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Impairment Test and Quality of Accounting Information in Brazilian Publicly Traded Companies

Josimar Pires da Silva[1], Mariana Pereira Bonfim[2], Jorge Katsumi Niyama[1], César Augusto Tibúrcio Silva[1]

(1. Department of Accounting and Actuarial Sciences, University of Brasília, Brazil;

2. Department of Accounting, Federal Fluminense University, Brazil)

Abstract: We aim to investigate whether the evidence regarding the impairment test indicates an increase or reduction in the quality of accounting information of Brazilian listed companies and whether there was a persistence of earnings from 2010 to 2015. Initially, our sample comprised 464 companies from the ten Brazilian Stock Exchange sectors comprising six periods/years, from 2010 to 2015. Of these, 53 companies recorded impairment losses. The results confirmed hypotheses 1, 3, and 4 of the research that showed evidence of using the impairment test opportunistically and not using the test when possibly they should have done so. Finally, the results showed that the persistence of the profit of the 53 companies is lower with the recognition of impairment losses.

Key words: impairment test; quality of information; IFRS standard; Brazilian companies

JEL codes: M41, C12, M49

1. Introduction

The adoption of the International Accounting Standard Board (IASB) was intended, among other things, to improve communication between accounting users at the international level through financial reporting. Otherwise, the purpose is to improve the quality of information published through the companies' financial reports so that users, especially creditors and investors, can make better decisions. Thus, high-quality information, such as profit, would be a better predictor of future dividend flows and would be more useful to various financial statements.

Recent research has sought to demonstrate whether the adoption of the IASB standard has improved the quality of accounting information or increased the level of earnings management under openness to professional judgment (Barth, Landsman & Lang, 2007; Chen et al., 2010; Iatridis, 2010; Jeanjean & Stolowy, 2008; Yoon, 2007). However, there is still no consensus in the literature regarding this fact: some studies point out that the

Josimar Pires da Silva, Ph.D., Accounting Department, Brasília University; research areas: accounting, quality of information. E-mail: josimarnx@yahoo.com.br.

Mariana Pereira Bonfim, Ph.D. in Accounting, Accounting Department, Fluminense Federal University; research areas: financial accounting, behavioral finance. Email: marianapbonfim@gmail.com.

Jorge Katsumi Niyama, Ph.D. in Controllership and Accounting; Accounting Department, Brasília University; research area: accounting theory. E-mail: jorgekatsumi@gmail.com.

César Augusto Tibúrcio Silva, Ph.D. in Controllership and Accounting, Accounting Department, Brasília University; research area: financial accounting. E-mail: cesaraugustotiburciosilva@gmail.com.

adoption of a set of principles-based accounting standards increases results from management (Ashbaugh & Pincus, 2001; Bartov, Goldberg & Kim, 2005; Elbannan, 2010; Jeanjean & Stolowy, 2008); while others point out that the adoption of principles-based standards increases the quality of accounting information, decreasing earnings management (Barth, Landsman & Lang, 2007; Chen et al., 2010; Christensen et al., 2015; Iatridis, 2010; Paananen & Lin, 2009; Yoon, 2007).

The possible justifications consist of several factors that influence countries' accounting policies and practices, such as the legal system, culture, type of capital market, and social environment (Askary, 2006). In general, in countries with a common-law accounting system, the quality of accounting information is preferred, unlike countries with a code-law accounting system (Jeanjean & Stolowy, 2008).

Other research seeks to demonstrate the effect of specific standards, such as inventories, depreciation, fair value, and above all, impairment tests (Chen, Wang & Zhao, 2009), which can have a significant impact on companies' fixed and intangible assets. Chen et al.'s research (2009) with Chinese companies presented evidence that used the impairment test to manage results, recognizing losses in specific periods, and subsequent reversals of losses previously recognized in profit or loss, due to professional judgment criteria.

As far as the Brazilian reality is concerned, the impairment test may be used opportunistically, thus reducing the quality of the financial reports' information. Since it has characteristics of the continental model (Niyama, 2010; Nobes & Parker, 2010), Brazil, as well as France, Germany, Italy, Japan, Belgium, Spain, South American countries, among others, stands out as predominant characteristics: a) a weak and inactive accounting profession; b) substantial government interference in establishing accounting standards, especially those of a fiscal nature; c) financial statements primarily seek to serve creditors and the government, rather than investors; and d) the importance of banks and other financial institutions, including government, as a source of funding for companies, to the detriment of funds from the stock market. In this way, the impairment test may be used in a sub-optimal way to improve accounting information quality (Chen, Wang & Zhao, 2009).

Because of the above, the research question is the following: does the evidence regarding the impairment test indicate an increase or decrease in the quality of accounting information of Brazilian companies listed on B3 (Brazilian Stock Exchange)? This investigation aims to analyze whether the asset impairment test has increased or reduced the quality of Brazilian listed companies' quality of information.

This study contributes to the accounting literature on the adoption of the IFRS standard, especially regarding the impairment test, in different ways: first, although numerous previous studies have examined the asset recoverability test (Chang & Yen, 2015; Devalle & Rizzato, 2012; Glaum et al., 2013; Husmann & Schmidt, 2008, Kvaal, 2010; Mazzi, Liberatore & Tsalavoutas, 2016; Petersen & Plenborg, 2010), few studies have investigated its application in Brazil, as well as possible impacts on the quality of the information provided in financial reports.

Most research on impairment tests focused on countries like the United States and the European Union members. Few studies have focused on emerging markets, where control and monitoring structures are weaker, opening the opportunity for further expropriation by the manager, especially in the face of minority shareholders.

We performed this research also seeks to show whether the impairment test in Brazilian publicly traded companies. It was evidencing the economic essence of the underlying assets recognized in the Balance Sheet and whether it could increase or reduce the accounting information quality.

Second, it adds to the accounting literature that compares the quality of accounting information through the adoption of IFRS across countries (Ashbaugh & Pincus, 2001; Barth, Landsman & Lang, 2007; Bartov, Goldberg & Kim, 2005; Chen et al., 2010; Christensen et al., 2015; Elbannan, 2010; Iatridis, 2010; Jeanjean & Stolowy,

2008; Paananen & Lin, 2008; Psaros & Trotman, 2004; Yoon, 2007). Also, it highlights the persistence of profits with the recognition of impairment. This research seeks to highlight whether profit persistence increased or decreased with the recognition of impairment losses.

2. Literature Review

The Technical Pronouncement CPC 01 (Reduction to the Recoverable Value of Assets) establishes the impairment test procedures of Brazilian companies' assets. If an asset has been recognized for an amount greater than its recoverable value, a loss must be recognized. The standard (or technical pronouncement) requires preparers of financial statements to review at least once a year goodwill for expected future profitability and intangible assets with indefinite useful lives (CPC, 2010; IASB, 2001).

The recoverable value of an asset is defined by CPC (2010) and IASB (2001) as the higher its fair value and value in use. If the book value of the asset or Cash-Generating Unit (CGU) is greater than the recoverable amount, an impairment loss should be recognized. Thus, assets should not be reported in the balance sheet at a value higher than the recoverable amount, thus evidencing previously recognized assets' economic reality.

There is a long debate in the literature, mainly related to the impairment test's implementation and reliability (Mazzi, Liberatore & Tsalavoutas, 2016). IAS 36 requires managers to make substantial, subjective, and difficult to verify judgments and assumptions. These are mainly related to the estimation of recoverable value (e.g., cash flow projection periods, growth rates, discount rates) and circumstances leading to the recognition of an impairment loss (Glaum et al., 2013; Husmann & Schmidt, 2008; Kvaal, 2010; Mazzi, Liberatore & Tsalavoutas, 2016; Petersen & Plenborg, 2010).

Previous literature argues that when accounting standards allow managers to apply such discretion, they will use it to their advantage and pursue personal objectives (Chen, Wang & Zhao, 2009; Trottier, 2013). Since estimating asset impairment involves subjective judgment, it provides an opportunity for managers to manage results (Chang & Yen, 2015).

Compared to the impairment of current assets, the impact of long-term asset impairment is more significant as companies can take advantage of asset impairment and reversal as tools to manage profits during that asset's lifetime. For executives who want to take advantage of the cookie jar reserves of impairment and reversals, long-term assets are a better option than current assets. This fact is one reason why regulators in China Accounting Standards have eliminated the reversal of long-term asset impairment losses (Chang & Yen, 2015).

Given this, several issues related to the implementation of IAS 36 have been investigated so far, with most studies examining companies' actual financial reporting practices, and eventually, their economic consequences (Mazzi, Liberatore & Tsalavoutas, 2016).

More specifically, since the assumptions needed to measure recoverable amounts are difficult to verify, their disclosure is considered highly relevant. Thus, previous studies document a high level of non-compliance with the standard and a tendency to standardize the explanatory notes on accounting policies, leading to a lack of adequate justification in the assumptions adopted in estimating the recoverable amounts of assets (Mazzi, Liberatore & Tsalavoutas, 2016).

Some studies reaffirm such findings (Devalle & Rizzato, 2012; Glaum et al., 2013; Mazzi, Liberatore & Tsalavoutas, 2016). Previous research examined the determinants of these levels of disclosure. It highlighted that non-compliant behavior could be determined jointly by country variables, indicating that accounting traditions and

other specific factors play a role, despite common standards such as IFRS (e.g., Glaum et al., 2013).

Research that relates the use of asset impairment to earnings management has revealed that companies use asset recoverability testing for techniques such as big-bath reporting and earnings smoothing (Chang & Yen, 2015). These authors noted that managers tend to record more asset impairment losses when annual profits are high, indicating that conducting impairment testing is related to smooth results.

Some studies, such as Chen, Wang, and Zhao (2009), explore reversals of impairment losses. The evidence suggests that companies use recognition, and later reversal, to avoid evidence of losses in specific periods. Petersen and Plenborg (2010) focus on how preparers in the Danish environment implement impairment testing of goodwill. The results indicate that practice varies considerably between companies. Some of them do not even define a CGU and therefore do not comply with IAS 36. They also document inconsistencies in how companies estimate recoverable values, such as calculating the discount rate, adjusting risk, and estimating cash flows in the terminal period.

Trottier (2013) assesses the managers' decision to record an impairment loss. The results of its experience with Canadian companies' managers show that participants believe that managers will be more likely to recognize a loss if they reversed it later. At the same time, they will be less interested in situations where reversals are not allowed or have a bonus plan. The above findings are in line with the flow of research showing that long-term asset impairment is associated with large compensation gains (Mazzi, Liberatore & Tsalavoutas, 2016) while hiring and market incentives are capable of triggering, especially concerning the opportunity of deteriorating goodwill (Knauer & Wöhrmann, 2015).

High-quality profits can be defined as those that can increase investment efficiency and have lower future cash flow sensitivity (e.g., Biddle, Hilary & Verdi, 2009; Bushman & Smith, 2001; Dechow, Ge & Schrand, 2010; Healy & Palepu, 2001; Lambert, Leuz & Verrecchia, 2007). Besides, high-quality profits provide more information on a firm’s financial performance characteristics relevant to specific decision making (Dechow, Ge & Schrand, 2010).

Users of accounting information are generally interested in assessing current performance as well as estimated future performance. Management judgments for the accounting practices adopted are often associated with discretionary accruals. Managers may opportunistically use these discretionary choices - possibly to increase their compensation or hide underperformance. They may use this criterion to improve the informational value of profit, possibly communicating the firm's long-term performance to investors (Chaney, Faccio & Parsley, 2011). In this way, the use of asset retrieval testing, whether opportunistic or not (producing better or worse quality information), can be related to environmental factors, mostly educational, legal, cultural, among others, that surround each country.

According to Nurunnabi (2015), the adoption and implementation of IFRS depend on the high level of education and knowledge needed to understand and interpret accounting information. Accounting education is the cornerstone for modern and complex accounting systems (Zeghal & Mhedhbi, 2006). An increase in a country’s education level can increase political awareness and corporate responsibility demand (Cooke; Wallace, 1990). Zeghal and Mhedhbi (2006) found that countries with the highest education levels are adopting IFRS. Abdelsalam and Weetman (2007) suggest that achieving success in education and training is likely to be more problematic in developing countries with limited financial and technical resources. Research by Chand, Cummings, and Patel (2012) suggests that global accounting education systems can influence IFRS’s implementation. The authors also argued that education and the professional status of accountants are essential to explain accounting systems.

Also, Jeanjean and Stolowy (2008) point out that the legal system influences this process. For these authors, countries characterized by a code law system (based on bank financing, low level of professional involvement in setting accounting standards, low economic development level, and poor accounting education) should have relatively low-quality financial reporting. On another side, countries characterized by a common law system have an adequate accounting education (Ali & Hwang, 2000; Ball, Kothari & Robin, 2000). Additionally, countries with a code law system are associated with less timely loss recognition (Ball, Kothari & Robin, 2000) and more significant profit smoothing practices than in countries with a common-law system, which usually have conceptual structures similar to IAS/IFRS (Leuz, Nanda & Wysocki, 2002).

In light of these findings, Klann and Beuren (2018) state that studies are showing that the adoption of a set of principles-based standards increases results management and others such as Barth, Landsman, and Lang (2007) and Chen et al. (2010) that the adoption of principles increases the quality of accounting information and decreases results management. Considering that Brazil is a country whose legal system is based on the code law - whose research indicates a greater tendency for results management - finds an accounting system with peculiar characteristics and converges with opportunistic practices.

Based on this evidence, concerning the performance of the asset recoverability test and the possibility of its use in an opportunistic manner, or, further, it is not appropriately used, we state the following research hypotheses:

H_1: there is evidence of using the income smoothing test to prepare of the information provided in the financial statements of Brazilian public companies.

H_2: there is evidence of the use of the test of recoverability of assets in an opportunistic manner (big bath accounting) to prepare of the information provided in the financial statements of Brazilian public companies.

H_3: there is evidence of not using the asset recoverability test when it should be used in to prepare of the information provided in the financial statements of Brazilian public companies.

H_4: the quality of earnings, based on persistence, has decreased with the performance of the asset recoverability test of Brazilian public companies.

3. Case Study

In this research, the data from the financial statements published and made available to the public on the stock exchange website (B3) were used and extracted through the EmpresasNet external dissemination software. Initially, the sample comprised 464 companies from the 10 B3 sectors (industrial goods, construction and transport, cyclical consumption, non-cyclical consumption, necessary materials, oil, information technology, telecommunications, public utility and, financial) comprising six periods/years, i.e., 2010 to 2015.

The years 2008 and 2009 were not analyzed due to the proximity with the start of international accounting convergence in Brazil. Thus, it is only from 2010 that the obligation to adopt has reached all companies through the application of technical pronouncements. The final sample resulted in 53 companies that recognized impairment losses in at least one period. Thus, except for hypothesis 3, explained later, these companies comprise the sample of most of the analysis in this research.

To achieve the first specific objective, we have analyzed the Income Statement of each of the 53 companies that recognized impairment losses per period to verify the existence of the evidence 1 and 2 highlighted in Table 1. As for evidence number 3, we have analyzed the Income Statements of all the companies.

Table 1 Evidence of Low Quality of Impairment Test Application

Research hypotheses	Evidence
H1: using impairment to produce income smoothing	The company reports losses for two consecutive years but is profitable in those same years (Chen, Wang & Zhao, 2009)
H2: using impairment to produce big bath accounting	The company reports profit in t-1 but remains profitable in t only after reversals (Chen, Wang & Zhao, 2009)
H3: no use of impairment test	The company does not recognize loss for any of the periods of validity of the technical statement CPC 01
H4: profit quality (persistence) reduced with the use of impairment β of the regression (1) with the company's net profit and net profit adjusted by the impairment test	Companies with more persistent profits present more useful information in the valuation of the share price (Dechow, Ge & Schrand, 2010; Perotti & Wagenhofer, 2014)

We adopted Persistence metrics to achieve the fourth research hypothesis. To this end, the persistence metric, presented by the angular coefficient β of the regression Eq. (1), was used as a proxy for earnings quality to observe publicly traded firms' behavior. The basis for measuring profit is net profit, earnings (E). Besides, the coefficients were also estimated using the pretax earnings (PTE) variable.

$$E_{i,t} = \alpha + \beta E_{i,t-1} + \varepsilon_{i,t} \quad (1)$$

In which:

$E_{i,t}$ = earnings for the period t.

$E_{i,t-1}$ = earnings for the period t-1.

Companies with more persistent earnings have more sustainable earnings/cash flows that will help them assess stock prices (Dechow, Ge & Schrand, 2010; Perotti & Wagenhofer, 2014).

In addition to the earnings taken from the Income Statement, the effects of recognizing losses and reversals have been expunged from earnings, so that net earnings has been obtained without the effect of the impairment test. Thus, the angular coefficients β were estimated using the model in Eq. (1), with net earnings and adjusted net earnings, to verify which shows more remarkable persistence and more excellent earnings quality. Likewise, these adjustments were made in PTE. The PTE persistence extracted from the Statement of Income for the Financial Year, and the adjusted PTE was obtained by removing the effect of impairment losses recognized.

4. Results

To verify whether the adoption of Technical Pronouncement CPC 01 presented evidence of results management, reduction in the quality of information (or elevation), and less or greater persistence of earnings, we analyzed the Income Statements of Brazilian publicly traded companies. Of the 464 companies distributed across the ten sectors, according to Table 2, only 53 recognized losses or reversion, at least once in the post-convergence period. Except for the Telecommunications sector, companies were identified that recognized losses in at least one of the periods analyzed in all the others.

In terms of quantity, the Financial and Other sectors showed the largest number of companies that recognized impairment losses, i.e., 16 companies, representing 30% of the total. The Public Utility sector comes next with nine companies, representing 17% of the total. As for individual analysis, in the Oil sector, 4 of the 11 companies recognized losses, equivalent to 36% of the companies that comprise it, followed by the Information Technology sector, where it reached 25%.

Table 3 shows the values of net income, losses, reversals, and the companies' assets analyzed. In absolute figures, 2015 was the first year of to recognize of losses and reversal of impairment losses. In percentage terms,

these losses represented 0.78% of the total assets of the companies under analysis. Overall, the sum of the five analysis periods' losses was more significant than these companies' net results.

Table 2 Distribution of Companies by Sector of Operation/Loss Recognition

#	Sector of Activity	Number of Companies	Companies that Recognized Losses
1	Industrial goods	76	4
2	Cyclic Consumption	87	7
3	Non-cyclical consumption	26	5
4	Financial	122	16
5	Basic Materials	33	3
6	Oil. Gas and Biofuels	11	4
7	Health	15	3
8	Information Technology	8	2
9	Telecommunications	7	0
10	Public Utility	68	9
	No Classification	11	0
	Total	464	53

Table 3 Distribution of Variables by Analysis Period

Variable	2010	2011	2012	2013	2014	2015	Total
E	97.058.767	99.297.000	(1.752.518)	21.766.699	36.323.914	(46.357.617)	206.336.245
% of Asset	3.58%	1.57%	-0,02%	0.28%	0.42%	-0.42%	0.47%
Losses	14.883.739	21.370.738	53.245.974	42.287.226	39.472.740	85.360.535	256.620.952
% of Assets	0.55%	0.34%	0.73%	0.54%	0.45%	0.78%	0.58%
Reversions	751.413	121.885	4.899	581	0	1.292.954	2.171.732
% of Assets	0.03%	0.002%	0.0001%	0,00001%	0.00%	0.01%	0.005%
Assets	2.714.262.590	6334.378.123	7.299.935.301	7.845.357.042	8.687.014.375	11.005.561.722	43.886.509.153

The analysis also highlights that in the two periods of higher loss recognition, i.e., 2015 and 2013, net results were negative (losses).

4.1 Evidence of Results Management

Among the companies that recognized impairment losses, in total 53, most did not present evidence 1 and 2 (income smoothing and big bath accounting, respectively), as shown in Figure 1. As for evidence 1, we found it in 15 companies, and evidence 2 in none. Thus, these 15 companies that recognized losses may have done so to smooth their results. On the other hand, there is no evidence that firms have practiced big bath accounting, since at no point did the reversal of the loss make it possible for firms to become profitable in the current period.

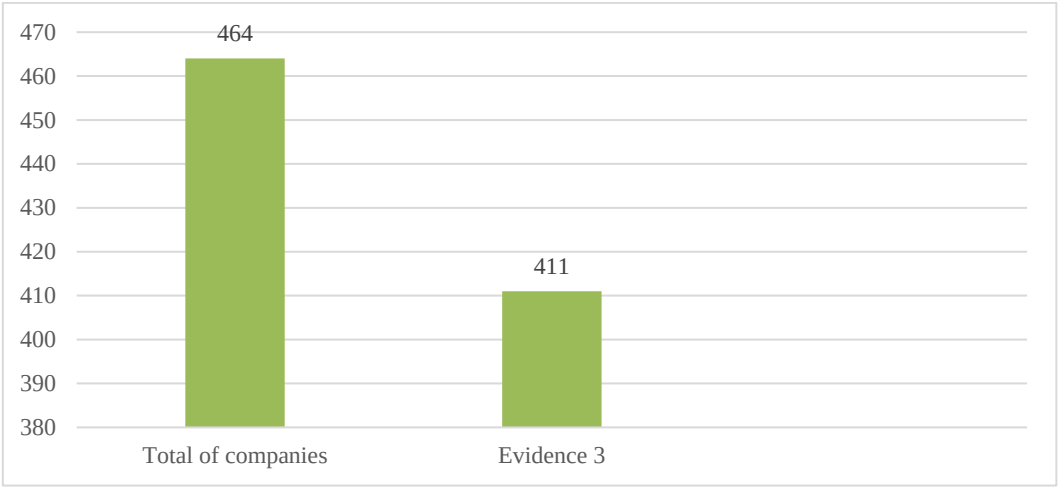

Figure 1 Comparison of Evidences 1 and 2

4.2 Evidence of Non-Use of the Impairment Test

When we analyzed evidence number 3 (not using the impairment test), we expected companies to recognize in at least one reporting period impairment losses. This loss could be due to estimates concerning the value, useful life, residual value, depreciation, and amortization of several assets, mainly fixed and intangible assets, and, due to the change in standard, due to the adoption of IASB standards and the need of the assets to evidence their economic essence.

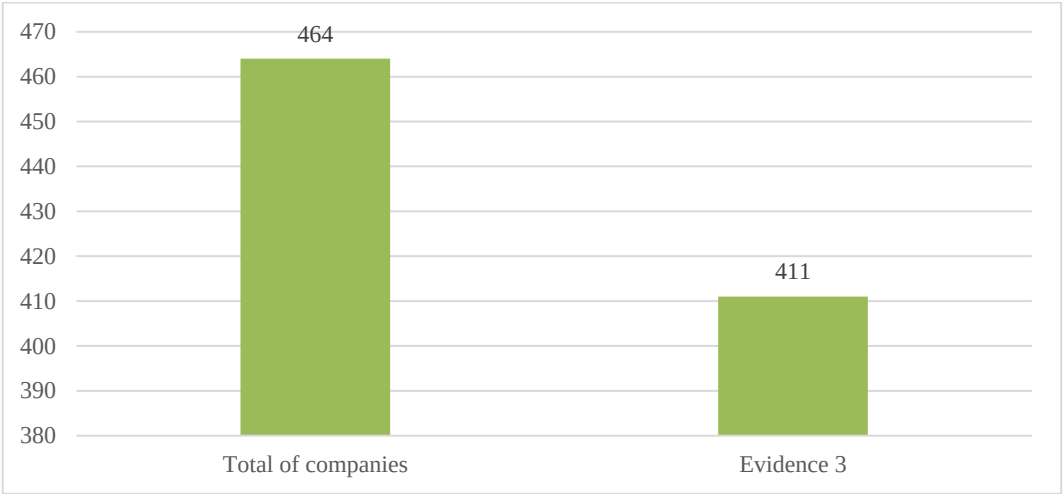

Figure 2 Evidence 4

However, as shown in Figure 2, most publicly traded companies did not recognize impairment losses for any period between 2010 and 2015. Thus, possibly these 411 companies did not meet the IFRS standard assumptions for asset impairment testing, CPC 01 (IAS 36).

4.3 Quality of Information

The net profit and pretax earnings, shown in the Income Statement for the Financial Year and adjusted for losses and reversions previously recognized, were used to verify the profit's persistence. The analysis of the descriptive statistics (Table 4) reveals a significant difference between E (earnings) and EWL (earnings without

effects of losses), and PTE and PTEWL (pretax earnings without effects of losses). For example, average earnings represents less than 50% of the earnings adjusted for recognized losses, i.e., without the effect of previously recognized losses.

Table 4 Descriptive Statistics

Variables	Mean	Median	Maximum	Minimum	Standard Deviation
E	648.856,1	4.024,00	37.407857	(67.218.430)	7.924.792
EWL	1.449.011	12.316,00	39.081.144	(53.083.176)	8.328.775
PTE	1.020.637	10.974,50	45.921.673	(96.159.722)	10.076.949
PTEWL	1.820.791	14.681,50	45.921.673	(82.024.468)	10.108.739

Additionally, we analyzed the linear regression's basic assumptions, i.e., normality of waste, homoscedasticity, and autocorrelation. Regarding the normality of the waste, we performed the Jarque-Bera test, which indicated that the waste does not follow a normal distribution. However, based on Gujarati and Porter (2011), the Central Limit Theorem could be used as a support. For samples more massive than 100 observations, the normal distribution is assumed, i.e., the assumption of normality is restricted for samples containing less than 100 observations.

For autocorrelation of waste, we used the Durbin-Watson test. If we obtained values close to 2 for all regressions, demonstrating no autocorrelation of waste. For the assumption of the residues' homoscedasticity, we used the Breusch-Pagan-Godfrey test, demonstrating the non-existence of heteroscedasticity.

We performed Breusch-Pagan, Hausman, and F (Chow) tests to detect the best model, and the results showed no group and time effect. Thus, we performed regression on panel data from the pooled approach to estimate the coefficients and other statistics and subsequently compare them.

Table 5 reveals the results of the estimated OLS regression of equation (1) in which the coefficients, t-value, and significance of the coefficients for the E, EWL, PTE, and PTEWL variables were highlighted. The angular coefficients of the E variable are in columns 2 and 3. In contrast, column 2 shows the variable results as extracted from the Income Statement and column 3 shows the regression coefficients' results after purging the effect of the impairment on earnings. The persistence of earnings was lower with the recognition of impairment losses, i.e., for the E, the coefficient was 0.72, and EWL (earnings without the effect of impairment) the coefficient was 0.88. Thus, the realization and recognition of impairment losses reduced the persistence of profits, resulting in less predictability of investors' future results.

Furthermore, we estimated the coefficients using the PTE variable, in the same way as the E variable. We present the angular coefficients in columns 4 and 5 and show the same behavior as the E variable, i.e., for PTE, the coefficient was 0.64, while for PTEWL (earnings before tax without the effect of impairment), the coefficient 0.77. These findings corroborate those already highlighted since the realization and recognition of impairment losses have reduced PTE's persistence and may result in less predictability of investors' future results.

Finally, it is noteworthy that all the variables presented significant coefficients in all regressions carried out, and the model was robust for the estimation of the results presented.

Table 5 Regression Analysis of Variables - Persistence

Variables	E_t	EWL_t	PTE_t	$PTEWL_t$
	Coefficient	Coefficient	Coefficient	coefficient
	t-value	t-value	t-value	t-value
	(sig)	(sig)	(sig)	(sig)
Intercept	-88.134,57	52.431,65	86.749,19	273.312,6
	-0,2562	0,1813	0,1893	0,7037
	0,7980	0,8563	0,8500	0,4821
E_{t-1}	0,7242	-	-	-
	14,9703	-	-	-
	0,0000	-	-	-
EWL_{t-1}	-	0,8820	-	-
	-	23,3926	-	-
	-	0,0000	-	-
PTE_{t-1}	-	-	0,6469	-
	-	-	13,4208	-
	-	-	0,0000	-
$PTEWL_{t-1}$	-	-	-	0,7703
	-	-	-	19,7803
	-	-	-	0,0000
R^2	0,4149	0,6339	0,3637	0,5539
R^2 adjusted	0,4130	0,6327	0,3617	0,5525
F	224,10	547,21	180,11	391,26
(sig)	0,0000	0,0000	0,0000	0,0000

5. Conclusion

The proposal previously highlighted for this research was to investigate whether the asset recoverability test has increased or reduced the quality of Brazilian listed companies' quality of information. Specifically, it seeks to analyze whether the impairment test's evidence indicates an increase or reduction in these companies' quality of information and whether the persistence of earnings has increased or decreased.

Based on the results, we confirmed hypotheses 1, 3, and 4. As for hypothesis 1, of the 53 companies that recognized impairment losses, 15 of them presented evidence of using the asset recoverability test opportunistically, possibly income smoothing, in the preparation of the information provided in the financial statements.

As for hypothesis 3, of the 464 companies listed, only 53 recognized losses between 2010 and 2015. Thus, 411 companies did not show any impairment loss in the six years of effectiveness of CPC 01 (post-convergence), characterizing as an indication of poor applicability of this pronouncement. Since the change of standard (to IFRS), the estimates of asset value, useful life and residual value, possibly would result in some assets or cash-generating units, recognized above the recoverable value.

In turn, we confirmed hypothesis 4, since the persistence of profits, both earnings, and PTE, decreased with the recognition of impairment losses. On the other hand, there is no evidence that Brazilian companies recorded

these losses and practiced big bath accounting.

Overall, the research results converge with those found in research at the international level, as previously highlighted in the hypotheses' construction. Therefore, new research related to asset recoverability testing is recommended, seeking to explain why most companies did not recognize the relative losses.

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