate by mentioning that the elaboration of analytical categories for the classification of the respective elements should follow clearly described rules, facilitating the grouping and content analysis.

The evaluated companies may reach the minimum of 8 (eight) points, for those that obtain all the "restricted" results and the maximum of 32 points, for those that obtain "broad" for all the evaluated items. The mentioned scores are obtained from the sum of scores of the 8 items highlighted.

From the companies' scores on this checklist, it is verified if the companies are adhering to CPC 47. From this, it will also be verified if the companies were already adequate or already drafting something about it before the norm became mandatory.

4 Data

This chapter includes a descriptive analysis of data regarding the level of adherence to CPC 47. The data that feeds the proposal of this work were obtained directly from the B3 website. The Financial Statements (Balance Sheet and Income Statement), Management Reports and Notes available for the year 2018 (first three quarters) were analyzed.

The same documents were analyzed for 2017 (four quarters). According to Gonçalves (2011) and Oliveira (2016), it is common to analyze these documents in studies that seek to highlight the quality of information, as they act as important channels of communication between companies and the various stakeholders.

4.1 Descriptive Analysis of CPC Compliance Level 47 - Year 2018

The table below shows the score from the data collected for the five companies analyzed per quarter.

Table 3
CPC 47 Compliance Level by Company - 2018

Company / Compliance	Total score by quarter			Average
	1st quarter	2nd quarter	3rd quarter	
OI S.A.	15	15	18	16
Telefonica Brazil	18	18	18	18
TIM Holdings	17	17	17	17
Telebras	8	8	12	9,33
Algar Telecom	17	17	17	17

Source: *Research data (2018).*

For 2018, there was a higher level of adherence to CPC 47 by Telefonica Brazil S/A, with an average score of 18 points out of possible 32, reaching 56.25% adherence, followed by TIM Holdings and Algar Telecom, both with an average of 17 points, totaling 53.13% adherence. On the other hand, the company with the lowest level of adherence to CPC 47 was Telebras, with an average of 9.33 points out of the 32 possible points, totaling only 29.16% of adherence.

The following table indicates the score achieved by each company for each of the 8 checklist items in 2018.

Table 4
Score by company for each checklist item in 2018.

Checklist / Companies by quarter	OI S.A.			Telefonica Brazil			TIM Holdings			TELEBRAS			Algar Telecom		
	1st	**2nd**	**3rd**	**1st**	**2nd**	**3rd**	**1st**	**2nd**	**3rd**	**1st**	**2nd**	**3rd**	**1st**	**2nd**	**3rd**
Mention of adoption of CPC 47.	4	4	4	1	1	1	4	4	4	1	1	1	4	4	4
Statement of operational actions to adapt to the requirements of the standard, eg new system, staff training, hiring, layoffs ...).	3	3	3	4	4	4	3	3	3	1	1	2	3	3	3
Change in performance indicators and other key metrics.	1	1	2	3	3	3	2	2	2	1	1	1	2	2	2
Controls and Process Review.	1	1	2	3	3	3	2	2	2	1	1	1	1	1	1
Change in tax payment profile.	2	2	2	2	2	2	1	1	1	1	1	1	1	1	1
Change in profit availability for distribution.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Compensation and bonus plans: impacts on the timing of goals to be achieved and the likelihood of goals to be met.	1	1	1	1	1	1	1	1	1	1	1	2	2	2	2
Potential loan covenant compliance.	2	2	3	3	3	3	3	3	3	1	1	3	3	3	3
TOTAL	**15**	**15**	**18**	**18**	**18**	**18**	**17**	**17**	**17**	**8**	**8**	**12**	**17**	**17**	**17**

Source: *Research data (2018).*

The analysis shows that the item "Change in the availability of profits for distribution" was the only item that was not disclosed by any company. This information is significant to shareholders, as changes in the standard on the measurement, recognition and disclosure of revenues greatly affect the Income Statement, especially the amount of realized revenues, and the shareholders are dependent on the company's results for the consequent receipt of income. dividends.

It is noteworthy that the companies Telefonica Brazil and Telebras do not even mention CPC 47, something performed by the other companies. Operational actions to adapt to the new standard were taken by all companies, except for information concerning the first two quarters of Telebras. However, only Telefonica has disclosed such information widely. It is noteworthy that the mentioned mention of this company is for compliance with IFRS 15, but that, by harmonization, leads the same aspects raised for CPC 47.

With the exception of Telebras, even slightly superficial changes in performance indicators were evidenced, especially those related to operating performance that depend directly on the results for the year. Changes in compensation plans, which also depend on the company's results, were disclosed only by Algar Telecom in the first three quarters of 2018 and by Telebras in the third quarter. Aspects related to covenants were reported by all companies except Telebras in the first two quarters.

Despite the requirement, what can be seen from the table above is that there has not yet been a broad adherence to CPC 47 by the companies studied in the first three quarters of 2018, the year of the effective introduction of the standard in Brazilian publicly traded companies.

4.2 Descriptive Analysis of CPC Compliance Level 47 - Year 2017

As an additional analysis, we sought to examine the financial statements and consolidated explanatory notes and the management reports, all quarterly, in the year 2017. Such analyzes are underpinned by the fact that the standard has been approved by the Accounting Pronouncements Committee - CPC - on November 4, 2016 and allowed the retrospective use immediately preceding the first annual period as a way to aggregate comparative analyzes for previous periods, without obligation to do so. Table 5 shows the score from the data collected for the five companies analyzed by quarter.

Table 5
CPC 47 Compliance Level by Company - 2017

Company / Compliance	Total score by quarter				Average
	1st quarter	2nd quarter	3rd quarter	4th quarter	
OI S.A.	8	8	8	18	10,5
Telefonica Brazil	12	12	18	20	15,5
TIM Holdings	10	10	12	14	11,5
Telebras	8	8	8	11	8,75
Algar Telecom	8	8	8	13	9,25

Source: *Research data (2018).*

In the first three quarters of 2017, Algar Telecom S / A, OI S/A and Telebras S / A did not disclose information about CPC 47, but in the last quarter, even without the obligation compliance with the new standard, have already sought to bring more information.

Of the three companies mentioned, we highlight the OI S / A that obtained the highest score in the 4th quarter of 2017, concerned with informing users about the adoption of CPC 47, operational actions to adapt to the requirements of the standard, the possible impacts on indicators and other important metrics, such as profit, costs and revenue segregation, and mention review of controls and processes.

Telefonica Brazil and Tim Holdings S / A have been concerned since the beginning of 2017 in alerting users about the new CPC and its possible changes in the company's business, presenting the implementation and throughout the year, were improving and bringing more information about the process, being the two, in average score, the best ranked companies.

None of the company documents reviewed for 2017 found topics on the impact that the new CPC will have on the policy of profit availability and distribution, changes to targets or the timing of employee compliance, changes covenants, or tax policy.

Anyway, all aspects that were brought in the financial statements analyzed in 2017 are of a prospective nature, that is, none of them has worked with information disclosed in the new mandatory format. All make it clear that they are in the process of study and improvement. Therefore, even with the possible gains brought by voluntary disclosure (Dye, 2001; Verrecchia, 2001), companies did not choose to make such disclosure. As your own explanatory notes show, the costs of transitioning from the current standard to the new standard are high and more in line with what the 2014 KPMG Report says.

The following table details the score achieved by each company for each of the 8 checklist items in 2017.

Table 6
Company score for each checklist item in 2017

Checklist / Companies by quarter	OI S.A.				Telefonica Brazil				TIM Holdings				TELEBRAS				Algar Telecom			
	1st	**2nd**	**3rd**	**4th**	**1st**	**2nd**	**3rd**	**4th**	**1st**	**2nd**	**3rd**	**4th**	**1st**	**2nd**	**3rd**	**4th**	**1st**	**2nd**	**3rd**	**4th**
Mention of adoption of CPC 47.	1	1	1	4	2	2	4	4	2	2	4	4	1	1	1	3	1	1	1	4
Statement of operational actions to adapt to the requirements of the standard, eg new system, staff training, hiring, layoffs ...).	1	1	1	4	2	2	2	4	1	1	1	1	1	1	1	1	1	1	1	1
Change in performance indicators and other key metrics.	1	1	1	2	1	1	4	4	2	2	2	4	1	1	1	2	1	1	1	3
Review of controls and processes.	1	1	1	4	3	3	4	4	1	1	1	1	1	1	1	1	1	1	1	1
Change in tax payment profile.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Availability of profits for distribution.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Compensation and bonus plans: impacts on the timing of goals to be achieved and the likelihood of goals to be met.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Potential compliance with loan covenants.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
TOTAL	**8**	**8**	**8**	**18**	**12**	**12**	**18**	**20**	**10**	**10**	**12**	**14**	**8**	**8**	**8**	**11**	**8**	**8**	**8**	**13**

Source: *Research data (2018).*

There is a tendency of increase in adherence to CPC 47 during 2017, and the annual information, which includes the information from the 4th quarter of the year, presents better disclosure, much because the information in this period has a broader scope. broad. Emphasis is given to the company Telefonica Brazil, which achieved 20 points out of 32 in the fourth quarter of 2017, reaching a adherence of 62.5% (20 ÷ 32). In addition, in relation to the others, this company also stood out regarding adherence to the first, second and fourth items of the checklist, which are mention of CPC 47, information on operational actions in order to adapt to the requirements of the standard, changes in indicators of performance and other key metrics and review of controls and processes.

The companies OI SA, Telebras and Algar Telecom did not even mention CPC 47 in the first three quarters of 2017. There was also no disclosure by any company regarding the last four items on the checklist, such as information on change in tax payment, availability of profits for distribution, compensation and bonus plan and potential compliance with loan covenants. In general, the table above showed that in 2017 there was no broad adherence to CPC 47 on a voluntary basis, even with the possibility of gains on the market because of this, by the companies studied.

5 Conclusions

The objective of this study was to verify, within the telecommunications sector, whether Brazilian companies listed on B3 are broadly in line with CPC 47 - Customer Contract Revenue. Brazilian companies, in line with the convergence with international accounting standards, were required to issue their financial statements in accordance with this standard as of January 1, 2018, and retrospective disclosure is accepted for periods immediately preceding the first annual period to that applies to the standard.

In order to achieve the objective, a checklist was constructed comprising the main requirements that companies should disclose, which corroborate their compliance with CPC 47. In each item, an adherence score of 1 to 4 was established, being 1 for companies that presented restricted information and 4 for companies that presented broad information. The data were collected from the documentary analysis of the information in the consolidated financial statements (Balance Sheet and Income Statement), Explanatory Notes and Management Reports of 2018 and 2017 of Algar Telecom S/A, OI S/A., Brazilian Telecommunications - Telebras S/A, Telefonica Vivo Brazil S/A and Tim Holdings S/A.

In general, it was possible to verify that there was no broad adherence to CPC 47 by the companies studied. The results suggest a contrast with the statements of Cova (2016) and Silva (2018), which suggest that companies should broadly highlight the impact of the new standard on their operations, as well as their controls and results. A lower level of compliance with international accounting standards demonstrates reduced reliability and comparability of financial information and is not a reliable basis for efficient decision making and inferences for the future of various stakeholders.

Regarding voluntary disclosure, there was no interest of companies in disclosing information about revenues from contracts with customers before the period required by the standard. The omission of such information, as warned by Dye (2001), Verrecchia (2001) and Teixeira (2010), may not qualify the company as a differentiated investment opportunity, given that there are no greater informational subsidies than expected by the market.

In addition, aspects reported by Oliveira (2016), related to the increase of reputation and the improvement of the company's image, could serve as an incentive for disclosure more than the mandatory or before becoming mandatory. Therefore, it can be seen that the companies fit the line of Yamamoto and Salotti (2006), which probably verified preparation costs higher than the possible gains of additional disclosure.

A possible discussion for the results of this paper is whether, in fact, companies were prepared to adopt the new standard. The significant complexity in measurement and recognition and the high level of detail to the various elements of the contract, as evidenced by Souza and Souza (2015), may have been relevant for companies, due to lack of knowledge, not to adhere broadly to the rules. In addition, strong complaints from Brazilian companies, especially regarding the high detail of information required by CPC 47 regarding disclosure, as shown by Tavares, Anjos and Paulo (2014), may have been fundamental to the low disclosure.

In this sense, the results brought by this work should be expanded to other companies, as one of the limitations of this study is precisely the research sample, which is intentional and non-random, so that the results obtained may not possibly be replicated to other companies not members of the selection. Therefore, for future research, it is suggested to broaden the scope of

the companies studied, addressing other sectors that could also be among the most impacted by the new standard, especially those poorly regulated, or even checking the companies of the new market, which As they are companies with a high level of corporate governance, they imply a high level of compliance with the mandatory disclosure standards.

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