



REVISTA AMBIENTE CONTÁBIL

Universidade Federal do Rio Grande do Norte

ISSN 2176-9036

Vol. 15, n. 1, Jan./Jun., 2023

Sítios: <https://periodicos.ufrn.br/index.php/ambiente>

<http://www.atena.org.br/revista/ojs-2.2.3-06/index.php/Ambiente>

Article received on: 22 March 2022. Peer reviewed on: 26 July 2022. Reformulated on: 20 August 2022. Evaluated by the double-blind review system.

DOI: 10.21680/2176-9036.2023v15n1ID31154

Evidence of fixed assets by Brazilian subnational governments

Evidencia de activos fijos por los gobiernos subnacionales brasileños

Evidenciação de ativos imobilizados por parte dos governos subnacionais brasileiros

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Abstract

Objective: To analyze the evolution of the accounting treatment given to fixed assets by Brazilian public sector entities in the face of the process of convergence of Brazilian Accounting Standards to international standards.

Methodology: Descriptive, qualitative and with the use of bibliographic and documentary survey through the examination of financial statements and explanatory notes of all states of the Brazilian region in the period between 2015 and 2019.

Results: Were considered few satisfactory in relation to the items surveyed due to low adherence (55%) and non-adherence (33.33%) of the data analyzed to the standards examined, demonstrating that informational asymmetry persists to stakeholders, so harmful to public transparency and accountability. The lack of information regarding depreciation methods, fixed assets offered as collateral, contractual commitments in the acquisition of assets and indemnification of third parties for asset items were noted.

Study Contributions: To know the main changes and gains in the convergence process, with the standardization of accounting procedures in relation to the standards examined those deals with fixed assets, as well as the results of the evolution of the evidence process and the main challenges in meeting this standard.

Keywords: Fixed assets. Brazilian accounting standard. Convergence. IPSAS.

Resumen

Objetivo: Analizar la evolución del tratamiento contable dado a los activos fijos por las entidades del sector público brasileño frente al proceso de convergencia de las Normas Brasileñas de Contabilidad a las normas internacionales.

Metodología: Descriptiva, cualitativa y con el uso de encuesta bibliográfica y documental a través del examen de estados financieros y notas explicativas de todos los estados de la región brasileña en el período comprendido entre 2015 y 2019.

Resultados: Pocos fueron considerados satisfactorios en relación con los ítems encuestados debido a la baja adherencia (55%) y no adherencia (33,33%) de los datos analizados en NBC TSP 07, demostrando que la asimetría informativa persiste para los grupos de interés, tan perjudicial para la transparencia pública y la rendición de cuentas. Se observó la falta de información sobre los métodos de depreciación, los activos fijos ofrecidos como garantía, los compromisos contractuales en la adquisición de activos y la indemnización de terceros por partidas de activos.

Contribuciones al estudio: Conocer los principales cambios y ganancias en el proceso de convergencia, con la estandarización de los procedimientos contables en relación con NBC TSP 07 que se ocupa de los activos fijos, así como los resultados de la evolución del proceso de evidencia y los principales desafíos en el cumplimiento de este estándar.

Palabras clave: Activos fijos. Norma Brasileña de Contabilidad. Convergencia. IPSAS.

Resumo

Objetivo: Analisar a evolução do tratamento contábil dado aos ativos imobilizados por parte das entidades do setor público brasileiro ante ao processo de convergência das Normas Brasileiras de Contabilidade aos padrões internacionais.

Metodologia: De caráter descritivo, qualitativo e com o uso de levantamento bibliográfico e documental mediante o exame das demonstrações contábeis e notas explicativas de todos os estados da região brasileira no período compreendido entre 2015 a 2019.

Resultados: Foram considerados poucos satisfatórios em relação aos itens pesquisados em virtude da baixa aderência (55%) e não aderência (33,33%) dos dados analisados às normas analisadas, demonstrando que persiste assimetria informacional aos stakeholders, tão prejudicial à transparência e a *accountability* públicas. Notabilizou-se a falta de informações em relação aos métodos de depreciação, ativos imobilizados oferecidos como garantia, compromissos contratuais na aquisição de ativos e indenização de terceiros por itens de ativos.

Contribuições do Estudo: Conhecer as principais mudanças e ganhos no processo de convergência, com a padronização dos procedimentos contábeis em relação às normas analisadas que tratam dos ativos imobilizados, bem como os resultados da evolução do processo de evidência e os principais desafios no atendimento dessa norma.

Palavras-chave: Ativo imobilizado. Norma Brasileira de Contabilidade. Convergência. IPSAS.

1. Introduction

Accounting applied to the public sector in Brazil has as its most relevant legislation Law n. 4,320 (1964), extended to all organizations of direct, foundational and autarchic administration of the 3 (three) spheres of power and intended for the preparation of budgets and public balance sheets. The Public Finance Statute, as it is called by some, or the Budget Law, by others, has promoted substantial social and economic development in the country in the more than 50 years since its publication.

For Guimarães Júnior, Lima and Piscitelli (2014) this important milestone for public finances is also the focus of criticism directed at it regarding the strictly budgetary vision assumed, leaving the properly accounting or equity aspects in the background. In this sense, the improvement of Brazilian legislation has promoted efforts to rescue the fundamentals of the accounting doctrine - equity approach - and its consequent strengthening in relation to budgetary bias, such as the Fiscal Responsibility Law and the process of convergence of Brazilian standards to the standard international public accounting. This last aspect resulted from advances in the global scenario of a globalized economy and the existence of more dynamic markets that, increasingly, require public managers and other stakeholders (investors, society in general, supervisory bodies, etc.) to disclose more reliable and high quality information.

The process of Brazilian convergence to international standards began with Ordinance n. 184 (2008) of the Ministry of Finance and with the effort of the Federal Accounting Council in the establishment of the Brazilian Accounting Standards Applied to the Public Sector (NBCASP). The process of convergence to the International Public Sector Accounting Standards (IPSAS) was boosted from the edition, initially, of the TSP NBCs, already in the year 2016.

Regarding the theme of the present research, in the wake of the modernization of Brazilian public accounting, the CFC approved in 2017 the Brazilian Public Sector Technical Accounting Standard (NBC TSP 07— fixed assets, 2017) effective in 2019, improving the accounting treatment of that asset class. The norm brought a series of innovations, highlighting the attribution of decision-making power to government entities for the recognizing this type

of asset criteria, setting a new guideline in the public sector for quality information and accessibility to users.

Given this scenario, and considering the discussion on the need for more adequate information with a high degree of comparability (Coelho & Passador, 2016; Costa & Fonseca, 2018), the following research problem is presented: what is the level of adherence of the states in the Northeast region regarding the accounting treatment given to fixed assets in view of the process of Brazilian Accounting Standards (NBCs) convergence to international standards?

Based on the present questioning, it is proposed as a general objective to analyze the evolution of the accounting treatment given to fixed assets by Brazilian public sector entities in view of the process of convergence of the Brazilian Accounting Standards to international standards. Specifically: a) verify the main changes and gains in the convergence process with the standardization of accounting procedures; and b) analyze the evolution in the process of disclosing the accounting treatment of fixed assets in the public sector in the interstice of NBCs T 16.9 and 16.10, as well as NBC TSP 07.

This study is justified by the importance of recognition, measurement, evaluation, control and disclosure of the methods adopted by state administrations regarding the applicability of the procedures established by the Brazilian public sector accounting standards applied to the accounting treatment of fixed assets. Furthermore, the use of NBCs in reference promotes the updating of the effective composition of public assets, in addition to highlighting the real capacity of public entities to promote the provision of services to the community.

This work is composed of five sections. Section 1 brings the introduction, containing a summary of the subject to be addressed. Section 2 shows a brief history of public accounting in Brazil with recent efforts at international convergence. Section 3 discusses the methodology used in the research. Section 4 presents the analysis and interpretations extracted from the financial statements and, finally, section 5 presents the final considerations, bringing reflections and possible lines of future research.

2 Literature Review

Brazilian Public Accounting dates to the arrival of the Portuguese Family to the country in 1808 (Slomski, 2014), being considered as important facts in this context the creation of the Royal Treasury and the institution of the Council of Finance. In the first half of the 20th century, the Central Directorate of Public Accounting was created (Decree n. 15,210, 1921), later called General Accountant of the Republic (Decree n. 1,990, 1940).

In normative terms, the General Public Accounting Regulation was instituted in 1922 (Decree n. 15,783, 1922), replaced by Law n. 4320 (1964) which became better known as the general law of public budgets, valid for all federative entities.

In the 2000s, Complementary Law n. 101 (2000) (Fiscal Responsibility Law) was approved and considered an advance in dealing with public finances and responsible fiscal management on the part of public agents. Finally, a new step was taken in 2008, with the edition of Ordinance MF n. 184 (2008) that gave rise to the kick-off of the process of convergence of international public accounting standards in the country, an action coordinated by the Federal Accounting Council and the National Treasury Secretariat (STN).

The implementation of public sector T (technical) of the NBCs has had significant effects on the quality of accounting information and especially on the reports standardization, meeting the primary objective of providing information to society as its largest and only “shareholder”. However, even in the face of great normative advances, the norms presented conceptual limitations and mainly did not meet the desire of a globalized economy with demonstrations and reports standardized to international norms.

The national public accounting convergence was the next step in the continuation of a broad process of norms harmonization in the private sector, aiming at the real integration of a

globalized economy. According to Mota (2009), the convergence process represented a revolution in the public sector from its conceptual basis, reaching the bookkeeping and disclosure procedures.

The International Public Sector Accounting Standards Applied to the Public Sector, also known as IPSAS (International Public Sector Accounting Standards) represent a set of international accounting pronouncements published and revised by the International Public Sector Accounting Standards Board (IPSASB), with the objective of unifying the financial statements. In Brazil, the CFC instituted feasibility study groups in the process of implementing the standards to the Brazilian reality with the approval of thirty-four standards expected by 2021.

The Conceptual Framework and another 26 (twenty-six) standards were approved by the end of 2019. In 2020, another 3 (three) standards were approved, and by the end of 2021, four standards will be discussed and implemented, with forecast inclusion in the planning of the Advisory Group (AG) of the new norms that are published by the IPSASB/IFAC. With great efforts directed at this process of standardization, it is consensual among researchers that the main point is directly associated with the rescue of heritage as an object of accounting. For Feijó (2012), it is possible to identify that the patrimony has re-assumed the prominent role in government accounting, previously attributed to the budgetary aspect.

The process of convergence to international accounting standards, both in the public and business sectors, led to several initiatives of Brazilian studies on the quality of accounting information and the resulting disclosure. The following are highlighted.

Vigolo, Pacheco and Panosso (2017) verified the changes required in the financial statements, analyzing companies that are obliged to adopt NBC TG 16, which deals with establishing the accounting treatment for inventories. The findings identified that the convergence to international standards in accordance with NBC TG 16 made it easier for statements users to be able to make more accurate and transparent analyses.

In turn, Costa and Fonseca (2018) sought to identify the practical consequences arising from the convergence to international accounting standards according to the perception of accounting professionals. The results of the study showed that the process of convergence to international standards was considered positive by most of the 1,699 respondents, regardless of geographic region.

Silva, Brighenti and Klann (2018), having as object of study the influence of the convergence process on the relevance of accounting information disclosed by Brazilian companies listed on the BM&FBovespa, demonstrated that there was a contribution to the informational quality of accounting in the equity value of the share, profit, and annual return on the stock in the post-convergence period. In turn, Nascimento, Santos, Zittei and Anosti (2015) studied the new accounting approach in convergence efforts, as opposed to the strictly budgetary and financial view of public accounting, with the results validating that one of the main objectives of this implementation is to rescue of the object of accounting as a science – Heritage.

Moreira, Firmino, Gomes and Paulo (2015) analyzed the effects of adopting international accounting standards on independent auditors' reports, based on companies listed on the stock exchange. As a result, they found the influence of international accounting standards on the independent auditors' report, motivating the issuance of an opinion with a paragraph of emphasis and/or reservation.

In view of society and its other users need for reliable information in the measurement and disclosure of assets and liabilities, the CFC published NBC TSP 07 (fixed assets), revoking NBCs T 16.9 and 16.10, which aims to establish accounting treatment for fixed assets. The standard dealt with the recognition of assets, their valuation, depreciation, and impairment

losses, with its scope extending to all public sector entities that prepare financial statements on an accrual basis.

This standard established that the cost of a property item, plant and equipment should be recognized as an asset if, and only if: (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity; and (b) the cost or fair value of the item can be measured reliably. In turn, Negrini (2018) recalled that the accounting treatment given in terms of types of assets should consider the following structure: (a) furniture, equipment, machines for normal and everyday use; (b) infrastructure assets, characterized as goods for common use by the people; (c) concession contract assets; and (d) cultural heritage assets: so classified due to their cultural, environmental or historical relevance.

An important observation to be made regarding the application of NBC TSP 07 was that some assets, such as infrastructure, where even without a universally accepted concept, such assets fit the definition of property, plant and equipment, should be accounted for in accordance with this standard. Therefore, public works such as squares, viaducts, dams and roads began to be mandatorily registered as accounting assets, even though they were goods for common use by the people.

The new treatment has the power to enable the user of accounting information to implement clearer, more accessible statements and reduce the asymmetry of information so common between society and public authorities. An example, in this sense, resided in the edition of Ordinance STN n. 548 (2015), which established mandatory deadlines for the implementation of Equity Accounting Procedures in the Union, states, Federal District and municipalities. Table 01 below shows the different treatment criteria for the analyzed standards.

Table 1

Criteria for treatment of fixed assets in the public sector (NBCs T 16.9, 16.10 and NBC TSP 07)

Items	Information Classes of Fixed Assets
i.	measurement criteria used to determine gross book value;
ii.	depreciation methods used;
iii.	lifespan or depreciation rates used;
iv.	gross book value and accumulated depreciation (plus accumulated impairment losses) at the beginning and end of the period;
v.	reconciliation of the carrying amount at the beginning and end of the period;
vi.	existence and amounts of restrictions on fixed assets offered as collateral for obligations;
vii.	amount of costs recognized in the carrying amount of an item of property, plant and equipment during its construction;
viii.	o valor dos compromissos contratuais advindos da aquisição de ativos imobilizados;
ix.	if not separately disclosed in the income statement, the amount of third-party indemnities for items of property, plant and equipment that have been subject to impairment, lost or abandoned, included in profit or loss for the period.

Source: *Adapted from NBCs 16.9, 16.10 and NBC TSP 07.*

Thus, NBC TSP 07 (fixed assets) brought with it new tools, such as clear measurement criteria, accounting by the revaluation method and disclosure criteria by class of fixed assets and a series of new requirements, providing positive aspects. It innovated by not choosing to restrict recognition criteria, attributing decision-making power to entities according to specific needs.

Among the main benefits promoted in relation to the financial statements by the converged standard refer to the quality of the information disclosed with criteria the entire composition of costs' measurement and characterization; equity control with recognition of precise economic benefits; and support for the accounting policies developed (Secretaria do Tesouro Nacional [STN], 2015). In this way, the regulation grants managerial management of

all fixed assets and variations that have occurred, in addition to presenting a complete and more accurate overview of the public patrimony made available for the provision of public services.

A similar process can be seen in the conversion of accounting practices to corporate accounting. Carraro and Wohlgemuth (2014), when studying the adaptation of fixed assets of a company in the industrial sector of the Vale dos Sinos Region, observed that the internationalization of accounting standards values the company and makes the analysis of the statements clearer, ensuring security of information.

In turn, Silva and Arruda (2017), in a study carried out in the ceramics industrial sector, showed that the lifespan of fixed assets was undervalued, directly affecting the depreciation calculation. The conversion to the new standards adopted for corporate accounting proved to be of vital importance for the comparability of the statements and transparency to users in both studies.

Nevertheless, although not directly related to NBC TSP 07 (fixed assets), other studies were produced showing that the changes inferred by the new practices were considered productive in the modernization of Brazilian public accounting (Galante, Oenning, Land, 2016). Mendes (2019) identified that changes in public sector statements resulted in more concise and transparent accounting information, such as the explanatory notes to the financial statements, while Kronbauer and Barboza (2017) concluded that the convergence process allowed Brazil to insert standardized tools and concepts, generating an improvement in the patrimonial disclosure of Brazilian public institutions.

With the need to adapt to international standards, these new steps towards improving the quality of accounting information follow the objective of providing greater security and credibility to accounting statements, aspiring to better transparency of public assets in providing more relevant and useful information. Batista and Miranda (2015) illustrate that when access to information is allowed, mechanisms are created to ensure that the State works more efficiently and possibly with less expenditure of resources.

The subject is directly associated with the process of evolution that Brazil has been going through in recent years about transparency, Bizerra (2011) highlights that the concepts of transparency and accountability end up intertwining, given that the former helps in the promotion of the latter. The understanding is in the sense that the accountability of agents can only exist with the knowledge generated through clear information on the use of the resources used, so it is possible to deduce that the convergence process becomes relevant in the disclosure of accounting information, ending up helping public accountability.

3 Methodological Procedures

The present research adopted the descriptive method, which according to Gil (2017) aims to study the characteristics of a group (distribution by age, sex, origin, level of education, etc.) and establish relationships between its variables. So, from this, it is understood that the method perfectly meets the research, since it seeks to describe the situation of things as they are at the time the study was carried out.

To achieve the proposed objectives, methodological procedures were used that involve bibliographic and documentary surveys, consisting of the analysis of legislation, magazines, technical pronouncements, scientific articles, and theses, thus favoring the literature review to support the analysis of the records of the heritage group studied. Among the main documents analyzed of a technical nature, there are the financial statements and explanatory notes, whose examination was carried out based on the criteria established in Table 2.

As for the approach, the research uses qualitative techniques. Marconi and Lakatos (2010) explain that the qualitative approach is a research whose premise is to analyze and interpret more in-depth aspects. Through this modality of technique, the researcher has the

possibility, by using his past knowledge, impressions, and experiences, to evaluate the presented situation and decide about the attendance or nonattendance of the analyzed item.

To assess the consistency of the fixed assets records, the requirements segregation contained in NBC TSP 07 (fixed assets) of the CFC in Table 02 below was adopted, based on the seminal work of Vigolo et al. (2017). As evaluation criteria for the balance sheets between 2015 and 2019, the items were evaluated as "evidenced", "partially evidenced" and "not evidenced", reaching a percentage between 11% (number of items/100) to 100% (completeness of the number of items).

Table 2

Criteria for assessing compliance with the rules on fixed assets

Item	Disclosure Criteria (NBC TSP 07)	Rating criteria	(%) Maximum	(%) Minimum
01	Measurement criteria	Evidenced Partially evidenced Not evidenced	100	11
02	Depreciation methods	Evidenced Partially evidenced Not evidenced	100	11
03	Depreciation rates (lifespans)	Evidenced Partially evidenced Not evidenced	100	11
04	Gross book value and accumulated depreciation	Evidenced Partially evidenced Not evidenced	100	11
05	Reconciliation of book value	Evidenced Partially evidenced Not evidenced	100	11
06	Fixed assets offered as collateral	Evidenced Partially evidenced Not evidenced	100	11
07	Costs recognized during construction	Evidenced Partially evidenced Not evidenced	100	11
08	Contractual commitments in the acquisition of assets	Evidenced Partially evidenced Not evidenced	100	11
09	Third-party indemnity for asset items	Evidenced Partially evidenced Not evidenced	100	11

Source: *Adapted from Vigolo et al. (2017).*

The time lapse selected was due to the beginning of the adoption of the NBC under study and the full availability of the financial statements by the states involved in the research. For the analysis, a regional stratification was chosen, selecting as a sample the 09 (nine) States of the Northeast Region, among the population of the 26 (twenty-six) States and the Federal District, due to the region representing the one that brings together the largest number of federation states. The survey was carried out in the period from 02/22 to 03/05/2021.

4 Results and Analysis

This section presents the analysis and description of the results through the examination of statements such as balance sheets, explanatory notes and management reports of the States of the Northeast region. Table 3, below, shows the evolution of the disclosure of information on property, plant and equipment in the period from 2015 to 2019. It shows the

criteria selected for disclosure of the financial statements, including related verification items from the NBCs in force in the period (16.9, 16.10 and 07) on fixed assets and which refer to the verification in relation to the states of the Northeast Region if they are correctly evidencing the assets.

Table 3*Evolution of the accounting treatment of fixed assets by the states of the Northeast Region - 2015 to 2019*

Item	Critério de evidenciação (NBC TSP 07)	Avaliação	2015			2016			Northeast Region States 2017		
			States	%	Δ%	States	%	Δ%	States	%	Δ%
1	Asset measurement	Evidenced	AL, BA, CE, PI, RN	55.55	100	AL,BA,CE,PI,RN,SE	66.66	20	AL,BA,CE,PE,PI,RN,SE	77.77	40
		Partially evidenced			100	0	0			0	
		Not evidenced	MA, PB, PE, SE	44.44	100	MA,PB,PE	33.33	-25	MA,PB	22.22	-50
2	Depreciation methods	Evidenced	AL,BA	22.22	100	AL,BA	22.22	0	BA,PE	22.22	0
		Partially evidenced			100	0	0			0	
		Not evidenced	CE,MA,PB,PE,PI, RN,SE	77.77	100	CE,MA,PB,PE,PI, RN,SE	77.77	0	AL,CE,MA,PB,PI,RN,SE	77.77	0
3	Lifespans or depreciation rates	Evidenced			100	0	0			0	
		Partially evidenced	AL,BA	22.22	100	AL,BA	22.22	0	BA	11.11	-50
		Not evidenced	CE,MA,PB,PE,PI, RN,SE	77.77	100	CE,MA,PB,PE,PI, RN,SE	77.77	0	AL,CE,MA,PB,PE,PI, RN,SE	88.88	14.29
4	Gross book value and accumulated depreciation	Evidenced	AL,BA,PE,RN	44.44	100	AL,BA,PE,RN	44.44	0	AL,BA,PE,RN	44.44	0
		Partially evidenced	CE,PB,SE	33.33	100	CE,PB,SE	33.33	0	CE,PB,SE	33.33	0
		Not evidenced	MA,PI	22.22	100	MA,PI	22.22	0	MA,PI	22.22	0
5	Reconciliation of book value	Evidenced			100	BA	11.11	0	BA	11.11	0
		Partially evidenced	AL,BA,PB,PE,RN,SE	66.66	100	AL,PB,PE,RN,SE	55.55	-17	AL,PB,PE,RN,SE	55.55	-16.7
		Not evidenced	CE,MA,PI	33.33	100	CE,MA,PI	33.33	0	CE,MA,PI	33.33	0
6	Fixed assets offered as collateral	Evidenced			100	0	0			0	
		Partially evidenced			100	0	0			0	
		Not evidenced	9 states	100	100	9 states	100	0	9 states	100	0
7	Costs recognized during construction	Evidenced	SE	11.11	100	BA,SE	22.22	100	BA,SE	22.22	100
		Partially evidenced			100	AL	11.11	0			0
		Not evidenced	AL,BA,CE,MA,PB, PE,PI,RN	88.88	100	CE,MA,PB,PE,PI, RN	66.66	-25	AL,CE,MA,PB,PE,PI, RN	77.77	-12.5
		Evidenced			100	0	0			0	

Source: Authors (2021).

The first item of analysis consisted of measuring fixed assets (**item 01**). It consists of the quantifying the financial value process of assets for purposes of accounting records and presentation before the financial statements. According to the standard, the method is based on acquisition cost or revaluation of the asset. Specifically, it should be noted that in 2015, 55% of the States examined presented some measurement criterion, similar to the acquisition cost. The qualitative improvement was felt, significantly, in the period from 2017 to 2019 with 77% of disclosure, or variation in the order of 22%. Only the states of MA and PB did not present measurement criteria throughout the analyzed period. The lack of measurement of assets directly impacts the quantification of future or potential economic benefits, that is, the less we know about the ability to use existing assets, the less knowledge about the services that Management can provide to society, including , with the lack of sensation of that capacity. Although the increase in disclosure differs from the study developed by Vigolo et al. (2017) who highlighted progress in the transfer with the convergence process, the disclosure of this type of information cannot yet be considered satisfactory, lacking a greater effectiveness of the application of the standard.

In reference to the depreciation methods - straight-line, decreasing balances and units of production - used in fixed assets (**item 02**), it can be observed that during the entire period analyzed, only 22% of the states showed some information on the use of depreciation methods. The lack of disclosure was equally significant, with 77% of states not offering any support to demo users during the same time period. The result, in a way, coincides with the work of Dantas, Paulo and Paiva (2010) who identified the absence of information in 37% of the states and 98.4% in the municipalities. In the present study, the performance of the state of BA with assiduous disclosure in the analyzed period was highlighted. The results reveal attention, above all, on the part of the control bodies, since most of the entities surveyed did not demonstrate compliance with the accounting standard in question, which constitutes an infringement of the principle of legality, of a constitutional order. Making a parallel with the routine decisions of investors, Hendriksen and Breda (2010) emphasize that disclosure is vital for better decision-making, as well as preventing the occurrence of surprises that would completely alter perceptions about the future of companies. Therefore, the absence of disclosure incurs damage to the comparability of accounting information, not showing values according to the reality and conditions of each asset, an even more worrying situation in the Public Administration that uses such assets in the provision of services to the community.

Concerning the disclosure of lifespans or depreciation rates used (**item 03**) regarding the portfolio of assets used, it appears that in the years 2015 and 2016, 77% of the States did not show the lifespans or depreciation rates applied to the asset immobilized. This number continued, even higher, with 88% in the period from 2017 to 2019. Only the State of BA disclosed in the last year studied, 2019. The result is consistent with the lack of information regarding the depreciation methods, analyzed in the previous item, corroborating the findings of Silva and Arruda (2017) regarding the underestimation of the useful life of property, plant and equipment and its implication in the depreciation calculation. The absence of accurate records of depreciation and lifespan of fixed assets has several negative implications for the public administration, such as lack of reliable and timely information, deficiency in asset control, deficient planning for future acquisitions, among other aspects.

Regarding the disclosure of the gross book value and accumulated depreciation (associated with losses due to the reduction of the accumulated recoverable value) at the beginning and end of the period (**item 04**), it is observed that in the period from 2015 to 2018 it was fully evidenced by 44 % of States, with a slight increase in 2019 to 55% of States. Only the State of MA did not present any data in this regard. The correct disclosure of costs for each asset class allows for an improvement in the quality and understanding of the statements. In this sense, Gelbcke, Santos, Iudícibus and Martins (2018) argue that accumulated depreciation

should be in separate accounts, but classified as asset reduction, reducing fixed assets. Such an operation is important for companies and organizations to program themselves regarding the need for new acquisitions, rethink the exchange for more modern ones or simply carry out the undoing of existing assets.

In reference to the reconciliation of the book value at the beginning and end of the period showing additions, disposals, impairment losses, depreciation and other aspects (**item 05**), it appears that most states only partially show the reconciliation of the book value of property, plant and equipment, initially in 2015 with 66%, remaining in the period from 2016 to 2018 at 55% and ending 2019 with 44%. It is important to note that only the state of BA satisfactorily disclosed the accounting reconciliation in the period from 2016 to 2019. On the other hand, the states of CE, MA and PI did not show their reconciliation during the entire period studied. Gelbcke et al. (2018) points out that the elements of property, plant and equipment must be presented at acquisition cost deducted from the balances of the respective depreciation, amortization or depletion accounts and give estimated losses due to impairment.

Regarding the assessment of the existence and values of restrictions on fixed assets offered as collateral for obligations (**item 06**), such as: pledge, mortgage, fiduciary alienation of goods and assets, fiduciary assignment of credits, etc., it is noted that throughout the studied period, 100% of the surveyed federated entities did not show any restrictions on fixed assets due to the guarantee of obligations. It is noteworthy that there were no mentions, not even of the absence of such restrictive instruments in the financial statements and in the consulted reports, a situation that is inconsistent with the various existing credit operations, both internally and externally, by the entities analyzed. The absence of disclosure of restricted asset data provides less effectiveness and transparency of the public administration's financial and property information.

Regarding the value of the costs recognized in the book value of an item of property, plant and equipment during its construction (**item 07**), it should be noted that the largest portion of the States concentrated on not disclosing this data, reaching 88% in 2015. Those that indicated information portray in their own statement the cost incorporated in assets in the construction phase. A considerable number of states presented "In progress" fixed assets in their statements, however, without supporting documents, it was not possible to identify whether they were assets under construction. Sergipe was the only one to show data in this sense throughout the period. The lack of disclosure of fixed assets under construction directly reflects inaccurate asset controls and management lag, in addition to being unlikely within the scope of Brazilian states, since, regardless of possible crises that plague the country, there are always investments expenses. The finding is in line with the study by Batista and Miranda (2015) who emphasized that the lack of useful and relevant information about managed assets highlights low efficiency and greater waste of managed resources.

With regard to the value of contractual commitments arising from the acquisition of fixed assets (**item 08**), it is observed that in 100% of the States, in the analyzed period, there was no evidence of contractual commitments in the acquisition of fixed assets. Even when the contracted financial operations are analyzed, there are no reports to support the balance sheet. The information, although not positive, ends up being consistent with the finding in the previous item regarding the absence of information on assets under construction. The simple evidence of non-disclosure can be attributed to the existence of inaccurate accounting reports and inefficiency in asset management, in addition to the information contained in the accounts of a control nature. It also demonstrates that financial instruments need greater transparency and application as determined by the rule on fixed assets, with regard to the requirement to disclose the value of contractual commitments in the acquisition of assets with the financial statements.

Finally, **item 09** verified the amount of third-party indemnities for items of property, plant and equipment that have been subject to impairment, lost or abandoned, included in

income for the period. Once again, 100% of the states, in the analyzed period, did not show any type of information. An important portion of the entities surveyed, regarding the use of asset management systems, did not have the revaluation tool available to all fixed assets, such as BA, CE and MA that showed in their respective explanatory notes, and in the most critical case, for example the state of AL, the complete heritage system was under development. The absence of disclosure reflects on the conditions of patrimonial systems, being capable of aspects related to patrimonial controls being incomplete and imprecise, since the existing tools are few in the face of varied amounts and large amounts of public property.

In general, the results demonstrate advances in some aspects, as evidenced in items 01 (assessment measurement), 03 (useful lives/depreciation rate), 04 (gross book value/accumulated depreciation), 05 (book value reconciliation) and 07 (costs recognized during construction) (Table 3) whose records compared to the initial year of 2015 showed information in the order of 55%, however, in others, stagnation of accounting information for not showing them (33.33%), as is stood out in the examination of items 02 (depreciation methods), 06 (fixed assets offered as collateral), 08 (contractual commitments in the acquisition of assets) and 09 (third-party indemnity for asset items) (Table 3). The results are similar to those shown by Galante, Oenning and Land (2016) who observed an evolution of controls and records of fixed assets in a sample of Brazilian municipalities.

The Public Administration has as its main purpose the provision of public services and as such the existence of public assets is not directly related to the generation of financial flows, as happens in companies, but is focused on the potential of the services of these assets. There are even assets held by the government that are not directly related to their primary functions, but which must be conserved for historical and/or environmental reasons.

In this sense, it is justified that all assets belonging to the public sector are registered as patrimony of the federated entity that owns, manages or conserves them. The non-existence of procedures related to their registration, in addition to meeting the quality of the accounting information, decreases the predictive value of the financial statements, compromises the decision-making process due to the lack of reliable representation and denies the transparency and public accountability. From this it can be concluded, in view of the analyzed states participating in the research, that they suffer from the same aspect.

Iudicibus' (2015) warning about disclosure as an inalienable commitment of accounting with its users and its own objectives is timely. As already emphasized, the quality of accounting disclosure brings benefits in asset control with recognition of the precise economic benefits, since the future economic benefits or service potential associated with the asset are known, offering important support in the availability of information for decision making. Although there is a change in the behavior of the analyzed states, the disclosure still cannot be considered satisfactory, lacking a greater effectiveness of the norm application.

Another aspect that is not properly addressed by the failure to comply with this rule resides in the deficiencies they cause to public accountability. It enjoys a privileged position in the administrative context regarding financial and non-financial information, even considering the importance of providing relevant, reliable, timely, comparable, verifiable and understandable information. This is due to the constitutional status it has (Constitution of the Federative Republic of Brazil, 1998, art. 70, sole paragraph), since it is related to the way in which public administrators and third parties are accountable and can be performed for the acts performed when they use, employ, collect or manage public goods and values (Constitution of the Federative Republic of Brazil, 1998, art. 70, sole paragraph). However, in order to be able to determine the result of the public management of the resources entrusted to the managers and their adequacy to the current legislation, it is assumed that the necessary information is provided for the design of the financial statements and encourages the improvement of social control.

The deficiency of the accountability process ends up also impacting public transparency, as was noticed in the present study. Any value below the percentage of 100% evidences this issue, given the cogent nature of the analyzed norms and the duty of publicity, transparency to which all federated entities are subject.

The findings, when analyzed together, make it possible to affirm that the final result of the representatives of the public administration, which is to be accountable, is not being achieved. On the contrary, there are consistent and important gaps in the disclosure of fixed assets in practically all aspects, limiting the information disclosed to elementary situations and ending up negatively impacting the examinations that can be carried out by control bodies, society and other interested parties. When moving on to more specific issues, data that could contribute to the decision-making process are simply omitted.

Another aspect that catches the eye refers to the fact that after practically five exercises, the situation has hardly progressed in terms of disclosure. Considering that such occurrences should not go unnoticed by the internal and external control bodies. Therefore, it must be concluded that the examination of the rendering of accounts is not being carried out satisfactorily, since the situation has persisted throughout the years. The damage is not limited to the distortion of judgment by the courts of accounts in considering regular accounts that could be judged regular with reservations and even irregular, but the possibility that, behind such events, practices harmful to public assets are being covered up (malpractice, embezzlement, embezzlement and corruption).

Added to the efforts and gains in the accounting convergence process, it was observed that some states that presented comprehensive reports implemented multidisciplinary work groups to meet the desires of the accounting harmonization process and approved state decrees to ensure speed and uniformity in the regulatory adaptation process.

5 Final Considerations

The present study aimed to analyze the evolution of the accounting treatment given to fixed assets by Brazilian public sector entities in view of the process of convergence of Brazilian Accounting Standards to international standards.

To achieve this objective, qualitative analysis and examination of the accounting statements of the northeastern states were used, in the period between 2015 and 2019, in view of the adoption of the process of convergence of international accounting standards by Brazil.

Previous studies have shown that the changes inferred by the new practices were considered productive in the modernization of Brazilian public accounting (Galante et al, 2016; Kronbauer and Barboza, 2017, Ribeiro et al, 2020). Comparing the evolution of the data between the years (NBCs T 16.9 and 16.10) and even with the improvement of the standard on the treatment of fixed assets (NBC TSP 07), the results were considered unsatisfactory, due to the low adherence (55%) and non-adherence (33.33%) of the items analyzed, demonstrating that information asymmetry persists to stakeholders, so harmful to public transparency and accountability. The lack of information regarding depreciation methods, fixed assets offered as collateral, contractual commitments in the acquisition of assets and third-party indemnification for asset items was noted.

As for the main changes and gains in the process of convergence with the standardization of accounting procedures, it was observed that some states implemented multidisciplinary work groups and approved state decrees to ensure speed and uniformity in the regulatory adjustment process.

Despite the STN Ordinance no. 548/2015 establishing deadlines for the adoption of the applicable equity accounting procedures, a greater effort towards convergence still needs to be extended over the next few years. The main challenges identified in consultation with the financial statements were related to equity systems still under development (states of AL, BA,

CE and MA), independent equity systems, without integration with financial and planning systems and synthetic accounting reports without detailing the fixed assets.

The main limitations that can be mentioned resided in the absence of information disclosure by the researched bodies, incomplete data and difficulty in locating the financial statements to be analyzed. For future research, it is proposed to replicate this exam to the other states of the federation and DF, in order to verify the maturity of public institutions in the implementation of the Brazilian Technical Accounting Standards Applied to the Public Sector (NBC TSP) resulting from the Brazilian convergence process.

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