


ACCOUNTING PRINCIPLES AND QUALITATIVE CHARACTERISTICS OF ACCOUNTING INFORMATION IN BRAZIL: CONFLICTS AND THEORETICAL EVOLUTION

ALINIE ROCHA MENDES¹

University of Brasília, Faculty of Economics, Administration, Accounting, and Public Policy Management (FACE), Department of Accounting Sciences, Brasília, DF, Brazil.

 <https://orcid.org/0000-0001-8287-1720>
alinierocham@gmail.com

JORGE KATSUMI NIYAMA

University of Brasília, Faculty of Economics, Administration, Accounting, and Public Policy Management (FACE), Department of Accounting Sciences, Brasília, DF, Brazil.

 <https://orcid.org/0000-0002-8738-3838>
jorgekatsumi@gmail.com

ABSTRACT

This theoretical essay analyzes the conflicts between Accounting Principles and the Qualitative Characteristics of Information in the Brazilian context, from the perspective of Accounting Theory. It highlights the importance of accounting information for decision-making, as evidenced by the study *A Statement of Basic Accounting Theory* (ASOBAT, 1966). The analysis addresses the process of convergence of Brazilian accounting to international standards and the challenges faced in the application of principles in light of regulatory changes, divergent interpretations, and ethical dilemmas. The study discusses the relevance of the Conceptual Framework and the absence of an explicit approach to accounting principles in the current version issued by the Brazilian Accounting Pronouncements Committee (CPC). It emphasizes the contribution of principles to the understanding and evaluation of entities' financial performance and their evolution in the national context. Finally, the conflicts resulting from the changes introduced in the IASB Conceptual Framework and their repercussions on Brazilian accounting regulation are discussed, stressing the need for an ethical, coherent, and transparent approach to ensure the reliability and relevance of financial information.

Keywords: Accounting Theory. Accounting Regulation. Conceptual Framework. Accounting Convergence. Brazil.

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¹ **Correspondence address:** Rua 08; 01 | Metropolitana/Núcleo Bandeirante | 71730-180 | Brasília/DF | Brasil.

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1 INTRODUCTION

Historically, the Fundamental Accounting Principles were developed to guide accounting recordkeeping, providing guidelines for the recognition and measurement of economic transactions. These guidelines were essential to accounting practice in the early stages of the profession, establishing a foundation for the recording of operations. Over time, however, accounting also came to be concerned with the quality of the information disclosed to users of financial statements, which led to the development of the Qualitative Characteristics of Accounting Information. While principles focused on recognition and measurement, qualitative characteristics, such as relevance and faithful representation, came to guide disclosure and transparency, ensuring that information would be useful for economic and financial decision-making. This transition reflects a shift in the accounting field from an emphasis on recordkeeping to an emphasis on information communication.

It is important to note that the earliest efforts to formulate accounting pronouncements emerged between the 1930s and the 1960s, based on the work developed by the American Accounting Association (AAA) and the American Institute of Certified Public Accountants (AICPA). In this historical context, advances in Accounting Theory were focused on defining accounting principles and postulates that sought to establish essential concepts and objectives for accounting practice, as highlighted by Hendriksen and Van Breda (1999).

The study entitled *A Statement of Basic Accounting Theory (ASOBAT)*, prepared by the American Accounting Association (AAA) in 1966¹, emphasized the primacy of accounting information for users rather than preparers, focusing on the usefulness of financial statements in decision-making (Zeff, 1999).

In this context, it is relevant to emphasize that accounting plays a vital role in understanding and evaluating an entity's financial performance. However, the implementation of accounting principles often faces obstacles, whether due to changes in standards, divergent interpretations, or ethical dilemmas intrinsic to accounting practice.

The theoretical essay aims to evaluate the conflicts between the fundamental principles of accounting and the evolution of the qualitative characteristics of information. This topic is relevant to the field of Accounting and Society, as it contributes to understanding the influence of accounting within social and organizational contexts.

The study is situated within the discussion on the adoption of, and challenges related to, fundamental accounting principles in light of regulatory changes and a transforming economic and social environment. The implementation of these principles faces obstacles such as the complexity of international standards and the interpretative tensions that arise between the Conceptual Framework and accounting procedures across different contexts. In addition, the gradual replacement of accounting principles by qualitative characteristics within the IASB Conceptual Framework has generated challenges for professionals and regulators in several jurisdictions, including Brazil. The theoretical approach of the essay reflects on how principles, traditionally regarded as pillars of accounting, have come to be treated implicitly within international regulatory models, giving rise to tensions with qualitative characteristics of accounting information, such as relevance and reliability.

By discussing the importance of accounting information for decision-making and for the assessment of entities' financial performance, the essay seeks not only to analyze technical aspects of accounting, but also to reflect on how accounting practices both influence and are influenced by the social, economic, and regulatory environment in which they operate. In this sense, the

¹ The report *A Statement of Basic Accounting Theory (ASOBAT)*, prepared by the American Accounting Association (AAA) in 1966, was the first document to emphasize the user as the central element of accounting information. This milestone shifted the focus of accounting from preparers to users, highlighting the importance of the usefulness of accounting information in decision-making.

research aims to contribute to a broader understanding of the role of accounting in society and to the discussion of ethical issues, transparency, and the reliability of financial information, which are essential aspects of the relationship between accounting and society at large.

In examining the conflicts between fundamental accounting principles and the evolution of qualitative characteristics of information, the study stands out for its relevance in demonstrating how regulatory changes affect the practical application of these principles. The originality of the work lies in its critique of the lack of a clear and explicit definition of principles in the current Conceptual Framework. Moreover, its marginal contribution to the literature is achieved by fostering dialogue between theory and practice, offering new perspectives on the effects of these transformations within the accounting field.

This integration of knowledge not only enriches accounting theory by expanding the understanding of the conceptual foundations of the discipline, but also strengthens accounting practice by offering clearer guidelines that assist professionals in addressing the challenges of modernity. Such evolution is fundamental to improving the quality of financial information and optimizing economic decision-making. The scientific motivation of this study arises from a gap in the Brazilian accounting literature regarding a critical analysis of the conflicts between Fundamental Principles and Qualitative Characteristics of Information from a theoretical and historical perspective. Although there is extensive discussion on normative convergence and the effects of IFRS, few studies examine how changes in the Conceptual Framework affect the doctrinal essence of accounting and the formation of professional judgment.

Thus, this essay contributes by deepening the debate on the conceptual nature of the discipline, revisiting its epistemological foundations and its role in the construction of a more ethical practice that is coherent with the scientific foundations of accounting. From a practical standpoint, the study provides insights for regulators, professionals, and accounting educators by proposing reflections that may enhance teaching, normative application, and the decision-making processes of entities. The discussion presented therefore contributes to improving the quality and usefulness of accounting information, strengthening the transparency and credibility of financial statements in both the Brazilian and international contexts.

2 METHODOLOGICAL PROCEDURES

This study is characterized as a reflective theoretical essay, grounded in a critical review of the literature on the fundamental principles of accounting and the qualitative characteristics of information. According to Meneghetti (2011), the theoretical essay seeks to interpret conceptual phenomena through logical and critical argumentation rather than relying on empirical data.

The approach adopted is conceptual and interpretative, drawing on Severino (2021), and is centered on the analysis of the theoretical and normative foundations that underpin the evolution of accounting. The method is based on the critical and comparative interpretation of concepts, in dialogue with classical and contemporary authors in Accounting Theory, as recommended by Demo (2012), seeking to understand convergences, tensions, and theoretical implications arising from accounting harmonization and the incorporation of fair value in the Brazilian context.

3 BODY OF THE THEORETICAL ESSAY

3.1 Fundamental Principles and the Regulatory Evolution of Accounting in Brazil

The initial foundation for the development of Accounting Principles was established in the dissertation by William Andrew Paton, which was incorporated into his book *Accounting Theory: With Special Reference to the Corporate Enterprise* in 1922, as noted in *Accounting Theory* (Wolk et al., 2004). Paton reaffirmed Accounting Theory and, at the time, presented six postulates, which included: (a) the existence of the business entity; (b) the continuity of the entity; (c) the balance

sheet equation; (d) the monetary postulate; (e) cost and accounting value; and (f) revenue recognition (Paton, 1922). During this period, there was no significant emphasis on accounting users or on financial reporting, and the specific objectives of financial reports and accounting were not addressed, as noted by Silva (2018).

As described by Zeff (1999), the executive committee of the American Accounting Association, led by Kohler, Paton, and Littleton, issued in 1936 *A Tentative Statement of Accounting Principles Affecting Corporate Reports*, a preliminary analysis prepared for the Securities and Exchange Commission in the process of establishing Accounting Principles. This publication emphasized that the purpose of financial statements is to represent, in financial terms, the use of the company's economic resources, the changes arising therefrom, and the position of the interests of creditors and investors (AAA, 1936).

According to Hendriksen and Van Breda (1999), the country's economic situation improved after the end of World War II, and the search for accounting principles intensified on the part of both the American Accounting Association and the American Institute of Certified Public Accountants. The American Accounting Association issued its revision of the preliminary principles entitled *Accounting Concepts and Standards Underlying Corporate Financial Statements* in 1948. This publication highlighted a basic definition of elements and income (Silva, 2018).

It is important to note that the Fundamental Accounting Principles established by the Federal Accounting Council are part of a broader normative framework that has evolved over time and has been influenced by international models, such as Generally Accepted Accounting Principles and International Financial Reporting Standards, and must be observed by all accounting professionals in Brazil. In contrast, the accounting principles generally accepted in the country are grounded in Brazilian accounting standards, which differ from the international standards adopted by many nations. As a result, conflicts may arise between these two sets of principles, particularly in matters such as the measurement of assets and liabilities, the recognition of revenues and expenses, among others (Silva, 2018).

In this context, the Fundamental Accounting Principles, which are essential to the accounting of events, consist of seven standardized guidelines. These principles were conceived as general guides to ensure the uniformity and reliability of accounting information. Among them, the Entity Principle stands out, as it establishes equity as the object of accounting, while the Going Concern Principle assumes the entity's continued operation in the future.

The Opportunity Principle concerns the identification and disclosure of equity elements with the aim of generating complete information. The Principle of Historical Cost establishes that equity elements should initially be recorded at the original values of transactions, expressed in the national currency. Resolution CFC No. 1,282/2010 revoked the Principle of Monetary Adjustment.

The Accrual Principle establishes that the effects of transactions and events should be recognized in the periods to which they relate, regardless of receipt or payment. Finally, the Prudence Principle guides the adoption of the lowest value for assets and the highest value for liabilities when there are equally acceptable alternatives for measuring equity changes that affect the value of equity (Silva, 2018).

From a broader perspective, Accounting Theory encompasses a scope that goes beyond "principles," including the treatment of assets, liabilities, equity, intangibles, the qualitative characteristics of accounting information, as well as the form and content of financial statements, together with the study of various theoretical approaches and emerging trends in positive, institutional, and sociological theories. It is therefore a wide-ranging field. The "fundamental principles," however, are undeniably representative, and their study is essential (Iudicibus, 2007).

In the historical and institutional context, the development of accounting in Brazil was influenced by European countries, especially Italy, and more recently by practices from the United

States. In addition, Brazilian accounting has traditionally been shaped by tax and corporate legislation and by standards issued by governmental entities such as the Central Bank, the Securities and Exchange Commission, and the Superintendence of Private Insurance. As a social science, accounting reflects the historical, cultural, political, legal, and economic context of each country, resulting in variations in accounting principles and practices. Accounting, as a social science, is significantly influenced by the context in which it operates. In Brazil, accounting is shaped by legal requirements, whereas in the United States it is guided by the consensus of professional bodies (Niyama and Silva, 2013).

Hoog (2017) emphasizes that accounting science is grounded in scientific principles that are autonomous and independent of universal boundaries, forming the doctrine of accounting itself. This contrasts with accounting policy, which operates through the promulgation of standards.

Thus, it can be observed that fundamental principles and accounting standards derive from the doctrines and theories existing within accounting, which are influenced by professional practice. The creation of accounting standards is based on these principles. Franco (1997) presents a comparison between these two levels of scientific reference, as shown in Table 1.

Table 1
Comparison between Principles and Standards

Principles	Standards
Basic Precepts	Complementary Precepts
Immutable and Permanent	Mutable and adaptable
Independent Existence	Mandatory in the execution of accounting
They precede standards	Application of principles
Hierarchically superior	Subordinate to principles
They cannot vary according to circumstances	They vary according to economic, social, and cultural conditions
Few and clearly defined	No restriction on quantity
They are part of the doctrine	Required in the practice of the profession

Source: Adapted from Franco (1997, p. 100-101).

From the perspective of the Anglo-Saxon school, it can be stated that principles occupy a hierarchically superior position to standards, with the latter representing specific applications of principles to particular situations, transactions, or activities. In the Brazilian context, however, standards exert a more significant influence, as they are regulated by laws or regulatory instruments, often imposing restrictions, as noted by Niyama (2010). This difference in approach reflects how each accounting system structures the relationship between theory and regulation, directly influencing the definition of applicable standards in each country.

Considering this distinction between international and national approaches, in the current Brazilian scenario two main sets of principles, standards, and procedures stand out: the international accounting standards, formerly known as IAS and currently referred to as IFRS (International Financial Reporting Standards), issued by the International Accounting Standards Board (IASB), and those adopted by the Federal Accounting Council (CFC).

Within this regulatory context, the influence of professional bodies and academia on the formulation of accounting standards has historically been limited. However, with the gradual adoption of international standards and the creation of the Accounting Pronouncements Committee (CPC), there have been advances in this area, although still below the ideal, as regulatory authorities continue to exercise predominant authority in defining accounting rules. The Central

Bank of Brazil, for example, has not officially endorsed all pronouncements issued by the CPC (Niyama, 2010).

Despite these institutional limitations, it is worth noting that the Conceptual Framework was accepted by the National Monetary Council and the Central Bank, initially through Resolution No. 4,144 of September 27, 2012. This resolution approved and adopted the Conceptual Framework for Financial Reporting issued by the CPC, applying it to financial institutions and other entities authorized to operate by the Central Bank of Brazil. Resolution No. 4,144 was later revoked by National Monetary Council Resolution No. 4,924 of June 22, 2021, which updated and replaced the previous regulation. As a result, the Conceptual Framework remains incorporated into the Brazilian accounting regulatory framework, with the adaptations introduced by the new resolution.

Historically, as highlighted by Silva (2018) and summarized in Table 2, the CFC issued Resolution No. 530 in 1981, approving sixteen Fundamental Accounting Principles. In 1993, CFC Resolution No. 750 reduced this set to seven principles and expressly revoked Resolution No. 530 of 1981. In the following year, CFC Resolution No. 774 of 1994 detailed the content and scope of the principles then in force.

Subsequently, until 2007, the Conceptual Framework in use was that adopted by the Brazilian Securities Commission, regulated by Deliberation CVM 29 of 1986. This framework was based on the model developed by IPECAFI and endorsed by Ibracon. The model was replaced by that of the IASB through Deliberation CVM 529 of 2008, which approved and made it mandatory for publicly traded companies.

Finally, it should be emphasized that Brazil stood out as one of the pioneers in officially recognizing the Fundamental Accounting Principles. In 2010, the CFC issued Resolution No. 1,282, which updated CFC Resolution No. 774 of 1993. This resolution revoked Article 8 of CFC Resolution No. 750 of 1993, which addressed the principle of monetary adjustment, and replaced the expression “fundamental accounting principles” with “accounting principles.” Table 2 presents, in a summarized form, a comparison between the resolutions issued by the CFC and the corresponding accounting principles within the Conceptual Framework. This correspondence is established based on the qualitative characteristics and concepts described in the Conceptual Framework issued by the IASB and adopted by the CPC, highlighting how the fundamental principles are reflected and applied within the context of current accounting regulation.

Table 2

Comparative Summary of the Resolutions Issued by the Federal Accounting Council

Principles	Resolution 530/1981	Resolution 750/1993	Resolution 1.282/2010	Correspondence of the Principles in the 2018 Conceptual Framework
	Approved the Fundamental Accounting Principles	Provides for the Fundamental Accounting Principles and revoked Resolution No. 530/1981	Updated CFC Resolution No. 774/1993 and revoked Article 8 of CFC Resolution No. 750/1993, which addressed the Monetary Adjustment	
Entity	x	x	x	Entity separation: Implicit in the concept of the reporting entity and in the assumption that financial reports refer to a specific entity, separate from its owners or other entities (Conceptual Framework, CPC 00, item 3.8)

Qualification and Measurement of Assets	x	NC	NC	NC
Expression	x	NC	NC	NC
Accrual	x	x	x	Recognition of transactions in the appropriate period: Implicit in the concept of accrual. Information should be recorded in the period in which it occurs, regardless of receipt or payment (Conceptual Framework, CPC 00, item 1.17)
Timeliness	x	x	x	Timeliness: Part of the enhancing qualitative characteristics. Information should be made available in time to be useful for decision-making (Conceptual Framework, CPC 00, item 2.33)
Formalization dos	x	NC	NC	NC
Terminology	x	NC	NC	NC
Equity	x	x	NC	NC
Going Concern	x	NC	x	Going concern assumption: The entity is expected to continue its operations in the foreseeable future. This principle is explicitly stated in the Conceptual Framework (Conceptual Framework, CPC 00, item 3.9))
Periodicity	x	x	NC	NC
Prudence	x	NC	x	Neutrality and prudence: Included under faithful representation, prudence refers to the exercise of caution in making judgments under conditions of uncertainty, avoiding both overstatements and understatements (Conceptual Framework, CPC 00, item 2.16)
Uniformity	x	NC	NC	NC
Information	x	NC	NC	NC
Acts and	x	NC	NC	NC
Correction	x	x	NC	NC
Integration	x	NC	NC	NC
Historical Cost	NC	x	x	Measurement at cost: Appears in the Conceptual Framework as one of the measurement bases, although other methods, such as fair value, may be applied depending on the context (Conceptual Framework, CPC 00, item 6.5)

Source: Adapted from Silva (2018); CPC 00 – Conceptual Framework for Financial Reporting, Accounting Pronouncements Committee (CPC) and International Accounting Standards Board (IASB), 2018.
Legend: NC (not included); x (included).

Based on the information presented in Table 2, it can be observed that accounting principles remain implicitly embedded in the Conceptual Framework (CPC 00). Among them, Going Concern, Entity, Timeliness, Historical Cost, Accrual, and Prudence stand out. Although these

foundations are no longer explicitly stated in a hierarchical manner within the pronouncements, their underlying philosophy remains present throughout the entire conceptual framework, manifesting both in the qualitative characteristics of information and in other normative elements of the structure.

Thus, the evolution of the Conceptual Framework did not represent a rupture, but rather the consolidation of fundamental principles into a broader conceptual language aligned with the international context of accounting.

3.2 Qualitative Characteristics of Accounting Information

Accounting aims to provide users with information that supports and enhances the reliability of decision-making. To achieve this objective, it is essential that such information possesses characteristics that ensure its quality.

As noted by Iudicibus et al. (2018), accounting can be understood as a means of communication, since its primary function is to provide relevant information to assist users in making economic decisions. In addition, accounting information is generated through the processing, organization, and analysis of data, contributing to the expansion of users' knowledge and the reduction of uncertainty. The usefulness of this information can be assessed by the change in users' understanding before and after accessing it.

Thus, the usefulness of accounting information does not depend exclusively on a single factor, but rather results from the interaction of multiple variables that reflect the specific characteristics of each market and economic context. This diversity of determinants highlights the complexity of the accounting process and the need to consider different perspectives when evaluating the quality and relevance of disclosed financial information.

It is acknowledged that the understanding of accounting information also depends on the user's ability to interpret it, assuming that the user has sufficient experience to comprehend the content of financial statements. This premise is supported by the Financial Accounting Standards Board (FASB), which argues that, although efforts should be made to improve the understandability of accounting information, such information "should be understandable to those who have a reasonable knowledge of business and economic activities and who are willing to study it with reasonable diligence." The International Accounting Standards Board (IASB) and the Accounting Pronouncements Committee (CPC) share this same position.

It is also worth noting that the Basic Conceptual Framework of Accounting, approved by the Brazilian Institute of Accountants in 1986, aimed to prevent communication errors and to highlight problems caused by inadequate language and other factors that could result in reduced usefulness of information in financial statements.

In this context, CFC Resolution No. 785 of July 28, 1995, established more detailed criteria to ensure the quality of accounting information, introducing fundamental attributes intended to guide the preparation and disclosure of financial statements. According to this standard, accounting information should possess four essential attributes: reliability, timeliness, understandability, and comparability.

Subsequently, CFC Resolution No. 785 (1995) was revoked by CFC Resolution No. 1,121 of March 28, 2008, as part of the process of updating and converging Brazilian accounting standards with international standards. In turn, CFC Resolution No. 1,121/2008 was also revoked and replaced by CFC Resolution No. 1,603 of September 22, 2020, which approved the current Code of Ethics for Professional Accountants, consolidating ethical principles and guidelines consistent with contemporary professional requirements and international standards.

With the approval of the Conceptual Framework issued by CPC 00 (2008), aligned with the IASB Conceptual Framework (2001), the qualitative characteristics of accounting information, defined as attributes that make financial statements useful, were classified into four main

categories: understandability, relevance, comparability, and reliability. Within this same context, it was established that five attributes were necessary to ensure the reliability of information: faithful representation, substance over form, neutrality, completeness, and prudence.

The CPC 00 has undergone several changes in its structure, through which the qualitative characteristics of financial accounting information were reorganized and divided into:

- (a) fundamental qualitative characteristics (relevance and faithful representation), which are the most critical; and,
- (b) enhancing qualitative characteristics (comparability, verifiability, timeliness, and understandability), which are less critical but still highly desirable.

The classification of Relevance and Faithful Representation as fundamental qualitative characteristics is widely accepted. To be useful, accounting information must be relevant and, at the same time, faithfully represent reality. A faithful representation of an irrelevant event is as useless as an unfaithful representation of a relevant event, since in both cases the information will not assist users in decision-making.

Among the changes observed, the qualitative characteristic of Reliability was reclassified as Faithful Representation. Substance over Form was removed as a separate component of Faithful Representation because it was considered redundant. Prudence, or conservatism, was also eliminated for being inconsistent with neutrality.

It is important to emphasize that relevance and faithful representation are two essential qualitative characteristics of accounting information (IASB, 2013; IASB, 2015). Those responsible for preparing financial statements, when applying accounting standards and exercising professional judgment, must ensure that the information meets the objectives of financial reporting and disclosure, as well as achieves the qualitative characteristics specified in the Conceptual Framework of the CPC (CFC, 2011). The omission of information useful for decision-making may result in a false or misleading representation of the economic phenomenon or of any other aspect presented in the financial statements.

With regard to the enhancing qualitative characteristics, Comparability, Verifiability, Timeliness, and Understandability are elements that increase the value of information that is relevant and faithfully represented. These characteristics help determine which of two alternatives, considered similar in terms of relevance and faithful representation, should be used to depict a phenomenon. They should be maximized to the extent possible. However, whether individually or collectively, these characteristics cannot make information useful if it is irrelevant or does not faithfully represent reality (CPC, 2011).

In light of the above, it is appropriate to emphasize that, in addition to producing accurate information, it is equally important to ensure that such information is understandable to users. Only then can it be effectively used as a support tool in the decision-making process.

3.3 Convergence of Brazilian Accounting to International Standards

The process of convergence of Brazilian accounting to international standards began in 1990, when the Brazilian Securities Commission (CVM) established three committees with the purpose of reviewing and proposing amendments to Laws No. 6,404/1976 and No. 6,385/1976. These initiatives were concluded in 1991 with the presentation of proposed changes considered necessary. In the accounting sphere, concepts commonly used in the international markets of developed countries were recommended.

On July 5, 1999, the Draft Bill for the Reform of the Brazilian Corporations Law was submitted to the then Minister of Finance, encompassing significant changes to accounting aspects. This draft evolved into Bill No. 3,741/2000. After discussions with various stakeholders involved

in Brazilian accounting regulation, the bill was forwarded to the National Congress for consideration. The bill underwent extensive deliberations in Congress, without reaching a definitive conclusion regarding the reform of corporate legislation. As a result, regulatory bodies initiated the convergence process using the instruments available to them, through professional regulation and the regulation of publicly traded corporations.

The Federal Accounting Council (CFC) took the first step by creating, through CFC Resolution No. 1,055/2005, the Accounting Pronouncements Committee (CPC). The CPC aims to study, prepare, and issue technical pronouncements based on international accounting procedures, seeking to standardize practices and promote the convergence of Brazilian accounting standards with international standards.

The CPC, a collegiate body, was established by six organizations: the Brazilian Association of Publicly Traded Companies (Abrasca), the Association of Capital Market Investment Analysts and Professionals (Apimec), the São Paulo Stock Exchange, Commodities and Futures Exchange (BM&FBovespa), the Federal Accounting Council (CFC), the Brazilian Institute of Independent Auditors (Ibracon), and the Institute of Accounting, Actuarial, and Financial Research Foundation (Fipecafi). In addition to these members, the Central Bank of Brazil (Bacen), the Brazilian Securities Commission (CVM), the Federal Revenue Service (SRF), and the Superintendence of Private Insurance (Susep), as well as other entities and experts, participate as invited members.

On September 28, 2007, the CFC established, through Resolution No. 1,103/2007, the Brazilian Convergence Steering Committee. This committee includes the CFC itself, Bacen, Ibracon, and the CVM as members, with the purpose of facilitating the changes required for convergence.

On December 28, 2007, Law No. 11,638/2007 was enacted, introducing several modifications to the accounting standards then in force. These changes were partial, as part of what had been contemplated in the original draft bill submitted in 2000 was not incorporated into the law, leaving out certain conceptual changes.

It is important to note that, despite its incompleteness, Law No. 11,638/2007 introduced significant advances in accounting regulation. To address the existing conceptual gaps, a specific chapter was later added through Provisional Measure No. 449/2008, proposing the necessary adjustments. This provisional measure was subsequently converted into Law No. 11,941/2009. In this way, Brazilian legislation governing corporations was adapted to converge with international standards.

In this sense, the convergence of Brazilian accounting to international standards represents an important step in the evolution of the qualitative characteristics of information, as it introduces significant changes to accounting standards that may create challenges in the application of accounting principles. This section discusses how Brazilian accounting has adjusted to harmonize with international standards, such as IFRS, and how this process directly influences the qualitative characteristics of accounting information, including faithful representation, relevance, and comparability.

Thus, this section aligns with the objective of the study by providing the necessary context to understand the regulatory changes that influence accounting principles and how these changes may generate conflicts between fundamental accounting principles and the evolution of qualitative characteristics of information. Essentially, it explores the origins and motivations of one of the main sources of conflict between traditional accounting principles and the new requirements imposed by global convergence.

3.4 Divergences between Accounting Principles and the Qualitative Characteristics of Information: Economic Motivations and Implications for Brazilian Practice

The divergences between the Fundamental Accounting Principles and the Qualitative Characteristics of Information stem from a common genesis. Both frameworks emerged from efforts to reconcile the economic function of accounting, oriented toward decision-making, with its normative function, related to standardization and comparability of information. As economic and market pressures increasingly influenced the development of accounting standards, new tensions arose, particularly regarding measurement and the faithful representation of financial statements.

Historically, principles such as Prudence, Historical Cost, and Going Concern were designed to protect creditors and preserve patrimonial stability. However, the growing financialization of the economy and the pursuit of greater transparency and international comparability fostered the adoption of fair value measurement practices, introduced in Brazil by Law No. 11,638/2007 and consolidated through CPC 46 (CPC, 2012). This shift aimed to enhance the relevance of accounting information by reflecting more current market values, but it also introduced greater volatility and subjectivity, moving away from traditional conservatism.

Another recurring conflict arises between the Prudence principle and the Neutrality characteristic. Prudence, rooted in the European accounting tradition, prioritizes caution and seeks to avoid overstatement of assets and income, whereas neutrality, emphasized in the IASB Conceptual Framework (2018) and CPC 00 (CPC, 2019), requires impartiality in the presentation of financial statements. The shift from prudence toward so-called neutral caution illustrates the transition from a protective stance to an informational approach focused on investors and capital markets (Hendriksen and Van Breda, 1999; Zeff, 2007).

In Brazilian practice, these conflicts have materialized in developments such as the adoption of impairment testing for assets, as provided for in CPC 01 (CPC, 2010), which introduced estimates based on discounted future cash flows. Although economically justifiable, this method increased the subjectivity of measurements and reduced the verifiability of financial statements. Similarly, the application of fair value to financial instruments, in accordance with CPC 48 (CPC, 2017), has produced information that is more relevant to the market, but with greater earnings volatility and reduced temporal stability.

These tensions demonstrate that Brazilian accounting convergence, although driven by legitimate economic objectives such as attracting foreign investment, increasing transparency, and reducing the cost of capital, has also revealed the challenge of balancing traditional conceptual foundations with new market-driven requirements. Normative evolution thus reflects not only a technical process of harmonization, but also an economic and institutional phenomenon in which global market interests shape accounting language and its practical application (Duarte et al., 2020; Niyama & Silva, 2013; Schipper, 2003).

3.5 Where Did Accounting Principles Go? Common Genesis and the Role of Fair Value Measurement

The formal revocation of CFC Resolution No. 750 (CFC, 1993) and the implicit incorporation of accounting principles into the Conceptual Framework issued as CPC 00 (CPC, 2019) did not signify the disappearance of their essence. In fact, principles and qualitative characteristics share a common genesis, derived from the pursuit of usefulness and faithful representation of accounting information as a means of mediating between economic events and financial decisions. The focus, however, has shifted from a paradigm grounded in stability and prudence to one oriented toward relevance, market value, and decision-making.

The international convergence movement, led by the IASB (2018) and followed by the Accounting Pronouncements Committee (CPC), was driven by economic motivations such as

integration into global markets, the attraction of foreign capital, and the international comparability of financial statements. These objectives required the replacement of explicit principles with assumptions and qualitative characteristics that are more flexible and compatible with contemporary economic dynamics.

The adoption of fair value measurement, regulated by CPC 46 (CPC, 2012) and supported by Law No. 11,638/2007, symbolizes this paradigmatic shift. By replacing historical cost measurement, accounting began to prioritize the current economic reflection of assets and liabilities. This approach enhances the relevance of information but challenges faithful representation and verifiability, especially in contexts of volatility or in the absence of active markets. Cases involving the remeasurement of corporate real estate and derivative financial instruments, as provided for in CPC 48 (CPC, 2017), illustrate the dilemma between economic relevance and technical reliability.

Although principles are now implicit, their influence remains evident. The Entity Principle is embedded in the concept of the reporting entity in CPC 00 (CPC, 2019), Going Concern appears as an explicit assumption, and Accrual underlies the recognition of revenues and expenses. Others, such as Prudence and Historical Cost, have been reformulated to coexist with new informational demands. Fair value has come to express the continuous updating of equity, albeit with reduced temporal stability.

The trajectory of accounting in Brazil demonstrates that economic forces play a decisive role in the evolution of accounting regulation. Legal transformations, represented by Law No. 11,638/2007 and Law No. 11,941/2009, combined with the expansion of capital markets and the internationalization of companies, have driven the adoption of a globally oriented financial accounting language. This transition reinforces the notion that the genesis of principles and qualitative characteristics is the same: to faithfully portray economic reality while adapting to the economic and institutional motivations of each historical period (Iudícibus et al., 2020; Niyama, 2010).

4 FINAL CONSIDERATIONS

This theoretical essay explored the conflicts between the Fundamental Accounting Principles and the Qualitative Characteristics of Information, highlighting that, despite the formal revocation of certain principles through CFC Resolution No. 750/1993, their influence persists implicitly within current accounting standards. Although the revocation initially led to the understanding that the principles had been extinguished, the Federal Accounting Council clarified that they were incorporated into specific standards, such as the NBC TG Conceptual Framework for the private sector and the NBC TSP Conceptual Framework for the public sector (CFC, 2011).

Nevertheless, there are principles, such as the Entity Principle, that do not have a direct and explicit correspondence in current standards, yet whose application remains essential to the proper preparation of accounting information. This principle, which ensures the separation between the entity's assets and those of its owners or shareholders, clearly illustrates how the fundamental bases of accounting continue to influence practice, even when they are not explicitly stated in more recent standards.

Discussing these conflicts is pertinent because, although standards have evolved and principles have been reformulated or incorporated into new normative contexts, they continue to shape accounting practice, generating tensions and challenges. The adoption of new accounting standards and the application of principles, even implicitly, may create situations in which these elements conflict, requiring professional judgment and adaptability within the accounting standard-setting process.

The most prominent conflicts include the tension between Prudence and Neutrality, Historical Cost versus Relevance, and Going Concern in contrast with Faithful Representation.

These conflicts are inherent to accounting practice and demonstrate the complexity of applying traditional accounting principles in a regulatory environment increasingly oriented toward transparency and the usefulness of information.

Although this study provides a comprehensive discussion of the conflicts between fundamental accounting principles and the evolution of qualitative characteristics of information, it presents significant limitations that may affect the interpretation of its findings. In particular, the theoretical analysis based on existing literature may not fully capture the practical realities faced by accountants in professional settings. This may lead to a partial understanding of the practical impacts of these conflicts, limiting the study's ability to propose effective solutions to the challenges identified.

In addition, the lack of specific empirical data on how social, economic, and political variables interact with accounting practices restricts the generalization of the findings to different global accounting contexts. These limitations highlight the need for future studies that employ empirical methodologies to explore how such variables affect the application of accounting principles across different regulatory and cultural environments.

Given the complexity of the conflicts between accounting principles and qualitative characteristics, future research is encouraged to adopt diverse methodological approaches, such as multiple case studies or longitudinal analyses, which may provide detailed insights into the dynamics of these conflicts in specific environments. Investigating the perceptions of different stakeholders, including accountants, auditors, and regulators, through interviews or detailed questionnaires, may reveal important nuances regarding how these conflicts are perceived and managed in practice.

Additionally, international comparative studies on the implementation of accounting standards can shed light on the impact of different institutional and cultural contexts on the effectiveness of accounting principles. This comparative approach is important for identifying variables that influence the level of adherence to, and effectiveness of, such standards across diverse regulatory environments. Deepening the understanding of these elements may not only enhance knowledge of contemporary accounting challenges but also promote the development of practices that more effectively integrate accounting theory with practical realities. This synergy between theory and practice is essential to improving the quality of financial information and facilitating more informed and effective economic decision-making.

The reflections presented in this essay suggest that transformations in the conceptual structure of accounting result both from technical advances and from economic and institutional motivations associated with the pursuit of the economic value of accounting information and the transparency demanded by investors and other market participants.

The consolidation of fair value and the reconfiguration of traditional principles reflect an attempt to align accounting with the dynamics of contemporary financial capitalism and the demands of global comparability. In this context, a future research agenda emerges that may further explore, through empirical and comparative approaches, the effects of these changes on the quality of accounting information, market behavior, and professional practice in Brazil and in other jurisdictions.

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AUTHOR CONTRIBUTIONS

Roles	1st Author	2nd Author
Conceptualization	♦	♦
Writing – Original Draft	♦	♦
Writing – Review and Editing	♦	♦