

GOVERNMENTAL GRANTS AND ASSISTANCE IN THE BRAZILIAN COMPANIES WITH INNOVATION FOSTERED BY FINEP

JACKELINE LUCAS SOUZA

*PhD in Civil Engineering from the Federal University of Ceara (UFC).
Adjunct professor of the UFC. Address: Rua Torres Câmara, 891, Ap.
702 | Aldeota | 60150-060 | Fortaleza/CE | Brazil.*

E-mail: jackeline.souza@hotmail.com

PAULO HENRIQUE NOBRE PARENTE

*Doctorate student in Accounting Sciences by the Post-Graduate
Program in Accounting Sciences of the Federal University of Paraíba
(PPGCC-UFPB). Effective professor of Basic, Technical and
Technological Education of the Federal Education, Science and
Technological Institution of Ceara (IFCE). Address: Rua Valdemar
Paes, 925 | Bom Jardim | 60545-055 | Fortaleza/CE | Brazil.*

E-mail: paulonobrepente@gmail.com

IVANEIDE FERREIRA FARIAS

*Master's student of the Post-Graduation Program in Administration
and Controllershship of the Federal University of Ceara
(UFC). Address: Rua Dona Mendinha, 1120 | Álvaro Weyne | 60336-
035 | Fortaleza/CE | Brazil.*

E-mail: ivaneideffarias@yahoo.com.br

HYANE CORREIA FORTE

*Undergraduate student of Accounting Sciences of the Federal
University of Ceara (UFC). Address: Rua Pedro Melo, 136 | Antônio
Bezerra | 60360-220 | Fortaleza/CE | Brazil.*

E-mail: hyane_0104@hotmail.com

ABSTRACT

This study verifies the content and level of disclosure of Government Grants and Assistance (GGA) in the financial statements of Brazilian companies fostered by the Studies and Projects Funding Entity [FINEP] between 2008 and 2015. CPC 07 requires companies to disclose their accounting policy, the nature and amounts of government grants, and the requirements that must be met by the companies. Of the 1,992 companies fostered during this period, only 48 are publicly-held and, consequently, publish financial statements on the Stock Exchange, Brazil, and over-the-counter [B3] website. We used the content analysis, in which we collected the companies' registration, sectorial, financial and accounting data, including general GGA information. We obtained information on the financed and subsidized projects from the FINEP website. The verification of receiving the GGA considered the guidelines of the CPC 07 (2008) and its subsequent review, CPC 07 – R1 (2010), which presents the eight items subject to disclosure. We verified that 71.2% of the sampled companies disclosed receiving the GGA. The year 2009 was the most representative. The other 28.8% of the sampled companies did not demonstrate receiving the GGA but explicitly mentioned the CPC 07. In conclusion, despite mentioning the CPC 07, a significant part of the sampled companies did not disclose the information regarding the GGA for the period between 2010 and 2015, showing greater disclosure only in 2009.

Keywords: Tax incentives. Disclosure. Accounting Pronouncements. CPC 07.

1 INTRODUCTION

The approval of laws nº 11,638 of December 28th, 2007 and nº 11,941 of May 27th, 2009 and the publication of technical pronouncements by the Accounting Pronouncement Committee [CPC] represents an advance of Brazilian society regulation, contributing to the process of accounting convergence to the international laws. As a result, changes occurred on the structure of accounting statements, on the increase in the quality of accounting information, on the new accounting criteria, and on the disclosure of patrimonial elements and company results (Andrade & Martins, 2009).

Among the changes provided by the regulations, the revocation of the capital reserve 'Donations and Grants for Investment', account that affects the accounting registration of the Governmental Grants and Assistance (GGA), is no longer recognized as a reserve in the net patrimony of the companies and is now registered in the income statement account. The acknowledgment in the income only occurs when meeting the revenue recognition conditions (Martins, Gelbcke, Santos, & Iudícibus, 2013), ensuring that this verification approximates the profit-cash relation (Nogueira, Jucá & Macedo, 2010).

The Technical Pronouncements of the CPC 07 – Governmental Grants and Assistance – enacted in 2008 and modified by the CPC 07 - R1, approved by the CVM Deliberation nº 646 of December 2nd, 2010 (Securities and Exchange Commission [CVM], 2010) proposes this change and aims at aligning the accounting standards to the international norm IAS 20, issued by the International Accounting Standards, which regulated the transactions undertaken between the public and private sectors.

The GGAs are programs administered and made feasible by the Federal, State, Federal District, and Municipal governments with the objective of increasing operations. Attracting local investments with the need for development, and fostering various activities of public interest (Taveira, 2009). We highlight that the concession of grants is a potential and necessary research field in the areas of administration and accounting since the taxes have a direct impact on the company's accounting and patrimony statement (Formigoni, 2008).

In this context, we highlight the support of the Studies and Projects Financing Entity [FINEP] in the promotion of technological development in Brazil through innovation promotion programs (Inovar, Juro Zero, Subvenção Econômica and Subvenção Pesquisador/Empresa). Such programs are developed through subsidized financing, economic grants, and equity flow (Macaneiro & Cherobim, 2009). We highlight the dimension of the resources involved. FINEP has released R\$ 16.2 billion between 2008 and 2016 for projects with innovative characteristics, according to the data presented at the end of this work.

When considering the representativeness of the values subject of the GGAs, granted by the government to Brazilian companies, we question in which manner is the GGA disclosed by the Brazilian companies benefited by FINEP, as required by the CPC 07 (2008) and CPC 07 – R1 (2010)? The study had the general objective of verifying the content and level of disclosure of the GGAs in the accounting statements of Brazilian companies benefited by FINEP. Additionally, we analyze the relationship between the level of disclosure and the representativeness of the GGA received.

The research sample consists of 48 Brazilian publicly-held companies, distributed between 2008 and 2015, identified by the information collected from the accounting statements, and published at the Exchange Stock, Brazil and over-the-counter [B3] and FINEP websites.

In accounting terms, after the convergence process and approval of the Accounting Pronouncement CPC 07 – R1 (2010), the accounting treatment given to GGA underwent significant changes. Taveira (2009), Chagas, Araújo and Damascena (2011), Loureiro, Gallon and De Luca (2011), Rodrigues, Silva and Faustino (2011), Benetti, Benetti, Utzig, Braun and Oro (2014) and Barros, Souza and Dalfior (2015) studied the accounting aspects of the GGA and their respective effects on the companies.

The results of this study showed that 71.2% of the companies disclosed the government grants and assistance, demonstrated by the receipt of tax incentives. The companies received 6.11% and 17.70% of GGA and FINEP projects when compared to the total assets. Furthermore, we verified that the companies received up to 69.7% and 532.0% of GGA and FINEP projects, respectively, regarding total assets and net patrimony.

It is worth considering that the Brazilian companies have faced difficulties in obtaining external financing for innovation (Crisóstomo, 2009), which motivates the Government to develop innovation in the country (Hamburg, 2010) through governmental grants, among which are those provided by FINEP. Thus, we justify the context of the research analysis, restricted by the perspective of the company returning to the society the resource received, performing the due accountability, and complying with the accounting norms, as determined by the CPC 07 (2008) and CPC 07 – R1 (2010).

We divided this article into six sections. The first, an introduction to the research, followed by the theoretical background, in which we approached the government grants and assistance under the context of accounting convergence and researches conducted on the theme. Subsequently, the section on methodological procedures presents the techniques and methods used for conducting the investigation. The following section assembles the results and discussion. The final considerations indicated the results, limitations, and suggestions for future researches.

2 THEORETICAL BACKGROUND

2.1 Accounting convergence and governmental grants and assistance

The convergence process of the Brazilian accounting norms to the international norms began with the enactment of Law nº 11,638 (2007), changing and revoking the provisions of Laws nº 6,404 (1976) and nº 6,385 (1976) (Crispim, 2011). In this context, the Accounting Pronouncements Committee [CPC] was instituted with the objective of studying, analyzing, elaborating, and emitting technical pronouncements on accounting procedures to be adopted by the institutions (Barros *et al.*, 2015).

These changes impact the accounting of the companies, resulting in a new structure for accounting statements of which focus is the prevalence of the economic essence over the form of the event, with new accounting criteria and disclosure of the patrimony elements and results, affecting the quality of the accounting information (Andrade & Martins, 2009).

Among the changes generated by the societal legislation is the accounting segregation concerning the accounting statements related to taxation (Iudícibus, Martins, Gelbcke, & Santos, 2010) and the innovations brought to the accounting registrations. Such innovations have impacted the profit, stocks, and entity dividends, as in the case of the registrations of the government grants and assistance [GGA], which are now accounted in the earnings account instead of in the net patrimony. Thus, the registration of the GGA as revenue occurs at the moment of its receipt, provided the conditions necessary for its effectiveness be fulfilled (Iudícibus *et al.*, 2010; Loureiro *et al.*, 2011).

In the context of international accounting, the International Accounting Standards – IAS 20, issued in 1983 and reviewed in 1994 by the International Accounting Standards Board [IASB], addresses the subject on donations and grants (Barros *et al.*, 2015).

In Brazil, the Technical Pronouncement CPC 07 was approved by the Brazilian Norm of Technical Accounting [NBCT] 19.4 – Government Grants and Assistance, through the Resolution nº 1,143 (2008) of the Accounting Federal Council [CFC] and CVM Deliberation nº 555 (2008), to regulate this activity in consonance with the IAS 20 (CPC, 2010).

The CPC 07 presents the procedures applicable to accounting and disclosure of governmental grants, as well as the modalities of transactions conducted between the public (government) and private (companies) sectors (CPC, 2010). We highlight that the CVM Deliberation nº 646 (2010) regulated the change of CPC 07 to CPC 07 – R1 and changed the criteria for disclosing the GGA.

In conformation with the changes provided by the Law nº 6,404 (1976), the CPC 07 – R1 (2010) presents arguments to justify the acknowledgement of the GGA as revenue in the income statement, among which are: (a) the grant must not be credited directly into the net patrimony, but recognized as revenue in the appropriate periods, since it is received from non-shareholder sources and derives from an administration act in benefit of the entity; (b) it is rarely gratuitous and the entity effectively gains this revenue when fulfilling the rules of the GGA and

certain obligations; (c) it is an extension of the taxation polity, such as the tributes are expenses recognized in the income statement. The GGA must also be recognized and registered in the income.

The GGA can be recognized when there is reasonable certainty that the company will fulfill all established conditions. The grant can be credited in its reserve as the accumulation of tax incentives after the income statement is sent and based on the accumulated profit or damages account (CPC, 2010).

Regarding the items that must be disclosed in accounting statements, the CPC 07 (2008) orients that companies with GGA must disclose, at least, the following information: (a) the accounting polity and presentation methods adopted for the GGA; (b) the nature and extension of the GGA, as well as the indication of other forms of governmental assistance of which the entity has benefited from directly; (c) the conditions to be fulfilled related to the recognized GGA; (d) the non-compliance of conditions related to the GGA or the existence of other contingencies; (e) the term in which the GGA will remain in the entity; (f) eventual GGA to be accountably recognized, after fulfilling the contractual conditions; (g) the premises used for calculating the just values; and (h) the information relevant to the parcels applied in regional investment funds and the reductions or exemptions of taxes in the incentivized areas. With the changes derived from the CPC 07 -R1 (2010), the number of items that must be disclosed by the companies was reduced, addressing only the information indicated in items (a), (b), and (c).

The CPC 07 – R1 (2010) defines governmental assistance as a government action destined to provide a specific economic benefit to an entity or group of entities that fulfill the established criteria, while governmental grant is defined as the governmental assistance in the form of, but not restricted to, a pecuniary contribution, conferred to an entity, usually in the exchange of the fulfillment of past or future conditions related to the operational activities of the entity (CPC 07 – R1, 2010, p.2).

Loureiro *et al.* (2011) and Chagas *et al.* (2011, p. 9) specify the difference between grant and assistance. The first has pecuniary nature, while the second can occur through other actions of non-pecuniary nature. Fonteneles, Ponte, Oliveira, and Ribeiro (2014) add that the GGAs are the subsidies offered to companies by the government with the objective of stimulating the socioeconomic development of a specific location.

Crispim (2011) indicates that the grants vary according to nature and conditions in which they occur. They can consist of tax incentives, subsidized loans, subsidies in loans, contributions, among others. The grants aim at attracting investments and stimulating a particular economic sector or region, incrementing operations and financing the promotion of activities of public interest. The government can confer them in the municipal, state and federal spheres (Taveira, 2009; Barros *et al.*, 2015).

In this context, the grants can aid in the implementation of many projects, such as those operationalized by organs such as the FINEP, which directly performs the promotion of innovation development in the country. In this sense, the government grant would act as a propelling factor for innovation development (Hamburg, 2010). The government participation must be considered, given that the innovation process must be considered a political-institutional issue (Silva & Costa, 2012).

FINEP has fostered the innovation in Brazil through a few programs, such as project Inovar, Juro Zero, Subvenção Econômica and Subvenção Pesquisador/Empresa. Alongside the National Economic and Social Development Bank [BNDES] and the National Scientific Development Council [CNPq], FINEP has contributed to innovation in Brazil (Macaneiro & Cherobim, 2009). The governmental programs developed by FINEP have been conducted through the concession of research scholarships, subsidized financings (refundable), financial grants (non-refundable), and equity flow (Macaneiro & Cherobim, 2009).

The Brazilian companies have opted for seeking, from among governmental entities, resources derived from grants as assistance to innovation (Corder & Sales-Filho, 2006). The provision of resources destined to the initial investments of innovative companies must derive from the public sector, given that the larger-scale investors prefer to invest only in future stages (Corder & Sales-Filho, 2006). Thus, the grants would have in important role in implementing and leveraging the innovation projects.

2.2 Previous studies

The changes provided by the CPC 07 – R1 (2010) raised the development of researches concerning how the companies have recognized and disclosed the GGAs. However, studies regarding this subject are still scarce. Among the studies conducted, we highlighted those of Taveira (2009), Chagas *et al.* (2010), Loureiro *et al.* (2011), Rodrigues *et al.* (2011), Benetti *et al.* (2014) and Barros *et al.* (2015).

Taveira (2009) evaluated how the publicly-held companies, classified in the distinct segments of corporative governance of the BM&FBovespa, fulfilled the orientations of the CPC 07 (2008) disclosed in the accounting statements of 2008. The results of the study showed accounting information with little or no specifications of items that demand greater explanations, that is, they did not fulfill the criteria defined by the CPC 07 (2008).

Chagas *et al.* (2010) verified the government grants and assistance obtained by the Public Interest Civil Society Organizations [OSCIPs] of the states of Paraíba and Rio Grande do Norte, were according to the CPC 07 – R1 (2010) and NBCT 19.14 – Resolution CFC nº 1,143 (2008). The results showed that a significant portion of the OSCIPs disclosed the government grants and assistance in compliance with the Technical Pronouncement of the CPC 07 – R1 (2010) and NBCT 19.14.

Loureiro *et al.* (2011) investigated the information and economic effects derived from the recognition of the GGA in accounting statements of the 100 largest publicly-held companies in Brazil, listed in the Exame magazine, between 2008 and 2009, according to the CPC 07 – R1 (2010). The authors observed that the companies presented low levels of disclosure, greater disclosure of the item accounting policy adopted for the GGAs, including the presentation methods adopted in the accounting statements, in addition to the significant participation of the GGA in the revenue in companies of the textile and paper and cellulose sectors.

Rodrigues *et al.* (2011) researched the companies headquartered in the state of Pernambuco, which received grants derived from income tax (IR) and tax over merchandise and service circulation (ICMS) incentives, during the period from 2007 to 2009. The objective was to identify how the accounting registrations of the government grants were disclosed and whether they were in accordance with the orientations of the CPC 07 – R1 (2010). Among the results obtained, only 31% of the analyzed accounting statements followed the CPC orientations.

Benetti *et al.* (2014) verified if the level of GGA disclosure of the companies listed by the BM&FBovespa complied to the Technical Pronouncement of the CPC 07 – R1 (2010). The authors observed that the item of accounting policy adopted by the entity for governmental grants was badly disclosed, as was the items regarding the method of presentation and the nature and quantity of the GGA.

Barros *et al.* (2015) investigated the application of the CPC 07 – R1 (2010) in companies of the indirect public administration of the state of Minas Gerais, in 2013. The results showed that of the 15 companies analyzed, seven did not receive government grants and assistance, three received the grants and assistance but did not apply the determinations of the CPC, and three partially followed the orientations. Only two companies presented total conformity for their accounting statements.

Gonçalves, Nascimento, and Wilbert (2016) analyzed if the Brazilian companies that received government grants presented a higher level of tax avoidance and if they generated more richness to society. The results showed that the companies benefited with the GGA presented higher levels of tax avoidance regarding the taxes on profit, and aggregated lower value to the generated goods and services.

The present study distinguishes itself from others when analyzing the adherence of publicly-held companies in Brazil benefited by the FINEP programs between 2008 and 2015, in relation to the disclosure of GGA demanded by the CPC 07 – R1 (2010). It is worth highlighting the relevance of the profile analysis of all entities benefited by FINEP and the analysis of the representativeness of the publicly-held companies listed in B3, in relation to all the companies benefited by FINEP, as well as its association to the level of disclosure.

3 METHODOLOGICAL PROCEDURES

We used the descriptive methodology for this study, seeking to identify the content and level of disclosure of the government grants and assistance received by the companies. We collected the secondary data, classified as documental, from the B3 and FINEP websites. The data analysis was qualitative-quantitative.

All the companies benefited by FINEP comprise the research universe, totaling 1,992 entities. Of the total, 48 are publicly-held companies which publish their accounting statements on the B3 website. Therefore, only 48 companies and 66 projects submitted and approved represent the sample – 2.4% of the studied population.

The lack of randomness in the definition of the publicly-held companies occurred due to the study objective. The approval of the Federal Accounting Council [CFC] Resolution nº 1,143/08 determines that the norm must be applied in accounting and disclosure of the governmental grant, as well as in other forms of governmental assistance.

We conducted the content analysis of the accounting statements – financial statements, income statement, and explanatory notes – of the companies, between 2008 and 2015, disclosed in the CVM portal, from which we collected registration, sectorial, financial, and accounting data, including general information on the GGAs. The information concerning the financed and subsidized projects was obtained at the FINEP website.

We initially verified if the companies disclosed the receipt of the GGA in the explanatory notes in each of the analyzed periods. In case the company received no GGA, we attributed the value of zero (0), if they received the GGA, we attributed the value of one (1). We classified the benefits as Federal (F), State (E), and Municipal (M), depending on the origin of the public resource. For the companies that disclosed receiving the GGA, we analyzed the level and content of the information contained in the explanatory notes and the items required by the CPC 07 (2008) and CPC 07 – R1 (2010), as demonstrated in Table 1.

We compared the information analyzed in the explanatory notes with the information present in the FINEP database to identify if and how the companies classify the GGA projects received by FINEP, as well as its representativeness in relation to the total GGA of the companies.

Table 1

Disclosure items of the verification GGA in the explanatory notes

Item	Information to be disclosed by the companies (CPC 07, 2008)
1	The accounting policy adopted for the governmental grants, including the methods of presentation of the accounting statements.
2	The nature and the quantity of the recognized governmental grants or assistance, as well as the indication of other forms of governmental assistance from which the entity has benefited directly.
3	The conditions to be fulfilled regarding the recognized governmental assistance.
4	The non-compliance of conditions related to grants or the existence of other contingencies.
5	The term during which the grant will remain in the entity.
6	Eventual grants to be accountably recognized, after fulfilling the contractual conditions.
7	The assumptions used to calculate the just value demanded the accounting regulation.
8	The information regarding the parcels applied in regional investment funds and the reductions or insertions of tributes to incentivized areas.

Source: Adapted from the Technical Pronouncement of the CPC 07 (2008).

To identify the level of disclosure, we opted for the disclosure related to each item described in the Technical Pronouncement of the CPC 07 (2008). According to this criterion, when the information is disclosed in the explanatory notes of the study period, we applied the values of one (1) and zero (0), if not, we applied eight points to the total and maximum. Furthermore, the CPC 07 – R1 (2010) renders mandatory only the disclosure of items 1, 2, and 3.

We obtained information regarding the projects submitted by the companies from the FINEP website, including the modality, project value, and value released. Regarding the modality, the submitted projects can be classified as refundable and non-refundable. The first refers to the subsidizes financings, while the second refers to the financial grant. When submitting the FINEP projects, the companies propose a value for its accomplishment.

However, the FINEP is responsible for the value released, which not always represents the suggested value.

We divided the qualitative data analysis into three stages: (i) profile of the institutions and GGA received; (ii) level and content of disclosure of the information required by the GGA norm; (iii) representativeness of the GGA in the company's accounts; and (iv) analysis of the representativeness of the values received by the GGA companies and FINEP projects in relation to the total assets and net patrimony. *A priori*, we developed a panorama of the institutions that were benefited by the FINEP from 2008 to 2015 to, later, demonstrate the representativeness of the GGA of the publicly-held companies in Brazil when compared to others. Posteriorly we present the level and content of the disclosure of the information demanded by the CPC 07 (2008) and CPC 07 – R1 (2010). Finally, we examine the representativeness of the GGA in relation to the total assets and net patrimony of the company.

4 RESULT ANALYSIS

4.1 Result analysis

In the period from 2008 to 2015, FINEP received 3,930 projects, of which 3,577 received resources. We demonstrated in Table 2 that the year with the highest number of projects financed by FINEP was 2010, presenting a total of 780 projects. In second place was 2008, with 638 projects. Table 2 also shows a decrease in the number of projects financed in the last three years. Regarding the modality, most financings were without refund, with 2,920 projects without and 605 with refunding.

We can also verify in Table 2 that, of the 3,525 projects that received financing, only 75 are companies listed in the B3, and most unlisted institutions are universities, research centers, or associations. Over the eight years, the number of projects from companies participating in the B3 has decreased.

Table 2

Analysis of the projects financed by the FINEP

	Attributes	2008	2009	2010	2011	2012	2013	2014	2015	Total	%
FINEP Projects	N	638	617	780	390	375	453	229	43	3,525	100.0
Modality	Refundable	62	71	86	144	94	124	24	0	605	17.2
	Non-refundable	576	546	694	246	281	329	205	43	2,920	82.8
Companies listed at the B3	Yes	5	18	14	9	9	13	6	1	75	2.1
	No	633	599	766	381	366	440	223	42	3,450	97.9
Projects/Regions of Brazil	North	38	27	38	19	9	20	6	1	158	4.5
	Northeast	133	79	126	42	52	73	33	1	539	15.3
	Center-West	35	32	52	23	20	26	10	2	200	5.7
	Southeast	286	327	395	181	203	216	121	28	1,757	49.8
	South	146	152	169	125	91	118	59	11	871	24.7

Source: Research data.

We verified that FINEP approved 3,525 projects to the entities for innovation development, of which 82.8% are characterized as non-refundable, that is, do not present the characteristic of financing. It is unnecessary to return the resource received. It is noticeable that a significant portion of the entities (97.9%) benefited by FINEP is not listed on the Stock Exchange.

The results also show that the Southeastern region of the country presented 1,757 projects financed by the FINEP in the studied period, followed by the Southern region, with 871 projects. The same can be observed when analyzing each year separately, that is, 74.5 of the companies benefited are in the Southern and Southeastern regions.

After verifying the projects, we conducted a descriptive analysis of the resources released during the study period, observing a mean value of R\$ 4,491,345.80 of financings, as presented in Table 3.

Table 3

Descriptive analysis of the resources released for the FINEP projects

Period	N	Minimum	Maximum	Mean	Growth (%)	SD	CV
2008	638	16,913.30	100,000,000.00	2,813,203.20	-	8,817,623.30	3.10
2009	617	2,448.00	100,000,000.00	4,194,144.50	0.49	11,577,941.30	2.80
2010	780	41,595.00	93,229,363.00	3,146,147.70	-0.25	9,087,378.80	2.90
2011	390	13,425.00	93,840,000.00	4,011,453.40	0.28	9,882,670.30	2.50
2012	375	1,912.00	126,000,000.00	3,565,683.00	-0.11	11,580,265.80	3.20
2013	453	38,100.00	321,804,051.00	10,914,141.80	2.06	32,790,867.50	3.00
2014	229	58,500.00	240,292,166.00	5,828,529.50	-0.47	20,752,198.10	3.60
2015	43	80,000.00	7,000,000.00	1,457,463.00	-0.75	1,485,212.10	1.00
Total	3525	1,912.00	321,804,051.00	4,491,345.80	-0.28	9,490,105.50	2.10

Source: Research data.

The period with the highest range in relation to the innovation project values was between 2013 and 2015, presenting a difference of R\$ 9.5 million. The project values suffered significant reductions, of -87.0%, possibly due to the financial crisis and situation of the economic crisis. We also verified that the coefficients of variation were high, suggesting a high variability of the released values, which can indicate the diversity of the monetary values invested in the projects.

Table 3 shows that the mean growth rate of the project values presents oscillating behavior between the periods, with interval increases and decreases. The period of 2015 is represented by a sharp decline in the number of projects serviced by FINEP.

For the initial analysis, we considered the companies that effectively mentioned the accounting statements. Figure 1 illustrates the number of projects approved and not by FINEP during the analyzed period.

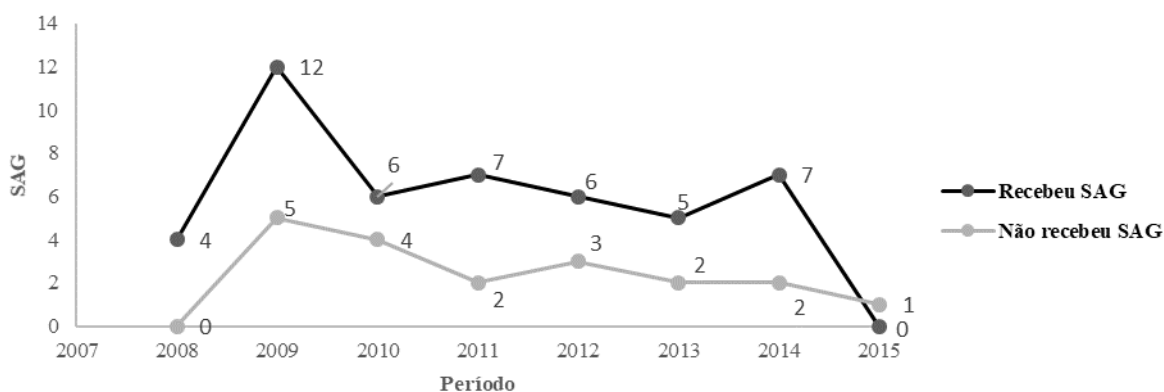


Figure 1. Evolution of the projects approved by the FINEP to publicly-held Brazilian companies.

Source: Research data.

In general, 71.2% of the sampled companies disclosed receiving the GGAs. Figure 1 demonstrates that the peak of GGA receipt occurred in 2009, with a total of 12 benefits (29.3%). Moreover, we can verify in Table 4, based on the publication of the CPC 07 – R1 (2010), that the companies disclosed a receipt of GGA at a constant rate from 2010 to 2015, according to the origin of the resources (federal, state, or municipal).

The disclosure of the GGA in the companies presents similar behavior when compared to the number of projects approved by FINEP, indicating that the grants and assistance provided by the government are decreasing since 2010.

Table 4

Disclosure and mention of the CPC 07 – R1 by the companies benefited by the FINEP

Disclosure and origin of the GGA	GGA Receiving		Mention of the CPC 07	
	N	(%)	N	(%)
Did not disclose GGA	19	28.8	2	13.3
Disclosed GGA	47	71.2	13	86.7
Federal	24	36.3	8	53.3
State	12	18.2	1	6.7
Municipal	0	0.0	0	0.0
Federal and State	11	16.7	4	26.7
Federal, Municipal and State	0	0.0	0	0.0
Total	66	100.0	15	100.0

Source: Research data.

The results showed that 28.8% of the companies did not disclose the receipt of GGA. However, they explicitly mentioned the CPC 07. Furthermore, we can observe that, of the companies that received GGA, 24 (36.3%) are of federal origin, 12 (18.2%) of state origin and none presented municipal origin. A significant portion of the received grants is under the form of tax incentives, demonstrated by the disclosure in the explanatory notes of, especially, the Legal Entity Income Tax [IRPJ].

Moreover, despite the companies receiving benefits from the government, they do not mention the CPC 07, even if the study has occurred between the publication of the CPC 07 (2008) and five years after the publication of the CPC 07 – R1 (2010).

Regarding the qualitative information disclosed, Table 5 demonstrated that 33 companies (50%) used the terminology Tax Incentive as a reference to the GGA, followed by six companies using the terminology Subsidy or others in reference of such benefits. We also verified that 11 companies (16.7%) did not disclose the received GGA.

Table 5

Qualitative information disclosed in explanatory notes

Information disclosed in explanatory notes		N	%
Terminology used to inform the received GGA	Subsidy	6	9.1
	Tax incentive	33	50.0
	Donation	2	3.0
	Award	4	6.1
	Other	6	9.1
	Did not inform	11	16.7
Characteristic of the received GGA	Monetary asset	32	48.5
	Non-monetary asset	16	24.2
	Monetary and non-monetary	2	3.0
	Did not inform	12	18.2
Relation between the GGA received and the FINEP	Yes	1	1.5
	No	65	98.5
Total		66	100.0

Source: Research data.

Table 5 demonstrated that 48.5% of the sampled companies characterize the GGA in the explanatory notes as a monetary asset, while 24.2% described it as a non-monetary asset. We also verified that 65 (98.5%) of the sampled companies did not disclose the relationship between the GGA and FINEP, that is, did not inform the source of the resource. Complementing this analysis, Table 6 indicated the companies had disclosed the items demanded by the CPC 07.

Table 6

Level of the fulfillment of the CPC 07 and CPC 07 – R1 items

Level of the fulfillment of the items in the Explanatory Notes – CPC 07 (2008)										
	Itens obrigatórios								Média Geral	
	1	2	3	4	5	6	7	8		
Disclosed	33,3	19,0	14,3	4,8	9,5	0,0	4,8	4,8		11,3
Not disclosed	66,7	81,0	85,7	95,2	90,5	100,0	95,2	95,2		88,7

Level of the fulfillment of the items in the Explanatory Notes – CPC 07 – R1 (2010)											
	Mandatory Items			Partial Mean	Voluntary Items					Partial Mean	General Mean
	1	2	3		4	5	6	7	8		
Disclosed	51,1	26,7	20,0	32,6	4,4	8,9	2,2	4,4	2,2	4,4	15,0
Not disclosed	48,9	73,3	80,0	67,4	95,6	91,1	97,8	95,6	97,8	95,6	85,0

Source: Research data.

Regarding the level of items disclosed in the explanatory notes, during the period from 2008 to 2009, we applied the CPC 07 (2008), while in the period from 2010 to 2015, we applied the CPC 07 – R1 (2010).

Thus, Table 6 demonstrated that, on average, 11.3% of the sampled companies disclosed the items demanded by the CPC 07. When analyzing each item, we verified that most companies did not disclose items 1 (66.7%), 2 (81.0%), 3 (85.7%), 4 (95.2%), 5 (90.5%), 6 (100%), 7 (95.2%), and 8 (95.2%). Despite the disclosure being mandatory, we verified that from 2008 to 2009, most companies that received GGA did not follow the recommendations of the CPC 07.

Concerning the period from 2010 to 2015, Table 7 shows that 32.6% of the companies disclosed the mandatory items and 4.4% exposed the voluntary items. In general, only 15% of the sampled companies presented the mandatory and voluntary items. When analyzing each item, we verified that of the three mandatory items described by the CPC 07 – R1 (2010), only item 1 presented a higher percentage of disclosure (51.1%). Items 2 and 3 were not disclosed by most companies, representing 73.3% and 80.0%, respectively. Regarding the voluntary items, a significant portion of the companies disclosed no information.

Moreover, we observed that, in both periods, the item “accounting policy adopted for the government grants” was the most disclosed. Table 7 shows the representativeness of the GGA and FINEP resources in the total assets and net patrimony. Therefore, of 66 financed projects, in a mean value of R\$ 33,836,514.75, and 41 projects, in a mean value of R\$ 614,175.00, were contemplated with GGA, and 14 companies disclosed Tax Incentive Reserve (RIF), in a mean value of R\$ 285,902.00.

Table 7

Representativeness of the GGA and FINEP in the total assets and net patrimony

PANNEL A – Values (in thousand R\$) relative to the FINEP, GGA, and RIF						
Variables	N	Mean (%)	Median (%)	Minimum (%)	Maximum (%)	SD
FINEP	66	33,837	14,371	139	240,292	4.39
GGA	41	614,175	15,622	60	4,569,660	1,123.28
RIF	14	285,902	82,929	5,347	1,849,893	509.78

PANNEL B – Representativeness of the GGA and FINEP						
Variables	N	Mean (%)	Median (%)	Minimum (%)	Maximum (%)	SD
GGA/AT	41	6.11	18.61	0.03	27.34	7.64
GGA/PL	41	16.54	4.67	0.06	69.71	23.08
FINEP/AT	66	17.70	3.85	0.00	352.00	47.93
FINEP/PL	66	17.38	8.89	0.00	253.83	51.12

Note. FINEP: represents the values received by the companies from the FINEP, regardless of the modality; GGA: denotes the grant received from the government; RIF: is the tax incentives reserve; GGA/AT and GGA/PL: refers to the ratio between the GGA received and the total asset and net patrimony, respectively; FINEP/AT and FINEP/PL: is the value released by the FINEP on the total asset and net patrimony, respectively.

Source: Research data.

The results show that the companies present superior GGA values when compared to the resources provided by FINEP, since the companies have other forms of obtaining government incentives, as presented in Table 5. Other results indicate that 46.5% of the resources received are destined to tax incentive reserves. Also, we highlight that not all

companies that receive resources from FINEP duly disclose in explanatory notes, as determined by the CPC 07 (2008) and CPC 07 – R1 (2010).

We verified that the ratio between the GGA resources and the assets is of 6.11, that is, every R\$ 1.00 of the asset amounts to the mean GGA value of R\$ 6.11, and each R\$ 1.00 of the net patrimony amounts to the mean GGA value of R\$ 16.54. In the case of the resources derived from FINEP, even with the participation of all sampled companies, we verify that the representativeness in relation to the asset and net patrimony present a higher value than GGA, which can be verified in the mean values of the assets (R\$ 17.70) and net patrimony (R\$ 17.38), as well as in the maximum asset and net patrimony values of R\$ 352.00 and R\$ 253.83, respectively.

These results are, in fact, significant, considering that for the total composition of assets and net patrimony, approximately 17% refer to the resources provided by FINEP. However, it is interesting to observe that the representativeness measures for the FINEP have high variability, with indexes of 47.9 and 51.1 in relation to the total asset and net patrimony, respectively.

4.2 Result discussion

The companies benefited by FINEP present low levels of information disclosure regarding the government grants and assistance. Only 22.7% mentioned the CPC 07 and CPC 07 – R1, and, of these, only one company related the GGA to FINEP. Such results show significant noncompliance with the demands of the norm, considering especially the representativeness of the values received by the companies.

The results also show the low level of information disclosure in the accounting statements, with means of 11.3% and 15.0 in relation to the CPC 07 and CPC 07 - R1, respectively. These results corroborate those obtained by Taveira (2009), Loureiro *et al.* (2011), Rodrigues *et al.* (2011) and Barros *et al.* (2015), who verified low levels of disclosure of the demands described by the CPC 07 (2008) and CPC 07 – R1 (2010). Therefore, they do not confirm the results found by Benetti *et al.* (2014) and Chagas *et al.* (2010), who indicated that the companies analyzed in their studies had disclosed the government grants according to the CPC 07 – R1 (2010).

In this sense, it is relevant that the company comply with disclosing the mandatory information and its benefits, such as the perception, by part of the investors, that the company is concerned with the many stakeholders, especially regarding the government and its investors.

Despite the changes of the CPC 07 (2008), the level of disclosure is significantly low. The companies do not disclose the demanded information, as classified by Hendriksen and Van Breda (1999). Thus, it is worth questioning if the low level of disclosure is in conformation with the objectives of accounting.

Regarding the most disclosed item, as occurs in this research, Loureiro *et al.* (2011) and Benetti *et al.* (2014) verified that the item “accounting policy adopted for the governmental grants” is the most frequent in the accounting statements.

Other items refer to the representativeness of the received values, given that, when verifying the representation of the GGA and FINEP resources, received with total asset and net patrimony, the means are of 11.3% and 17.5%, respectively. Loureiro *et al.* (2011) observed considerable participation of the GGA in the companies’ capital in the textile and paper and cellulose sectors. These results show the relevance of the public resources received by the companies and strengthen the need for a higher compliance with the accounting norms and of monitoring by accounting organs.

5 CONCLUSION

The present study had the general objective of verifying the content and level of disclosure of the Government Grants and Assistance [GGA] of the accounting statements of Brazilian companies benefited by FINEP. The specific objectives were to: (i) profile the institutions favored by the FINEP financings; (ii) identify if the publicly-held companies in Brazil have disclosed the receiving the GGA in both accounting statements, verifying the content of

the information demonstrated regarding the origin of the GGA; (iii) examine the level of fulfillment of the disclosing requisites of the CPC 07 (2008) and CPC 07 – R1 (2010) of the publicly-held companies; and (iv) analyze the relation between the disclosure and the representativeness of the GGA.

For the first specific objective, we verified that the organizations most benefited by this financing are the universities and research centers in which there is an incentive to conducting projects aimed at the scientific and technological development of the country. Moreover, we observed that the organizations most benefited by FINEP are concentrated in the South and Southeastern regions of the country.

Regarding the second specific objective and considering the changes that occurred in 2007 and 2009 in Brazilian society legislation regarding the accounting registrations of the government grants and assistance, we verified a high percentage of companies (71.2%) that disclosed the GGA in their financial statements. The most substantial disclosures were of grants received in the form of tax incentives, especially in the reduction of the Legal Entity Income Tax (IRPJ).

For the third specific objective, of the eight mandatory disclosure items described in the COC 07 (2008), item 43 – reviewed in COC 07 – R1 (2010), regarding the government grants and assistance [GGA], we verified low concern of the organizations in presenting the information related to the received GGAs, considering the low percentage of publicly-held companies that disclosed such information, especially in the CPC 07 – R1 (2010). The mandatory items are only three, and no longer eight as described in the CPC 07 (2008).

Regarding the last specific objective, in addition to the values concerning the FINEP and the GGA received by the companies, we observed the representativeness of these values in relation to the total assets and net patrimony. On average, the companies received 6.11% and 17.70% of GGA and FINEP projects, respectively, in relation to the total assets. This representativeness is relatively superior to the net patrimony of the companies. Furthermore, we observed that the companies received up to 69.7% and 532.0% of GGA and FINEP projects, respectively, in relation to the total assets and net patrimony. These indicators show the representation and relevance of these figures on the patrimonial structure of the companies.

Future researches can analyze the financings conducted by the FINEP, accessing the account data of the benefited companies regarding the Studies and Projects Financing Entity [FINEP], to allow the verification of the elaborated projects and to which places the GGA resources were effectively allocated.

REFERENCES

- Andrade, M. E. M. C. & Martins, V. A. (2009). Análise dos normativos de contabilidade internacional sobre contabilização de contratos de parcerias público – privadas. *Revista Contemporânea de Contabilidade*, 1(11), 83-107.
- Barros, E. L., Souza, C. A., & Dalfior, V. A. O. (2015, outubro) Aplicação do CPC 07 (R1) – Subvenção e Assistência Governamentais em empresas da administração pública indireta do Estado de Minas Gerais. *Anais do Simpósio de Excelência em Gestão e Tecnologia*, Rio de Janeiro, RJ, Brasil, 12.
- Benetti, K., Benetti, K., Utzig, M. J. S., Braun, M., & Oro, I. M. (2014). Evidenciação de subvenção e assistência governamentais das empresas na BM&FBOVESPA. *Revista Evidenciação Contábil & Finanças*, 2(1), 75-90.
- Chagas, M. J. R., Araujo, A. O., & Damascena, L. G. (2011). Evidenciação das subvenções e assistências governamentais recebidas pelas OSCIPs: Uma análise empírica nos estados da Paraíba e do Rio Grande do Norte. *Revista Ambiente Contábil*, 3(2), 100-115.
- Comitê de Pronunciamentos Contábeis (CPC). *Pronunciamento Técnico CPC 07 (R1)*, de 05 de novembro de 2010. (2010). Subvenção e assistência governamentais. 2010. Aplicado

na contabilização e na divulgação de subvenção governamental e na divulgação de outras formas de assistência governamental. Recuperado em 15 dezembro, 2016, de <http://www.cpc.org.br/pronunciamentosIndex.php>

Comitê de Pronunciamentos Contábeis (CPC). *Pronunciamento Técnico CPC 07*, de 03 de outubro de 2008. (2008). Subvenção e assistência governamental. 2008. Aplicado na contabilização e na divulgação de subvenção governamental e na divulgação de outras formas de assistência governamental. Recuperado em 4 dezembro, 2016, de http://www.cpc.org.br/pdf/CPC_07.pdf

Comissão de Valores Mobiliários (2010). *Deliberação CVM nº 646, de 02 de dezembro de 2010*. (2010). Aprova o Pronunciamento Técnico CPC 07 (R1) do Comitê de Pronunciamentos Contábeis, que trata de subvenção e assistência governamentais. Recuperado em 15 fevereiro, 2017, de <http://www.cvm.gov.br/export/sites/cvm/legislacao/deliberacoes/anexos/0600/deli646.pdf>

Comissão de Valores Mobiliários (2010). *Deliberação CVM nº 555, de 12 de novembro de 2008*. (2008). Aprova o Pronunciamento Técnico CPC 07 do Comitê de Pronunciamentos Contábeis, que trata de Subvenções e Assistsências Governamentais. Recuperado em 10 fevereiro, 2017, em <http://www.cvm.gov.br/export/sites/cvm/legislacao/deliberacoes/anexos/0500/deli555.pdf>

Comissão de Valores Mobiliários (2010). *Instrução CVM nº 469, de 02 de maio de 2008*. (2008). Dispõe sobre a aplicação da Lei nº 11.638, de 28 de dezembro de 2007. Altera as Instruções CVM nº 247, de 27 de março de 1996 e 331, de 4 de abril de 2000. Recuperado em 10 fevereiro, 2017, de http://www.normaslegais.com.br/legislacao/instrucaocvm469_2008.htm

Comissão de Valores Mobiliários (2010). *Instrução CVM nº 059, de 22 de dezembro de 1986*. (1986). Dispõe sobre a obrigatoriedade de elaboração e publicação da demonstração das mutações do patrimônio líquido pelas companhias abertas. Recuperado em 11 fevereiro, 2017, de <http://www.cvm.gov.br/export/sites/cvm/legislacao/instrucoes/anexos/001/inst059.pdf>

Conselho Federal de Contabilidade (CFC). *Resolução nº 1.143, de 21 de novembro de 2008*. (2008). Aprova a NBC T 19.4 - Subvenção e Assistsências Governamentais. Recuperado em 28 dezembro, 2016, de http://www.normaslegais.com.br/legislacao/resolucaocfc1143_2008.htm

Corder, S. & Salles-Filho, S. (2006). Aspectos conceituais do financiamento à inovação. *Revista Brasileira de Inovação*, 5(1), 33-76.

Crispim, G. (2011). *Subvenção governamental sob a ótica do CPC 07: reconhecimento contábil após a Lei nº 11.638/2007 nas entidades privadas no Estado de Pernambuco*. Dissertação de mestrado, Universidade Federal de Pernambuco, Recife, PE, Brasil.

Crisóstomo, V. L. (2009). Dificuldades das empresas brasileiras para financiar seus investimentos em capital físico e em inovação. *Revista de Economia Contemporânea*, 13(2), 259-280.

Fonteneles, I. V., Ponte, V. M. R., Oliveira, M. C., & Ribeiro, M. S. (2014, setembro). Assistsências Governamentais e *Disclosure* Socioambiental. *Anais do Encontro Nacional da Associação Nacional de Pós-Graduação e Pesquisa em Administração*, Rio de Janeiro, RJ, Brasil, 38.

- Formigoni, H. (2008). *A influência dos incentivos fiscais sobre a estrutura de capital e a rentabilidade das companhias abertas brasileiras não financeiras*. Tese de doutorado, Universidade de São Paulo, São Paulo, SP, Brasil.
- Gonçalves, R. S., Nascimento, G. G. do, Wilbert, M. D. (2016). Os efeitos da subvenção governamental frente à elisão fiscal e a geração de riqueza. *Revista Catarinense da Ciência Contábil*, 15(45), 34-48.
- Hamburg, M. A. (2010). Innovation, Regulation, and the FDA. *New England Journal of Medicine*, 363(23), 2228-2232.
- Hendriksen, E. S. & Van Breda, M. F. (1999). *Teoria da Contabilidade*. São Paulo: Atlas.
- Iudícibus, S., Martins, E., Gelbcke, E. R., & Santos, A. (2010). *Manual de Contabilidade Societária: aplicável a todas as sociedades de acordo com as normas internacionais e do CPC*. São Paulo: Atlas.
- Lei nº 11.941, de 27 de maio de 2009*. (2009). Altera a legislação tributária federal relativa ao parcelamento ordinário de débitos tributários; institui regime tributário de transição e dá outras providências. Recuperado em 20 janeiro, 2017, de http://www.planalto.gov.br/ccivil_03/_ato2007-2010/2009/lei/l11941.htm
- Lei nº 11.638, de 28 de dezembro de 2007*. (2007). Altera e revoga dispositivos da Lei nº 6.404, de 15 de dezembro de 1976, e da Lei nº 6.385, de 7 de dezembro de 1976, e estende às sociedades de grande porte disposições relativas à elaboração e divulgação de demonstrações financeiras. Recuperado em 19 janeiro, 2017, de http://www.planalto.gov.br/ccivil_03/_ato2007-2010/2007/lei/l11638.htm
- Lei nº 6.404, de 15 de dezembro de 1976*. (1976). Dispõe sobre as sociedades por ações. Recuperado em 15 janeiro, 2017, de http://www.planalto.gov.br/CCivil_03/Leis/L6404compilada.htm
- Lei nº 6.385, de 7 de dezembro de 1976*. (1976). Dispõe sobre o mercado de valores mobiliários e cria a Comissão de Valores Mobiliários. Recuperado em 11 outubro, 2017, de http://www.planalto.gov.br/ccivil_03/leis/L6385.htm
- Loureiro, D. Q., Gallon, A. V., & De Luca, M. M. M. (2011). Subvenções e Assistências Governamentais (SAG): Evidenciação e Rentabilidade das Maiores Empresas Brasileiras. *Revista de Contabilidade e Organizações*, 5(13), 34-54.
- Macaneiro, M. B. & Cherobim, A. P. M. (2009). O financiamento da inovação tecnológica por meio de programas governamentais de apoio às empresas brasileiras. *Revista de Administração, Contabilidade e Economia*, 8(2), 291-324.
- Martins, E., Gelbcke, E. R., Santos, A., & Iudícibus, S. (2013). *Manual de Contabilidade Societária: Aplicável a todas as sociedades* (2a ed.). São Paulo: Atlas.
- Nogueira, E., Júnior, Jucá, M. N., & Macedo, M. A. S. (2010). O impacto da harmonização das práticas contábeis brasileiras às internacionais na relação entre o lucro líquido e o fluxo de caixa operacional. *Revista Contabilidade Vista & Revista*. 23(1), 47-74.
- Rodrigues, R., N., Silva, G. C., & Faustino, O. W. C. (2011). Subvenção e assistência governamental sob a ótica do CPC 07: reconhecimento contábil após a lei 11.638/2007 nas entidades privadas no Estado de Pernambuco. *Registro Contábil - RECONT*, 2(3), 35-45.

Silva, R. G. L. & Costa, M. C. (2012). Tecnologia e política industrial na organização dos espaços de inovação. *Revista Economia & Tecnologia*, 8(1), 111-128.

Taveira, J. H. P. S. (2009). *Conformidade do disclosure das subvenções governamentais nas empresas de capital aberto*. Dissertação de mestrado, Faculdade de Economia e Finanças IBMEC, Rio de Janeiro, Brasil.