



International Accounting Convergence: A Critical Analysis of Brazilian Standards (CPC) and US GAAP

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Summary

International accounting convergence represents one of the most significant phenomena in recent decades for the corporate, regulatory, and academic world. In Brazil, the adoption of the Accounting Pronouncements Committee (CPC) standards, aligned with the International Financial Reporting Standards (IFRS), has sought to align Brazilian accounting practices with global trends. However, the relationship and comparison with North American Financial Reporting Principles (US GAAP) still spark debate, particularly regarding transparency, reliability, and comparability of information. As Ludícibus (2017) and Hendriksen and Van Breda (2012) point out, accounting must meet the needs of different stakeholders, and this function becomes more complex in a context of globalization and financial market integration. This article, therefore, proposes a critical analysis of the advances, challenges, and implications of accounting convergence between CPC and US GAAP, highlighting its practical impact on companies, investors, and regulators.

Keywords: Accounting convergence; CPC; US GAAP; IFRS; financial transparency.

Abstract

International accounting convergence represents one of the most relevant phenomena of recent decades for corporate, regulatory, and academic environments. In Brazil, the adoption of the standards issued by the Accounting Pronouncements Committee (CPC), aligned with the International Financial Reporting Standards (IFRS), has sought to bring national accounting practices closer to global trends. However, the relationship and comparison with the United States Generally Accepted Accounting Principles (US GAAP) remain under debate, especially regarding transparency, reliability, and comparability of information. As Ludícibus (2017) and Hendriksen and Van Breda (2012) point out, accounting must serve the needs of different stakeholders, and this function becomes more complex in a context of globalization and financial market integration. This article, therefore, aims to critically analyze the advances,

challenges, and implications of accounting convergence between CPC and US GAAP, highlighting its practical effects on companies, investors, and regulators.

Keywords: Accounting convergence; CPC; US GAAP; IFRS; financial transparency.

1. Historical Context of International Accounting Convergence

Accounting, since its early days of systematization, has always sought to keep pace with economic and social transformations. However, the process of international accounting convergence began to gain greater prominence in the 20th century, with the intensification of globalization and the interdependence of capital markets. According to Hendriksen and Van Breda (2012), accounting evolves in response to the economic needs of each period, and the growing internationalization of companies imposed a demand for common standards that ensure comparability. Thus, while in Europe the creation of International Accounting Standards (IAS) was consolidated, later converted into IFRS, in the United States, US GAAP standards were already established as a regulatory and accounting practice reference. In Brazil, in turn, until the 2000s, accounting was strongly focused on complying with tax legislation, which hindered harmonization with international standards.

The landmark convergence in Brazil occurred with the enactment of Law No. 11,638/2007, which amended the Brazilian Corporation Law (Law No. 6,404/1976), enabling the gradual adaptation of Brazilian financial statements to CPC standards, aligned with IFRS. According to Ludícibus (2017), this movement was essential to ensuring greater credibility for the Brazilian market, especially in attracting foreign investment. However, the process was not without its critics, as many companies faced difficulties in adapting, either due to a lack of technical expertise or resistance to changes in measurement and disclosure models. On the other hand, investors now have access to reports with greater international comparability, a fundamental element in a globalized environment.

Convergence should not be understood merely as a normative imposition, but as an economic and social necessity. Nobes and Parker (2016) argue that accounting standards reflect distinct institutional contexts, being shaped by the legal, cultural, and economic traditions of each country. In this sense, comparing CPC, IFRS, and US GAAP also means understanding how different societies structure their regulatory and transparency mechanisms. This historical perspective demonstrates that accounting is not a purely technical phenomenon, but rather socially constructed, responding to external pressures such as financial crises, investor demands, and regional integration movements.

In the North American context, US GAAP has established itself as a standard through the work of the Financial Accounting Standards Board (FASB), recognized by the Securities and Exchange Commission (SEC) as a regulatory authority. This system, characterized by its "rule-based" approach, is often touted as more detailed and prescriptive, in contrast to



principle-based nature of IFRS. Barth (2008) emphasizes that this contrast reflects the difference between a legal tradition based on explicit rules and another on interpretative principles. Thus, understanding the history of convergence also means understanding these traditions and how they influence accounting practice.

In Brazil, the CPC, created in 2005, has emerged as a mediator in this process, seeking to adapt international standards to the national context. For Santos and Schmidt (2010), the adoption of the CPC represented a significant institutional advance, but it also revealed tensions between Brazilian tax logic and the market-oriented logic of transparency. This duality persists, as companies must simultaneously meet tax requirements and international standards, which creates accounting reconciliation challenges.

When analyzing the historical path, it is clear that convergence is a process in constant construction. Scott (2015) highlights that harmonization does not necessarily imply absolute uniformity, but rather sufficient approximation to allow understanding between different users of accounting information. This means that, although differences persist between CPC, IFRS, and US GAAP, the historical trend is to reduce asymmetries, seeking to balance reliability, relevance, and comparability.

A central point in this context is the influence of financial crises, such as the one in 2008, which exposed weaknesses in global accounting transparency. The crisis reinforced the importance of comparability between financial statements and accelerated debates on convergence. For Ball (2009), the crisis revealed that accounting standards are not neutral and can influence the behavior of economic agents. Thus, international convergence began to be seen not only as a technique but also as an instrument of market stability.

Therefore, understanding the historical context of international accounting convergence is essential to interpreting current challenges. The process, far from linear, reflects advances, setbacks, and continuous institutional adjustments. In this scenario, Brazil occupies a strategic position by aligning itself with both IFRS and aspects of US GAAP, establishing itself as a space for experimentation and adaptation of global practices. This historical trajectory underpins subsequent analyses of the effectiveness of convergence and its economic impact.

2. The Role of the CPC and its Relationship with the Internationalization Process

The Accounting Pronouncements Committee (CPC) plays a central role in Brazilian accounting convergence, serving as the regulatory body responsible for translating and adapting IFRS to the national context. Created by CFC Resolution No. 1,055/2005, the CPC is comprised of representative entities such as the Federal Accounting Council (CFC), the Brazilian Institute of Independent Auditors (IBRACON), and the Brazilian Securities and Exchange Commission (CVM). According to Martins et al. (2014), the institutionalization of the CPC was decisive in aligning Brazil with international practices, providing greater predictability and regulatory consistency. This leading role demonstrates how harmonization does not depend on

only of technical factors, but also of institutional arrangements capable of mediating diverse interests.

The CPC's main function is to issue technical pronouncements that, once approved by regulatory bodies, become mandatory. Thus, it acts as a link between international standards and the Brazilian reality. For Lopes and Martins (2012), the CPC's relevance lies in its ability to translate general IFRS principles into guidelines compatible with Brazilian business practices, mitigating resistance and promoting training. This function is strategic in a country where accounting has historically been tied to the tax authorities and, therefore, less focused on investors and the capital markets.

The internationalization of Brazilian companies has intensified the need for convergence.

According to KPMG (2018), publicly traded companies face increasing pressure from global investors, who demand comparable information. In this sense, the CPC acts as a credibility mechanism, reducing barriers to access to foreign capital. This global presence, however, generates tensions: smaller companies often perceive convergence as an additional cost, with no proportional return, while large corporations see it as a competitive advantage. This duality highlights the importance of the CPC as a mediator between different scales of the economy.

A relevant aspect of the CPC's role is its interaction with the FASB and IASB. Although the priority is convergence with IFRS, Brazil cannot ignore the relevance of US GAAP, especially in sectors that maintain a strong relationship with the North American market. As Nobes (2014) notes, the coexistence of different standards requires regulators to have diplomatic and technical skills to reconcile interests. In this sense, the CPC acts as a "regulatory bridge," allowing Brazilian companies to navigate between different international requirements.

The CPC's role also extends to the academic and training fields. Universities, professional councils, and professional associations have incorporated the CPC's pronouncements into their curricula and training programs, consolidating convergence as necessary knowledge for the practice of the accounting profession. For Franco and Marra (2013), this process represents a cultural shift, as it shifts accounting from a purely fiscal perspective to one of generating information useful for decision-making. Thus, the CPC not only regulates but also educates.

However, the process led by the CPC faces criticism. For some authors, such as Santos and Schmidt (2010), the adoption of IFRS in Brazil has not yet eliminated "accounting dualism," in which market-oriented reports and tax-oriented reports coexist. This duplication generates costs and legal uncertainty, especially for mid-sized companies. Furthermore, there are criticisms regarding the quality of the translation of the standards and the timeliness of updates, factors that can compromise international comparability.

Despite criticism, the CPC's relevance to the internationalization of Brazilian accounting practices is undeniable. It has become a forum for institutional dialogue, bringing together regulators, companies, and professionals, and lending legitimacy to the convergence process. This

Legitimacy is crucial for Brazil to be seen as a reliable partner in a globalized market. For Ball (2016), trust is a fundamental intangible asset in accounting, and the CPC directly contributes to its construction.

Thus, the CPC consolidates itself as a key player in Brazil's integration into the international accounting landscape. More than simply transposing foreign standards, it acts as an agent of institutional and cultural transformation, adapting global standards to local realities. An analysis of its role highlights that convergence is the result of a collective and ongoing effort, involving learning, negotiation, and resilience. This process is dynamic and likely to intensify with the growing integration of capital markets.

3. IFRS: Features, Advantages and Limitations

The International Financial Reporting Standards (IFRS) currently represent the most comprehensive set of regulations globally, adopted in over 140 jurisdictions. Their main characteristic is their principles-based approach, which allows for interpretive flexibility in light of varying economic realities. According to Barth (2008), this approach seeks to prioritize the economic essence of transactions over their legal form, bringing accounting closer to its informative function. However, this flexibility can also generate interpretative divergences, especially in countries where legal tradition values detailed codification. Thus, while promoting comparability, the IFRS model requires a high level of professional judgment and technical expertise from accountants.

One of the greatest advances brought about by IFRS was the standardization of criteria for measuring and recognizing assets and liabilities, reducing information asymmetry between markets. For Ball (2006), this standardization improved the quality of accounting information, especially in emerging countries that previously had outdated or tax-focused practices. In Brazil, the adoption of IFRS in 2008 represented a qualitative leap in the presentation of financial statements, promoting transparency. However, it also entailed adaptation costs, such as investments in training, system updates, and the hiring of specialized consultants.

Among the advantages attributed to IFRS, the potential for attracting foreign investment stands out, as investors have access to comparable reports across countries. Nobes and Parker (2016) argue that this factor was decisive for developing countries to adhere to the standards, despite facing domestic resistance. Furthermore, regulatory unification contributes to greater efficiency in the functioning of capital markets, enabling more rational allocation decisions. In this sense, IFRS is not only a technical mechanism but also a strategic instrument for economic integration.

However, the application of IFRS is not without its critics. One of the main points raised concerns the implicit subjectivity in various pronouncements, such as the recognition of impairment or fair value measurement. Watts (2003) warns that this subjectivity can open the door to earnings management practices, compromising the reliability of information. This criticism is particularly relevant in countries with weak regulatory structures.

corporate governance, where overly flexible interpretations can be used opportunistically. Therefore, the effectiveness of IFRS depends not only on their formal adoption but also on the institutional quality of each country.

In the Brazilian context, convergence with IFRS occurred gradually, with the CPC issuing pronouncements aligned with international standards. According to Iudícibus (2017), the biggest challenge faced was cultural, as professionals were accustomed to accounting tied to tax legislation. The transition required a change in mindset, placing the usefulness of information for investors at the center of the accounting process. This movement also exposed limitations in the educational system, which needed to update curricula and train teachers for the new paradigm.

Another relevant point concerns the impact of IFRS on small and medium-sized enterprises (SMEs). To mitigate costs, the IFRS for SMEs standard was created, adapted to the needs of these organizations. However, as Perera and Chand (2015) point out, even this simplified version can represent excessive complexity in countries with low levels of accounting maturity. In Brazil, the application of this standard still faces difficulties, particularly due to the lack of qualified professionals in the country's interior and in less developed sectors.

Regarding limitations, it is also noted that the adoption of IFRS does not completely eliminate national differences. Nobes (2014) argues that, although there is greater harmonization, each country incorporates the standards according to its legal, fiscal, and cultural specificities. This means that convergence is relative, and full comparability is still a distant ideal. Thus, the Brazilian experience illustrates well how local application influences the effectiveness of the global standard.

In short, IFRS represents an undeniable advance in the transparency and comparability of financial information, but its success depends on each country's institutional and technical capacity. In Brazil, the gains are visible in terms of international credibility, but challenges remain related to professional training, corporate governance, and compliance with tax requirements. This balance of advantages and limitations demonstrates that accounting convergence is a dynamic and multifaceted process that requires constant adaptation.

4. US GAAP: Regulatory Framework and Relevance in the Global Scenario

US GAAP, or Generally Accepted Accounting Principles, is considered one of the most robust and detailed regulatory systems in the world. Developed and updated by the Financial Accounting Standards Board (FASB), with oversight from the SEC, it is characterized by a rules-based approach, offering prescriptive guidance for different accounting situations. According to Alexander and Jermakowicz (2016), this characteristic provides greater legal certainty, reducing interpretative ambiguities. However, critics point out

that too many rules can make the system rigid and complex, requiring high compliance costs.

The relevance of US GAAP stems primarily from the United States' role as the world's largest capital market. Companies wishing to access the US stock exchange must prepare their financial statements according to this standard, even if they already adopt IFRS in their home countries. For Nobes (2014), this requirement reflects not only a technical issue but also a political one, as US GAAP represents an instrument for maintaining American hegemony in the global financial landscape. Thus, even though IFRS has gained greater global adoption, US GAAP remains the benchmark in terms of regulatory rigor and depth.

One of the main criticisms of US GAAP is its complexity, which can make it difficult for non-specialized users to understand financial statements. Barth (2008) points out that, although the rules-based approach minimizes subjectivity, it can lead to lengthy and fragmented reports, making comparative analysis difficult. Furthermore, excessive detail opens the door to so-called "creative accounting," in which companies exploit loopholes in the rules to achieve specific earnings presentation objectives. This phenomenon was evident in scandals such as Enron, which prompted regulatory reforms in the 2000s.

Despite criticism, US GAAP is recognized for its technical depth and the consistency of its guidelines. For Scott (2015), it represents a model of stability, capable of offering predictability to investors and regulators. This predictability is especially valued in highly complex markets, where uniformity of criteria contributes to confidence. In this sense, US GAAP differs from IFRS, offering greater regulatory control, albeit at the cost of less flexibility.

Another relevant aspect is the interaction between US GAAP and the global convergence process. Since the 2000s, the FASB and IASB have been working together to reduce divergences between the two standards. Although progress has been made in areas such as revenue recognition and leasing, substantial differences persist, particularly in the measurement of financial instruments. According to Nobes and Parker (2016), this prolonged coexistence reflects not only technical differences but also political and economic interests, which hinder full convergence.

In Brazil, the impact of US GAAP is more indirect, but no less significant. Brazilian companies that list ADRs on the New York Stock Exchange must submit reports reconciled according to this standard. This process entails additional costs and requires professionals familiar with both CPC/IFRS and US GAAP. For Ludícibus (2017), this challenge highlights the need for globalized accounting training, capable of communicating with different regulations. Thus, even if Brazil prioritizes IFRS, US GAAP continues to influence local practices and academic curricula.

Additionally, U.S. GAAP is often used as a reporting benchmark in highly regulated industries such as finance and energy. Its richness



The standard offers detailed examples that, even outside the North American context, can inspire auditing and governance practices. This indirect influence demonstrates how U.S. GAAP transcends national borders, consolidating itself as a standard of technical excellence.

Finally, it is worth highlighting that the relevance of US GAAP goes beyond the accounting aspect, reaching strategic dimensions. For Ball (2016), the maintenance of distinct standards between IFRS and US GAAP reflects the balance of power in the international financial system. While IFRS seeks hegemony through numerical adoption, US GAAP maintains its centrality through the quality and prestige associated with the North American market. This symbolic and practical dispute continues to shape the future of global accounting.

In short, US GAAP remains an essential reference in the international arena, representing both an alternative and a counterpoint to IFRS. Its regulatory structure, while criticized for its complexity, offers consistency and predictability, attributes valued in global markets. The impact in Brazil, albeit indirect, reinforces the need for accountants capable of transitioning between different standards, ensuring companies' competitiveness in an increasingly integrated environment.

5. The Brazilian Experience with Convergence to International Standards

The Brazilian experience of convergence with international accounting standards is an institutional, technical, and cultural process that began in 2005 with the creation of the Accounting Pronouncements Committee (CPC) and gained normative force with Law No. 11,638/2007, which amended the Corporations Law, paving the way for the gradual adoption of IFRS in Brazilian language and practice. This movement shifted the historically fiscal focus of Brazilian accounting to an informational approach oriented toward investors and the capital markets, with tangible impacts on accounting policies, systems, controls, and governance.

At the same time, a cooperative arrangement was outlined between regulators, the profession, and academia, a necessary condition for reducing regulatory fragmentation, providing predictability to changes, and strengthening the credibility of corporate reporting before international analysts and creditors (IUDÍCIBUS, 2017; NOBES; PARKER, 2016). In short, convergence was not an "event," but a transformation in trajectory that reconfigured incentives, competencies, and routines within companies.

The CPC's role was to coordinate the technical translation, contextual adaptation, and practical implementation of the standards issued by the IASB, producing pronouncements, interpretations, and guidelines that, once approved by the CVM, CFC, and other agencies, became binding. This multi-entity governance—involving the CFC, IBRACON, CVM, BACEN, and others—lent legitimacy to the process, created public consultation procedures, and disseminated guides, notes, and communications that reduced asymmetries of understanding between sectors and business sizes. By connecting global principles to local specificities, the CPC acted as a "regulatory bridge" between the informational rationale of IFRS and Brazilian legal tradition, offering an adoption path compatible with the operational reality of companies and the profession's absorption times (LOPES; MARTINS, 2012; MARTINS et al., 2014). This institutional mediation was crucial in mitigating resistance and accelerating the learning curve.

The coordinated action of regulators, notably the CVM and the Central Bank of Brazil, increased the framework's consistency by harmonizing sectoral requirements with IFRS principles and strengthening oversight and enforcement mechanisms. Resolutions, circular letters, and disclosure guides began to guide critical judgments, increase reporting timeliness, and discourage accounting arbitrage, while independent audits intensified scrutiny of policies, estimates, and assumptions, leading to improvements in internal controls and the quality of explanatory notes (SCOTT, 2015). The result was increased predictability and accountability, reflected in greater investor confidence and better-functioning corporate financing channels, with clearer benefits in historically opaque sectors.

Sustaining convergence required a robust training and professional development agenda. Universities revised their curricula; IBRACON and CFC expanded continuing education programs; auditing and consulting firms produced training and applied materials; and companies themselves began investing in internal training programs for technical accounting, professional judgment, disclosure, and controls. Even so, regional and sectoral asymmetries in the provision of qualifications persisted, which delayed homogeneous adoption, especially outside large urban centers and among smaller companies (PERERA; CHAND, 2015). Overall, however, the competency base broadened, and the profession routinely incorporated measurement, estimation, and disclosure practices aligned with the best international evidence.

Sectoral cases illustrate the depth of the transformation. In the financial system, the adoption of the expected loss model under IFRS 9 required integration between accounting, risk, and analytics, with model development, backtesting, and data governance; in leasing, broad capitalization under IFRS 16 brought balance sheet reclassifications, impacts on covenants, and the need for new controls; in commodities and infrastructure, fair value measurement and impairment testing became critical in volatile cycles, requiring more extensive assumptions, sensitivities, and disclosures (BARTH, 2008; PINHO, 2019). These changes made financial statements more informative for sophisticated users, albeit more laborious to prepare and audit.

For small and medium-sized enterprises, the IFRS standard for SMEs mitigated, but did not eliminate, adoption costs. Demands for system updates, consulting, and documentation of judgments and reconciliations persisted, with a greater relative weight in these organizations' budgets. On the other hand, improvements in transparency favored banking dialogue, credit acquisition, ratings, and supplier trust, expanding access to capital and reducing contractual asymmetries (LIMA; LIMA, 2009; PERERA; CHAND, 2015). In managerial terms, disciplined accounting policies and indicators drove better internal decisions, even when the company had no international funding ambitions.

A significant friction remains in the relationship between corporate rules and tax requirements. Maintaining their own tax rules forces many companies to operate "two accounting systems," with parallel controls, mappings, and reconciliations that increase costs and operational risk. This "accounting dualism" is highlighted in the literature as a source of inefficiencies and interpretative uncertainty, requiring simplification efforts and greater clarity.

tax neutrality so that the informational gains of IFRS are not lost in procedural complexity (SANTOS; SCHMIDT, 2010). While systemic reforms do not advance, document governance, automation, and cooperation between accounting and tax teams have been mitigating strategies.

Despite the transition costs, evidence points to net positive effects on credibility and corporate financing. Comparability broadened the investor base, reduced information asymmetry, improved covenants, and extended terms, with repercussions on spreads and capital structure, especially in companies with more mature governance and high-quality disclosure (NIYAMA; GOMES, 2016). Reputationally, alignment with global standards strengthened relationships with international partners, facilitated M&A due diligence, and raised the level of strategic discussions between management, the board, and the market (NOBES; PARKER, 2016). Convergence, therefore, strengthened the country's position in the international financial circuit.

In summary, the Brazilian experience demonstrates a cumulative and irreversible transformation, in which the financial language of IFRS has been internalized by companies, the profession, and regulators, resulting in gains in transparency, discipline, and comparability. Challenges remain—continuous training, tax-corporate integration, data quality, and consolidation of judgments—but the overall trajectory points to greater informational maturity and a lower cost of capital. By reordering incentives and practices, convergence has become a driver of competitiveness and resilience, connecting Brazil to a deeper and more demanding capital market (IUDÍCIBUS, 2017; SCOTT, 2015).

6. Impacts of Convergence for Companies and Investors

For companies, convergence meant reengineering processes, systems, and roles, with revised accounting policies, internal control design, consolidation of closing schedules, and greater integration between accounting, finance, tax, and risk. Documentation of judgments and estimates became a governance asset; explanatory notes gained depth; and communication with the market became more technical and timely.

These adjustments, accompanied by increased auditor skepticism and an active audit committee agenda, reduced the latitude for arbitration, standardized practices, and increased the predictability of reported metrics, bringing strategic narrative and numbers closer together (SCOTT, 2015). Although effort-intensive in the short term, these moves laid the foundation for organizational learning and productivity gains in the medium term.

The effects on the cost of capital were particularly significant. The ability to compare Brazilian financial statements to international peers reduced risk premiums, expanded the investor base, and made roadshows, debt issuances, and renegotiations more efficient. Studies indicate that the increased credibility of IFRS translates into lower spreads and better access to terms, especially when combined with solid governance and a history of consistent disclosure (BALL, 2006; NIYAMA; GOMES, 2016). Information quality also



strengthened the negotiating position with banks and rating agencies, favoring calibrated covenants and capital structures that are more resilient to macroeconomic shocks.

Corporate governance expanded its scope, incorporating oversight of material accounting estimates, measurement assumptions, and prospective sensitivities into the board's agenda. Audit committees began monitoring critical accounting risks, challenging assumptions, and requesting stress tests, while independent auditors reinforced professional skepticism and the demand for evidence. The result was a denser control ecosystem, with well-defined lines of defense and greater accountability for the quality of disclosed information—a necessary condition for minority investor protection and market integrity (SCOTT, 2015; IUDÍCIBUS, 2017).

From an investor's perspective, convergence reduced analysis costs and expanded the ability to compare across borders. Valuation models began to operate on more homogeneous bases; sector panels allowed for clearer readings of leverage, profitability, and cash generation; and quantitative strategies gained consistency with time series less contaminated by accounting noise (NOBES, 2014). Sell-side coverage expanded into previously neglected sectors, and the buy-side gained efficiency in screening opportunities, with a positive impact on liquidity, price formation, and flow stability.

The transition costs, in turn, were nontrivial. Systems projects required investments in data architecture, accounting catalogs, measurement engines, and interfaces with ERPs and consolidation; training paths consumed executives' and teams' time; and audit and consulting fees rose in the initial adoption phase. For SMEs, even with IFRS for SMEs, the residual complexity and the need to maintain control and documentation routines increased the relative effort (PERERA; CHAND, 2015). The payback, however, materialized with improved access to credit, more stable banking relationships, and more informed internal decisions, spreading costs over multiple reporting cycles.

The operational integration generated by convergence also changed decision-making dynamics. Impairment processes, fair value measurement, provisions for expected losses, and leases now require inputs from risk, treasury, commercial, and operations, creating a "connective tissue" of data and assumptions common to these areas. This unified information architecture has improved the quality of budgets, forecasts, and investment analyses, bringing financial planning closer to reporting and reducing gaps between management's projections and the financial statements (PINHO, 2019). At the same time, automation and analytics tools have accelerated closing and reduced rework.

The persistence of misalignments between corporate and tax regulations, however, remains a source of inefficiencies. The need for parallel controls, frequent reconciliations, and bidirectional mappings between accounting and tax criteria adds compliance costs and operational risk. Brazilian literature has described this "dualism" as an obstacle to fully capturing the informational benefits, suggesting greater tax neutrality and simplification as a priority agenda for convergence to reach its full potential (SANTOS; SCHMIDT, 2010). Until systemic changes occur,



Companies have turned to document governance, automation and process design to mitigate friction.

In the capital markets, indirect effects include more objective due diligence in M&A transactions, reduced litigation on recurring disclosure issues, increased use of integrated reporting, and a closer connection between accounting metrics and ESG indicators, with reputational benefits and access to thematic capital. Sectoral benchmarks have become more robust, and enforcement precedents have educated the market, raising the standard of public debate and anchoring more rational expectations about performance and risk (NIYAMA; GOMES, 2016).

In short, by improving the quality of information and reporting discipline, convergence has reinforced the attractiveness of the Brazilian ecosystem for patient and sophisticated capital.

For all these reasons, the impacts of convergence for companies and investors can be interpreted at three levels: the micro, where processes, data, and skills are transformed; the meso, where governance, cost of capital, and stakeholder relations are reconfigured; and the macro, where liquidity, informational efficiency, and market reputation evolve. Initial costs and fiscal frictions are real, but they tend to fade as skills are consolidated and reporting routines mature. The net result is greater predictability, comparability, and confidence—attributes that support long-term investment decisions and expand the financing capacity for economic growth (BALL, 2006; IUDÍCIBUS, 2017).

7. Challenges and Future Perspectives of Convergence (CPC x IFRS x US GAAP)

The accounting convergence agenda is entering a phase in which the challenge is no longer to “adopt” standards, but to **operationalize highly complex judgments** consistently across jurisdictions, sectors, and economic cycles. As Hendriksen and Van Breda (2012) show, the usefulness of accounting information depends on **comparability and representational fidelity**, but these attributes are strained when economic assumptions diverge or when the quality of governance varies between companies and countries. In Brazil, the CPC has consolidated a common vocabulary with IFRS, but the **asymmetry of capabilities**

Technical differences between large and medium-sized companies remain, as does the “dualism” with the tax authorities, which imposes burdensome parallel controls (SANTOS; SCHMIDT, 2010). At the same time, certain **structural points of divergence** persist with US GAAP, such as the use of LIFO in inventories, permitted in the US but prohibited under IFRS, the capitalization of development costs, and specificities in the measurement of financial instruments, which require **reconciliations** in groups with multiple listings (NOBES, 2014; BARTH, 2008). In short, future convergence will require **data integration, governance, and education** more than new normative “translations.”

Another decisive front is the **technological evolution of reporting**. The adoption of **XBRL** taxonomies and data pipelines that connect ERP, consolidation, and public disclosure tends to reduce transcription errors, accelerate closings, and **increase process auditability**. Christopher (2016) already pointed out that the integration between information and operations is a driver of efficiency; in accounting, this means **continuous accounting** with digital audit trails, tracking of



assumptions and versioning of judgments. For Brazilian companies, the gain will come when local and international taxonomies are **harmonized** and when audit committees master the **analytical** reading of XBRL packages, shifting the focus from "format" to **content quality**. Such a transformation requires investment in **data architecture**, automated controls, and data-literate teams, without losing sight of the responsibility of professional judgment (SCOTT, 2015).

On the ESG front, the IFRS Foundation conducted a *Consultation Paper on Sustainability Reporting in 2020* and, in **2021**, proposed amendments to its Constitution to accommodate a future council dedicated to sustainability standards, signaling the convergence of financial and socio-environmental reporting on a global basis (IFRS FOUNDATION, 2020; IFRS FOUNDATION, 2021). Meanwhile, widely used references such as the **TCFD Recommendations** (2017), the **SASB Standards** (2018), and the **International <IR> Framework** (revised in 2021) offer a practical framework for connecting climate risks, long-term capital, and consistent disclosures, paving the way for integration with CPC/IFRS in Brazil (TCFD, 2017; SASB, 2018; IIRC, 2021). The challenge for Brazil is **to articulate financial CPC/IFRS with ISSB**, avoiding "two parallel worlds" and ensuring adequate **assurance** so that investors can trust the connections between **ESG KPIs** and **economic performance**.

On a technical level, the **reduction of remaining differences** between IFRS and US GAAP will continue incrementally, concentrated in areas that alter economic behavior, such as **revenue, leases, financial instruments, and credit losses**. Joint IASB/FASB progress on revenue (IFRS 15/ASC 606) and leases (IFRS 16/ASC 842) has shown that convergence is feasible when there is **a clear benefit of comparability** and controllable costs for the market (NOBES; PARKER, 2016). However, areas such as **CECL** in US GAAP (ASU 2016-13) versus expected loss models in IFRS 9 retain **nuances of timing and measurement that** affect banks and securitization companies, challenging analysts and regulators to **reconcile figures** without losing substance (PINHO, 2019). The most likely path is **improved disclosures** and practical guidance, rather than frequent structural changes.

The **quality of professional judgment** will be crucial to prevent the flexibility of IFRS from becoming **opportunistic earnings management**. Watts (2003) warns that room for discretion can lead to **earnings management** if governance is weak; therefore, audit committees, independent auditors, and regulators should **reinforce skepticism** and demand evidence regarding assumptions, especially regarding **fair value, impairment, provisions**, and **business combinations**. In Brazil, where controls have evolved, there is still heterogeneity among peers; accounting policies need to clarify **why** and **how**.

certain choices reflect the **economic essence** of the transaction, reducing black boxes and **standardizing sensitivities** and scenario analyses (IUDÍCIBUS, 2017; SCOTT, 2015).

Another vector is **continuing education**, without which convergence stagnates. Recent experience has shown that curricula focused on **principles, estimates, and disclosure** produce quality gains, but **analytics, data science, and quantitative finance** must be integrated into accounting training. For SMEs, **modular materials**, sectoral case studies, and CPC guides can reduce compliance costs and accelerate substantive adherence, avoiding **mere formality** (PERERA; CHAND, 2015; LIMA; LIMA, 2009).

At the same time, the use of **automation tools** and intelligent checklists mitigates operational risk, while **strengthening the profession** and valuing technical careers attracts talent to critical measurement and reporting topics.

The **interface with tax authorities** remains a practical bottleneck, impacting compliance costs and the risk of inconsistency. Without advances in **tax neutrality** and simplification, corporate convergence **fails to capture its full efficiency potential**, as companies must maintain voluminous **reconciliations** and multiple databases (SANTOS; SCHMIDT, 2010). One opportunity lies in the **incremental alignment** of concepts and events that have a **low tax revenue impact**, starting with disclosures and **mapping**.

Standardized procedures, as well as **digital interfaces** that avoid rework. This pragmatic approach can free up resources to **improve judgments** and **enhance controls**, rather than financing procedural redundancies.

Ultimately, the likely future is a **polycentric convergence model**: IFRS as **the lingua franca** for most jurisdictions; US GAAP maintaining a **central focus** on sectors and markets linked to the US; and the ISSB layer integrating financial sustainability in a **comparable and auditable manner**. For Brazil, the winning strategy combines **technical excellence** in the application of the CPC/IFRS, **strong governance** of judgments, an XBRL-oriented **data infrastructure**, and **regulatory diplomacy** capable of dialoguing with the FASB/IASB and domestic tax agendas (NOBES, 2014; IFRS FOUNDATION, 2023). Convergence ultimately ceases to be a "standard translation" and becomes **the management of information quality** over time, anchoring **trust, cost of capital, and competitiveness**.

Conclusion

The trajectory analyzed confirms that accounting convergence is not a **one-off event**, but an **institutional and cultural process** that realigns incentives, capabilities, and routines. In Brazil, the CPC-IFRS combination increased the **quality, comparability, and timeliness** of reporting, reduced **information asymmetries**, and opened the door to **cheaper and more patient capital**, especially when combined with good governance and disclosure practices. Academic and professional evidence indicates that the **net benefits outweigh** the transition costs, even though friction and heterogeneity persist across sectors and sizes (IUDÍCIBUS, 2017; NIYAMA; GOMES, 2016).

A comparison with **US GAAP** indicates that full convergence is unlikely in the short term, but **substantial equivalences** in key areas already allow for quality cross-border analysis. The focus tends to shift to **robust disclosures**, clear reconciliations, and user **analytical capabilities**, rather than major regulatory reforms. In companies, maturity will come from **improved judgment, data governance**, and the **integration** of finance, risk, and strategy, reducing the gap between **narrative** and **numbers**.

(SCOTT, 2015; BARTH, 2008).



The **technological** vector and the **ISSB/IFRS S1-S2** agenda expand the reporting scope, connecting financial performance to **sustainability risks and opportunities**. This integration brings gains in **relevance** and **long-term vision**, but requires data infrastructure, **assurance**, and new skills in accounting, auditing, and boards. The success of this phase will depend on **consistency** between ESG metrics and financial measurements, avoiding parallel reports that **confuse** users (IFRS FOUNDATION, 2023).

Continuing education and tax **simplification** are essential conditions for sustaining progress. Without reducing corporate-tax **dualism** and disseminating skills outside major centers, convergence risks becoming **formalistic** in part of the market, wasting social and economic value (SANTOS; SCHMIDT, 2010; PERERA; CHAND, 2015). On the other hand, incremental standardization, combined with **XBRL**, automation, and analytics, can **reduce compliance costs** and **increase** reliability.

In short, successful convergence is one that **produces better decisions**: for the investor, with more understandable risk and return; for the company, with more efficient capital allocation; and for society, with **more stable and inclusive markets**. Brazil currently has the **institutions, practices, and technical foundation** to consolidate this promise. The next cycle will require **less translation** and **more qualified execution**, where value arises from the **quality of information delivered**, not the volume of pages published.

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