

Public Sector Financial Statement Notes to Convergence with International Standards, Transparency, and Social Control

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ABSTRACT

The financial statement notes contribute to public accounts' transparency and the instrumentalization of social control, although they are frequently absent from public sector financial statements. In this context, this study's objective was to present the structure of notes to public sector financial statements, nonexistent until then, in the Brazilian setting, which would contribute to the improvement of this context. The structure was developed according to the recommendations in the wording of the Brazilian Accounting Standards. The results of this work provide public accountants with a reference structure of notes to public sector financial statements, contributing to a greater understanding and transparency of accounting rendering by users of accounting information, control bodies, and society.

Keywords: Financial Statement Notes, Disclosure, Public Sector Structure, Brazilian Accounting Standards

Introduction

In Brazil, an accounting information system can be an effective way to ensure that resource inputs (budget revenues) are delivered to the public coffers, and spending (budget expenditures) go toward an organized society's real needs. Legislation on this subject was included in the 1988 Federal Constitution, along with legislation that complements legal planning and budget execution tools for public entities. For accounting to be useful as a tool for information and communication in financial management, it must be relevant, trustworthy, comparable, and understandable by users. Only when these conditions are met can financial statements be passed to stakeholders (Barton, 2011). Accompanying notes are an integral part of financial statements and are fundamental to the wider dissemination of public assets' economic and financial management and their variations, aligned to the possibility of greater responsiveness and transparency of public accounts. However, in

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public entities, the absence of these notes, or rather, when there are notes, they are incipient (Hendriksen & Van Breda, 2010; Benedicto, Rodrigues, Penido & Stieg, 2011; Cruz, Platt & Vieira, 2006).

Considering this deficiency in the public sector, the following research problem was identified: How can a minimum structure for financial statement notes applying to the public sector (FSN-APS) be developed from the Brazilian Accounting Standards as they apply to the public sector (BAS-APS), the Brazilian Manual of Accounting as it applies to the public sector (BMA-APS), and the literature? The overall goal was to develop a structure for the notes that contribute to the comprehensiveness, transparency, and accountability of public accounts to enable social control. All Brazilian standards and the accounting manual are used in accordance with the International Public Sector Accounting Standards (IPSAS).

The research is justified by the absence of a minimum structure of reference notes for Brazilian public sector information (accountants, managers, auditors, and citizens). This may be one of the factors in the non-submission of financial statement notes for many entities in the public sector or incipient forms of presentation, despite the mandatory nature of disclosure and their contribution to the transparency of the actions of managers in these entities (Bogoni, Zonatto, Ishikura, & Fernandes, 2010; Braga, 2015; Araújo & Martins, 2016). Therefore, research specifically related to notes is scarce. In many cases, it is included in studies of financial statements as a whole.

Literature Review

The era of financial statement notes and the contribution of accounting disclosure to the instrumentalization of social control

Current financial reports gave rise to what may be called the era of financial statement notes. This is considered important to accounting disclosure. Through the disclosure, accounting fulfills its mission of producing relevant information for the decision-making of different users (Hendriksen & Van Breda, 2010; Dias Filho, 2000). In the area of public sector accounting, disclosure has a social function, as mentioned by Bezerra (2015, p. 2), to present "information necessary for decision-making, the accountability and the instrumentalization of social control." In this context, public sector accounting considers citizens, active subjects in the exercise of social control, as the primary user of the financial statements produced.

The term social control used in this study has the same meaning as Gurgel and Justen (2013), referring to the control that society exercises over the state. Thus, social control is possible; citizens must have access to clear and objective information in the published financial statements concerning public finances. Thus, citizens' exercise of social control is related to the quality of accounting disclosure of public sector entities. In the area of public sector accounting, disclosure has a social function, as taught Bezerra Filho (2015, p. 2), to present "information necessary for decision making, the accountability and the instrumentalization of social control." Accounting disclosure contributes decisively to the actions developed by public organizations. It is important to demonstrate an entity's financial position and hold to account the agents involved in the management of public resources (Silveira & Borba, 2007; Gollo, Schulz & da Rosa, 2014).

Given these concepts, "it is certain that the disclosure of the limits should be determined according to the interests and characteristics of users" (Dias Filho, 2000, p. 40).

It is important to emphasize that the usefulness of financial information is associated with, among other things, the ability of users to understand them. The literature indicates that the very disclosure process is associated with clarity of what is disclosed, in which one understands immediately what is being communicated (Aquino & Santana, 1992; Barton, 2011). The comprehensiveness of the information provided to users of financial statements is an inherent feature of the disclosure process that cannot be neglected. This is especially true in the public sector, where understandability is linked to social control exercise (Neto, Cross, Ensslin & Ensslin, 2007). Increased disclosure levels are associated with, among other things, the use of the management report and notes to disclose the social situation, the policies adopted, and the inclusion of some financial indicators. The financial statement notes provide answers to users' questions, especially citizens, the primary users of financial statements from the public sector (Dalmácio & Paulo, 2004).

Methodology

The procedure used in data collection

The procedure adopted for data collection was based on bibliographical and documentary research. To achieve the results of the research, the following steps are followed:

- a) The research literature on the subject.
- b) To analyze the degree of convergence from published FSN-APS, a checklist was adapted from Braga (2015) that contains a minimum of 18 items that should be included in the notes of FSN-APS, considering the requirements established by BAS-APS, BMA-APS, and the literature.
- c) Search the notes evidenced by Brazilian states, Distrito Federal, and its capitals in 2015. For comparison, it was identified that the same states and capitals presented financial statement notes in 2009, the first year with the validity of the new accounting standards in the public sector – BAS-APS, published by the Federal Accounting Council in Brazil according to IPSAS.
- d) Identification of the states and capitals that had notes of compliance with the standards outlined in BAS-APS and BMA-APS, in addition to the items noted in the literature. Such verification occurred using a checklist, presented in the following section, and by assigning weights to each analyzed question from a Likert-type scale structured into three points, also presented in the following sections.
- e) Preparation of the structure of financial statement notes could contribute to the understandability of financial statements, transparency of public accounts, and instrumentalization of social control. This proposal was drawn from the questions recorded in the literature, BAS-APS, and BMA-APS.
- f) Use of a focal group to validate the designed structure. The focus group was composed of eleven accounting professionals from the public sector, according to the methodology presented in the following sections.

In some cases, even in the absence of formal disclosure of the accounting document entitled "Notes," it was considered that the entity presented the information required by BAS-APS and BMA-APS when they included a similar kind of note evidenced in

government reports or equivalent documents in the footnotes of other FSN-APS or presentation of information.

Checklist applied in the analysis of notes

The applied checklist was prepared from references to the financial statement notes in the Brazilian Accounting Standards, the Brazilian Manual of Accounting, and the literature. All Brazilian standards, as well as the accounting manual, are used in accordance with IPSAS. Table 1 shows the checklist used in the Brazilian states' analysis, Distrito Federal, and their capitals. From the notes in the BMA-APS, ten questions were drawn up and numbered M1 to M10. There are five issues related to notes on BAS-APS, which are numbered N1 to N5. In turn, from the related literature, three questions were drawn up and numbered from L1 to L3.

Table 1. Checklist with mandatory standards and general application related to the financial statement notes in BAS-APS, BMA-APS, and the literature

| <i>Checklist - BAS-APS, BMA-APS, and the literature</i> | |
|---|--|
| <i>Question</i> | <i>Items</i> |
| <i>M1</i> | Was there a related explanatory note in the prior year for any adjustment, impairment testing, revaluation of assets, depreciation, amortization, and depletion? |
| <i>M2</i> | Was the methodology adopted for the budget record found in the notes? |
| <i>M3</i> | Was the budget balance accompanied by explanatory notes? |
| <i>M4</i> | Did the notes issue a breakdown of revenues and expenses? |
| <i>M5</i> | Did the notes detail the expenditure implemented by credit types (initial, additional, special, and extraordinary)? |
| <i>M6</i> | Did the notes mention the procedure adopted concerning debris removal, that is, does the entity transfer the balance at the end of the year, is what is left to pay processed, or does the entity keep track of the amounts to be paid for unprocessed settlements separately? |
| <i>M7</i> | Did the notes detail the "prior-year funds" used to finance budget expenditures for the current year, highlighting the secured funds and others with linked allocation? |
| <i>M8</i> | Was the balance sheet accompanied by explanatory notes? |
| <i>M9</i> | Do the tables or items refer to the explanatory notes, or are they cross-referenced to the relevant explanatory notes? |
| <i>M10</i> | Did the explanatory notes release the assumptions of the estimates? |
| <i>N1</i> | Did the explanatory notes include the criteria used for preparing the financial statements? |
| <i>N2</i> | Did the explanatory notes include asset, budgetary, economic, financial, legal, physical, social, and performance information, as well as other events not sufficiently evidenced or not contained in the statements? |
| <i>N3</i> | Were the consolidated financial statements supplemented by explanatory notes containing the identification of public sector entities included in the consolidation? |
| <i>N4</i> | Were the consolidated financial statements supplemented by explanatory notes containing the characteristics of public sector entities included in the consolidation? |
| <i>N5</i> | Were the consolidated financial statements supplemented by explanatory notes containing the procedures adopted in the consolidation? |
| <i>L1</i> | Did the accompanying notes contain graphs, charts, summaries, glossaries, or illustrative figures to make the presented information more understandable? (Iudicibus, 2000; Hendriksen & Van Breda, 2010; Bogoni et al., 2010; Benedict et al., 2011) |
| <i>L2</i> | Did the notes reveal information related to the entity's characteristics or the provision of public services, such as the number of students served, executed works, patients treated by the health system, etc.? According to Benedict et al. (2011, p. 10), "citizens need more information simplified and consistent with your everyday life rather than purely technical and tax information." |
| <i>L3</i> | Did the entity consider issues, such as the visual presentation, formatting, standardization, and language of the information highlighted in the notes? (Bogoni et al., 2010) |

The Likert scale used to apply the checklist

The Likert scale used in the study was developed from Braga (2015), in which compliance was verified using BAS-APS and BMA-APS in the municipalities of Pernambuco. Braga (2015) used this scale to assign a weighting to a checklist's questions applied to those municipalities' financial statements.

Figure 1 shows the scale developed by Braga (2015), which will be used to implement the checklist presented in the previous section to the Brazilian states' notes, Distrito Federal, and their capitals. Each question in the checklist is assigned weights of 0 to 2.

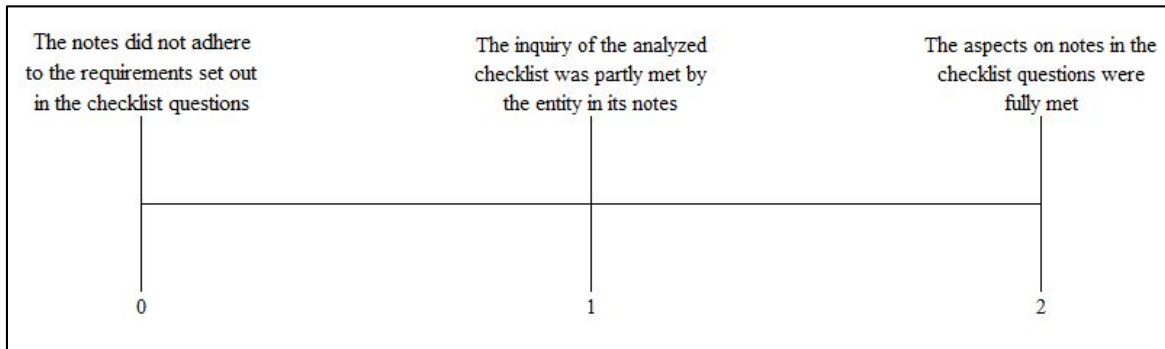


Figure 1. Likert scale using a three-point structure

Source: Braga (2015).

The first point on the scale has a weighting of zero and indicates that the notes did not adhere to the requirements set out in the checklist questions.

The second point has a weighting of one, indicating that the entity partly met the analyzed checklist's inquiry in its notes. "Partially met" is considered to be the case when the disclosure presented was insufficient or excessive, according to the concepts of Hendriksen & Van Breda (2010) and Iudícibus (2000).

The third point on the scale, with a weighting of two, indicates that notes in the checklist questions were fully met. Such cases were considered where there was adequate disclosure of the notes, as outlined by Iudícibus (2000).

The concept of adequate disclosure suggests that irrelevant information should be omitted to generate meaningful and understandable financial statements. Thus, it is appropriate to have an objective, complete, and relevant disclosure (Iudícibus, 2000).

Focus group developed to evaluate the structure of the notes

The focus group is a research technique that collects data through group interactions. This is one variation of group interviews or discussion groups (Borges & Santos, 2005). The idea that macro-social relations' ideological discourse is reproduced in small groups is a basic premise of conducting focus groups, with the objective being to produce new ideas, identify expectations, and find other uses for a specific product, as shown by Gondim(2002). Participants are perceived to be aspects of the program who need or can be changed or improved (Borges & Santos, 2005).

The group provides criteria on the emerging consensus, shares experiences, and builds a framework of common interests and concerns that, in part, are experienced by all (Gaskell, 2014).

Based on these principles, we developed a focus group with eleven public sector accounting professionals in Fucape Business School in the city of Rio de Janeiro on 05/12/2017. The audio of the dialogue and interactions in the meeting was recorded and later transcribed to analyze the results.

Data analysis

Notes of the states, Distrito Federal, and its capital

States offered a greater disclosure level, with 74% (20 states) issuing notes to the financial statements. When considering capitals, only 44% (12 capitals) had such information.

These indexes can be considered low since the principal business of advertising is subject to public administration and has an obligation to submit notes to FSN-APS.

Figure 2, below, shows the highlighted notes to the financial statements for the year 2015 by the Brazilian states, Distrito Federal, and its capital, compared to 2009.

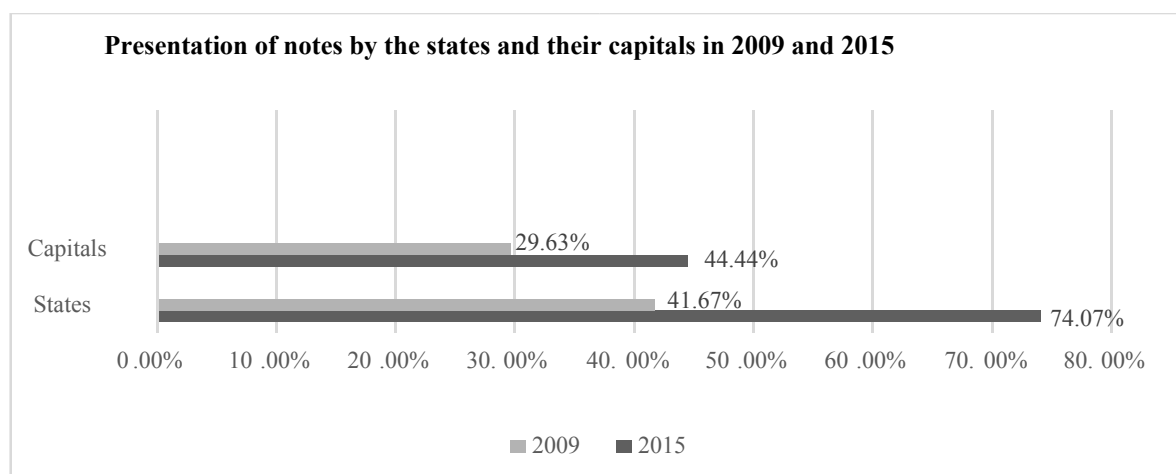


Figure 2. Notes for the Brazilian states and their capitals in 2009 and 2015 (in %).

Source: Prepared by the authors from the survey data.

In 2009, there was the first rendering of accounts after the start of convergence with IPSAS. The percentage of federal units that issued notes thereto in 2009 (41.67%) is presented by Meneses and Peter (2012). Thus, there was a significant increase in the presentation of notes in 2015, although the levels achieved were undesirable.

The entities appear to be more dedicated to detailing their statements with the publication of the notes. The developments observed may be due to several factors: the need for it expressed by citizens, investment in the training of professionals involved in the preparation of statements, or even the requirement for disclosing the notes expressed in BAS-APS.

Figure 3, below, shows the level of adherence by the notes to BAS-APS, BMA-APS, and the literature in the states and Distrito Federal. As each of the 18 checklist questions could score a maximum of two points, the highest score that each entity could achieve was 36 points. The figures highlight the following adherence observed in percentage terms:

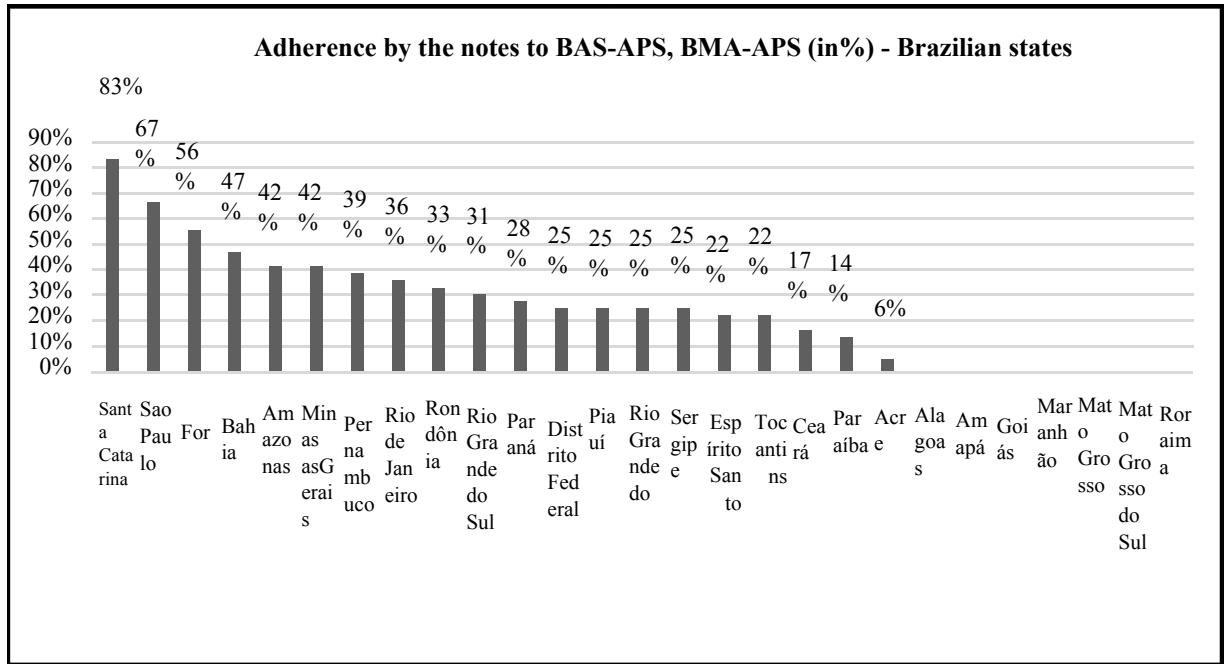


Figure 3. Adherence by the notes in the Brazilian states and the Distrito Federal to BAS-APS, BMA-APS, and the literature from the 2015 financial statements.

Source: Prepared by the authors from the survey data.

The state of Santa Catarina recorded a score close to the 36-point limit. The state received 30 points on the scale used (83% adherence), indicating an adequate compliance level by their notes to the standards and literature. After that, São Paulo and Pará recorded 67% and 56% adherence, respectively. The other Brazilian states did not reach 50% adherence to BAS-APS, BMA-APS, or the literature. This demonstrates that the disclosure of notes is still incipient or nonexistent in almost all states. It notes that the issues analyzed are mandatory aspects that need to be presented, making these numbers even more significant.

It was also observed in the states and the Distrito Federal that the capitals have low rates of adherence by the notes, as shown in Figure 4 below.

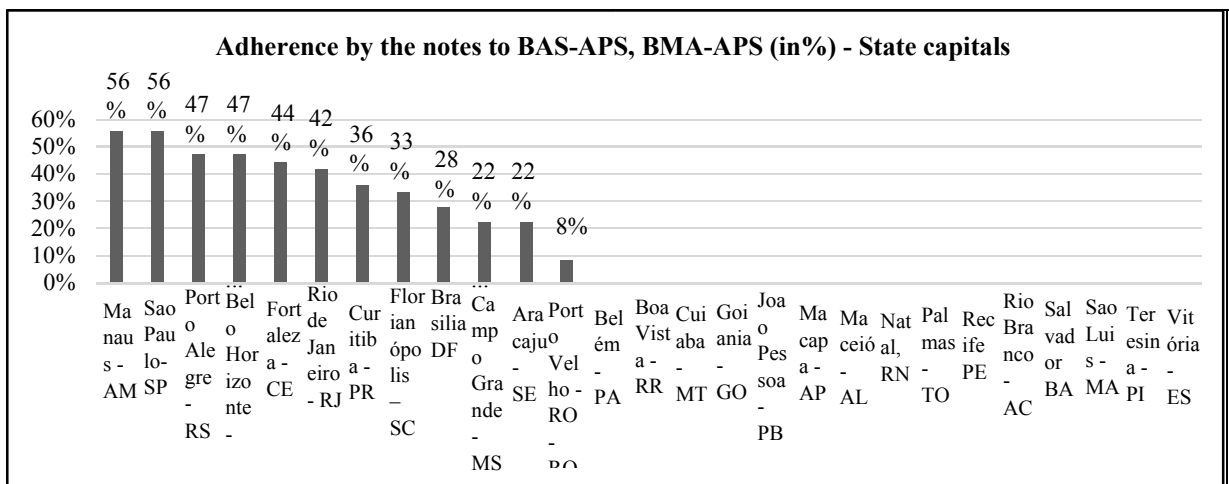


Figure 4. Adherence by the notes in the capitals to BAS-APS, BMA-APS, and the literature from the 2015 financial statements.

Source: Prepared by the authors from the survey data.

In the capital group, São Paulo and Manaus reported greater adherence by their notes to BAS-APS, BMA-APS, and the literature: 56% in both capitals. The notes of Porto Alegre and Belo Horizonte display similar levels: 47%. It is noted that only six states and capitals showed adherence levels to BAS-APS, BMA-APS, and the literature of over 50% from the 54 entities analyzed. Approximately 90% of Brazilian states and capitals fail to present their notes or present with significantly lower adherence to standards and research literature.

These results indicate a deficiency in the preparation and disclosure process of the notes in the Brazilian public sector. Mandatory standards are not seeing compliance, leaving the internal and external control bodies assessing the reasons behind this, and proposing ways to correct it. Less than 10% of Brazilian states and capital entities showed adherence levels to BAS-APS, BMA-APS, and the literature of greater than 50%. The states and state capitals either do not have notes or present notes that display a low grasp of the standards and the research literature. Importantly, mandatory standards are being unfulfilled, leaving internal and external control bodies to assess the reasons for this and propose ways to correct it.

From the results of the incipient adherence by the notes to the standards and literature, states, Distrito Federal, and its capitals became interested in contributing to solving this problem, which affects the exercise of social control by citizens, caused by statements being incomprehensible and a lack of transparency in public accounts. Thus, control bodies, such as the auditors' courts, may institute the present structure to its jurisdiction and adapt it to local information needs. When using the checklist for analyzing notes, different weights of the scale may be considered, or even using a new Likert scale, always in accordance with local interests. Finally, the proposed structure could lead to greater transparency of public accounts, as it seeks to improve, qualitatively, the accounting disclosure of public-sector entities while at the same time contributing to the enabling of social control.

Type of note structure

A focus group with eleven public sector accounting professionals was conducted on 05/12/2017 at the Fucape Business School in Rio de Janeiro. This methodology has contributed to the validation of this structure, upon the basic assumption used by professionals and internal and external control bodies. To prepare, the notes' structure was considered, including the visual presentation, formatting, standardization, and language used in the notes, which can improve the level of disclosure, enhance the understandability of the statements, and contribute to greater transparency of public accounts. Following the guidance from BAS-APS, BMA-APS, and the literature, the objectivity and relevance of the information provided were also considered, without sticking to the purely technical and fiscal character of many statements of the public sector, as suggested by Bogoni et al. (2010) and Benedict et al. (2011). Table 2 shows the proposed financial statement notes structure, considering the references to the explanatory notes in BAS-APS, BMA-APS, and the literature.

Table 2. Structure notes to fsn-aps

| Section i | |
|--|--|
| General information | |
| No. Note - In cross-reference with financial statements | Base rules or Literature |
| BAS-APS | List of entities included for consolidation: |
| BAS-APS | Legally responsible: |
| BAS-APS | Name and counter register and/or responsible staff: |
| BAS-APS | DATE: |
| BMA-APS | We declare that the financial statements, including accompanying notes, are present in accordance with the rules applicable to accounting and public finance, as well as the Brazilian Accounting Standards in the public sector and the accounting manual applied to the public sector. |
| BAS-APS | Significant accounting policies and criteria used in the preparation of FSN-APS: |
| BAS-APS | Characteristics of the entities included in the consolidation (summary): |
| BAS-APS | Nature and number of adjustments made in the consolidation: |
| BAS-APS | If applicable, describe the factors related to the entity that can influence opinions on the highlighted information (e.g., information on related parties and controlled entities or interests in other entities): |
| BAS-APS | If applicable, describe the reasons for that being exposed (for example, information about the accounting policies and measurement criteria, including the methods and the uncertainties about the measurement, where applicable): |
| BAS-APS | If applicable, describe the information about the main factors related to the performance and results of the entity providing the services during the year and on the assumptions that underpin the expectations of these factors that are likely to influence the future performance of the entity: |
| [...] | Bogoni et al. (2010); Benedicto et al. (2011); Hewaidy (2007) Free space for other information, including charts, tables, and illustrative figures - add more lines if necessary: |

Section ii

Information support and details of items

| | | Accounting Account reference, if applicable | Observations to be carried out |
|----------------------|---------|--|------------------------------------|
| Balance sheet | | | |
| | BAS-APS | Adjustments arising from omissions and errors of previous years and changes in accounting criteria, if any: | [...] Add more lines, if necessary |
| | BAS-APS | Present information about the nature of tribute to the major classes of tax revenue, which the entity cannot measure reliably during the period in which the taxable event occurs: | |
| | BAS-APS | Fixed assets obtained free of charge if any (describe criteria evaluation or measurement impossibility): | |
| | BAS-APS | If there is a transfer of assets, describe how it has been assigned in the constant accounting by the originator of the records: | |
| | BAS-APS | Intangible assets obtained free of charge if any (describe measurement criterion or measurement impossibility): | |
| | BAS-APS | The equity components were evaluated by the same criteria? If not, explain the reasons: | |

| | | |
|--|----------------|--|
| | <i>BMA-APS</i> | Describe adjustments arising from omissions and errors in previous years or accounting criteria changes: |
| | <i>BMA-APS</i> | Breakdown of amounts exposed in the statements to adjustments, depreciation, amortization, and depletion: <ul style="list-style-type: none"> • What are the criteria used to inform you if we used different rates depending on the goods' characteristics? • Which events and circumstances that led to the recognition of unserviceable goods in the event of losses? |
| | <i>BMA-APS</i> | Nature of the assets, existing quotas, and an estimate of its financial effect: |
| | <i>BMA-APS</i> | Disclose the relationship between provisions and contingent liabilities that arose from the same set of circumstances: |
| | <i>BMA-APS</i> | In the case of loss of the outstanding debt, disclose the methodology used and the calculation formula: |
| | <i>BAS-APS</i> | For each type/class of provision, provide: <ul style="list-style-type: none"> • The carrying amount at the beginning and end of the period; • Additional provisions made in the period, including increases to existing provisions; • Values used (i.e., incurred and written off against provision) during the period; • Unused values reversed during the period; • The increase in the value of the discounted period due to the passage of time and the effects of any change in the discount rate; • Brief description of the nature of the obligation and the expected time for any resulting outflow of economic benefits or potential services; • Indication of the uncertainties relating to the amount or term of these outputs; • Values of some repayment schedules, with the value of any asset that has been recognized in the reimbursement form. |
| | <i>BAS-APS</i> | Unless the possibility of any output to the settlement is remote, an entity shall disclose, for each type/class of contingent liability: <ul style="list-style-type: none"> • Brief description of the nature of the contingent liability and, where applicable, provide an estimate of its financial effect; • An indication of the uncertainty about the value or the output frequency; • The possibility of any reimbursement. |
| | <i>BAS-APS</i> | Regarding stocks, disclose: <ul style="list-style-type: none"> • the accounting policies adopted in measuring inventories, including evaluation criteria used; • the total amount recorded in inventories and the value reported in other specific accounts of the entity; • the number of inventories carried at fair value fewer costs to sell; • the number of inventories recognized as an expense during the period; • the amount of any reduction of inventories recognized as an expense in the income statement in accordance with paragraph 42; • the amount of any reversal of the reduction in the value of inventories recognized in the income statement in accordance with paragraph 42; • circumstances or events that led to the reversal of an inventory reduction, according to item 42; • carrying amount of inventories pledged as security for liabilities. |
| | <i>BAS-APS</i> | Present the availability of detailed books so that the resources related to agency, fund, or that might become compulsory expenditures are identified and booked individually: |
| | <i>BMA-APS</i> | In the case of entities that have registered pension plans (RPPs), present and contextualize the calculation formula of pension provision, including additional information in the occurrence of actuarial deficit contributions: |
| | <i>BAS-APS</i> | If applicable, submit: <ul style="list-style-type: none"> • The amount of recognized liabilities relating to transferred assets subject to conditions; • The amount of liabilities recognized in relation to subsidized loans, which are subject to conditions on transferred assets; • The amount of assets recognized that are subject to restrictions and the nature of such restrictions; • The existence and amounts of any advance receipts in relation to transactions without consideration; • The amount of any liabilities forgiven. |

| | | |
|-------|---|---|
| | <i>BAS-APS</i> | If applicable, submit: <ul style="list-style-type: none"> The nature and type of major classes of bequests, gifts, and donations, demonstrating, separately, major classes of goods-in-kind received. |
| | <i>BAS-APS</i> | If the inflow of economic benefits or potential services is probable, the entity shall disclose a brief description of the nature of the contingent assets at the date of the financial statements and, where applicable, offer an estimate of its financial effect: |
| | <i>BAS-APS</i> | In the case of external evaluation used to measure provisions, present information related to the evaluation: |
| | <i>BMA-APS</i> | In the case of impairment, present: <ul style="list-style-type: none"> The events and circumstances that led to the recognition or reversal of the impairment loss; The amount of the impairment loss recognized or the reversed depreciation; If the recoverable amount is net selling value or value in use; If the recoverable amount is net selling value (selling price less direct and incremental expenses required for sale), the basis used to determine net selling price (for example, if the value was determined by reference to an active market); If the recoverable amount is value in use, (S) rate (s) used discount (s) in the current estimate and previous estimate; For an individual asset, the nature of the asset. |
| [...] | Bogoni et al. (2010); Benedicto et al. (2011); Hewaigy (2007) | Free space for other information, including charts, tables, and illustrative figures - add more lines if necessary: |

| | | | Accounting Account reference, if applicable | Observations to be carried out |
|-----------------------|---|---|--|-----------------------------------|
| <i>Budget balance</i> | | | | |
| | Miranda et al. 2008 | Key differences between "Initial X Version allocation" and "X Budgeted Accomplished": | [...] | Add more lines if necessary |
| | Miranda et al. 2008 | Offer a brief description of the budget results achieved with the reasons for a deficit or surplus verified: | [...] | Add more lines if necessary |
| | <i>BMA-APS</i> | The methodology adopted for the budget record: | | |
| | <i>BMA-APS</i> | Breakdown of intra-budgetary revenues and expenses: | | |
| | <i>BMA-APS</i> | Details of expenditure implemented by a type of credit (initial, additional, special, and extraordinary): | | |
| | <i>BMA-APS</i> | The procedure adopted for the remainder to be paid: | | |
| | <i>BMA-APS</i> | Details of prior year funds used to finance current year expenditures, highlighting the links, the RPPs, including: | | |
| | <i>BMA-APS</i> | The surplus or budget deficit is due to the RPPs - if the entity has the Regime Own Social Security: | | |
| [...] | Bogoni et al. (2010); Benedicto et al. (2011); Hewaigy (2007) | Free space for other information, including charts, tables, and illustrative figures - add more lines if necessary: | | |

| | | | Accounting Account ref., if applicable | Observations to be carried out |
|----------------------|--------------------------|--|---|-----------------------------------|
| <i>Balance sheet</i> | | | | |
| | Paderneiras et al., 2013 | Show major differences in budgetary and extra-budgetary receipts and expenditures: | | |
| | Paderneiras et al., 2013 | Highlight the main differences from one year to the next between the realized and expenditure budget revenues executed by the allocation of resources: | | |

| | | | | |
|-------|---|---|--|--|
| | BMA-APS | Any adjustments related to the retention and other operations that significantly impact the financial statement: | | |
| | BMA-APS | The details of deductions of budget revenue by source/destination features: | | |
| | BMA-APS | Details of the financial balance by sources of funds: | | |
| | BMA-APS | Breakdown of amounts to be paid to subscribers in the year (processed and unprocessed): | | |
| [...] | Bogoni et al. (2010); Benedicto et al. (2011); Hewaidy (2007) | Free space for other information, including charts, tables, and illustrative figures - add more lines if necessary: | | |

| | | Accounting Account ref., If applicable | Observations to be carried out |
|---------------------------------------|---|---|--------------------------------------|
| <i>Statement of changes in equity</i> | | | |
| | BMA-APS | <ul style="list-style-type: none"> Accounting policies adopted for the recognition of revenue transactions without consideration: The basis on which the fair value of the ticket was measured, in the case of major classes of revenue from transactions without consideration: | |
| | BAS-APS | <ul style="list-style-type: none"> The accounting policies adopted for the recognition of revenue, including the methods adopted to determine the percentage of transaction execution stage involving the provision of services: The value of each significant category of revenue recognized in the period, including revenue arising from (i) provision of services; (ii) sale of goods; (iii) interest; (iv) image; and (v) dividends or similar distributions: The amount of revenue from exchanges of goods or services included in each significant category of revenue: | |
| | BAS-APS | Amount of transactions without consideration of revenue recognized during the period, the major classes showing separately: <ul style="list-style-type: none"> Tax (shown by tax class) Transfers (shown by transfer classes) | |
| | BAS-APS | Amount of recognized receivables to revenue without consideration: | |
| | BMA-APS | Most relevant items of accounts: | [...] Add more lines if necessary |
| [...] | Bogoni et al. (2010); Benedicto et al. (2011); Hewaidy (2007) | Free space for other information, including charts, tables, and illustrative figures - add more lines if necessary: | |

| | | Accounting Account reference, if applicable | Observations to be carried out |
|--------------------------------|---|--|--------------------------------|
| <i>Statement of cash flows</i> | | | |
| | BMA-APS | Describe the items that make up the most relevant cash flows: [...] | Add more lines if necessary |
| | BMA-APS | Describe cash equivalents and cash balances and any significant cash maintained that is not available for immediate use due to legal restrictions or exchange controls, for example: | |
| | BMA-APS | Describe the relevant information on investment transactions and financing not involving cash using: | |
| | BMA-APS | Describe the related adjustments to deductions, if any: [...] | Add more lines if necessary |
| [...] | Bogoni et al. (2010); Benedicto et al. (2011); Hewaidy (2007) | Free space for other information, including charts, tables, and illustrative figures - add more lines if necessary: | |

| | | Accounting Account ref., If applicable | Observations to be carried out |
|---|---|---|--------------------------------|
| <i>Statement of changes in shareholders' equity</i> | | | |
| | Nascimento, Botelho & Lima (2011) | Conduct a brief description of the main reasons for the exercise of equity income reached: | |
| [...] | Bogoni et al. (2010); Benedicto et al. (2011); Hewaidy (2007) | Free space for other information, including charts, tables, and illustrative figures - add more lines if necessary: | |

| | | Accounting Account reference, If applicable | Observations to be carried out |
|---------------------------|---|---|--------------------------------|
| <i>Statement of costs</i> | | | |
| | BAS-APS | Cost objects presented: | |
| | BAS-APS | Costing method used for calculating the costs to cost objects: | |
| | BAS-APS | Describe the main criteria for measurement and possible changes of criteria that may affect the analysis of comparability of information: | |
| [...] | Bogoni et al. (2010); Benedicto et al. (2011); Hewaidy (2007) | Free space for other information, including charts, tables, and illustrative figures - add more lines if necessary: | |

| <i>Section iii</i> | |
|--------------------------|---|
| <i>Other information</i> | |
| BAS-APS & BMA-APS | Describe the factors related to the entity that can influence opinions on the highlighted information: |
| | Describe aspects of the concession contracts signed: |
| | Describe the nature and the book value of the significant risks that may cause a material adjustment to the carrying amounts of assets and liabilities over the next 12 months: |
| | Are there events subsequent to the fiscal year's closing date that have a material effect on the financial statements? If so, describe them: |

Source: Prepared by the authors from BAS-APS, BMA-APS, and the literature

Final considerations

The compilation of demonstrations and public sector information can provide a convenient consolidated summary of governments' financial performance. However, due to the effects of accounting and the treatment of policies around recognizing assets, users may incorrectly interpret the disclosed information; for example, they may believe that an increase in the equity of a public entity reflects sound financial management. In reality, the public policies adopted did not meet the real needs of the community. In the context of this

scenario, the purpose of this study was to develop a structure of FSN-APS from BAS-APS, BMA-APS, and the literature, aimed at transparency in public accounts and the instrumentation of social control, differentiating them from those of private initiatives, focusing especially on demonstrating the equity variation and richness of the company. As mentioned, 56% of capitals and 30% of Brazilian states offered no notes on FSN-APS in their rendering of accounts, and even those that did were found to have disclosed incipient information with low adherence to standards and recommendations in the literature. It was further identified that notes were absent on several items that could improve public accounts' responsiveness. For example, the cross-reference between the pictures and items and the corresponding note was absent in most of the states and capitals' statements. In practice, there is a model for the structured presentation of the notes to the financial statements that cater to the literature, to BAS-APS, and to BMA-APS. The structure presented lends itself to full and free use by many entities, accountants, and public sector internal and external control bodies, such as the Audit Courts, contributing to higher responsiveness and transparency of published financial statements.

Among the research limitations, we can highlight the difficulty of obtaining information related to the Brazilian public sector. The websites of the courts of accounts were accessed, along with transparency portals, and related departments of government accounting, in an attempt to find notes to financial statements.

Financial information in the public sector is still difficult to find, even with the law (transparency and access to information) and technological tools that now exist. It is hoped that this work can be of use to create a minimum standardization model for notes in Brazil, promoting the qualification, transparency, and comprehensibility offered in the public bodies. Future research should investigate the social, economic, political, and cultural factors that may affect the presentation and disclosure level of the notes to FSN-APS. It is also suggested that the study of the usability of government websites focuses on the transparency of public accounts. Finally, this study is not an end in itself, nor does it exhaust the subject. Simply put, this research constitutes one step on the path to generating knowledge about the immense, challenging, and complex research into the development of social control.

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Conflict of Interests

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