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COMBINED ACCOUNTING STATEMENTS OF FEDERAL PUBLIC FINANCIAL INSTITUTIONS: AN SUITABLE AND TRANSPARENT PERFORMANCE INFORMATION OF PUBLIC BANKING SECTOR

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Abstract

The objective of this study is to analyze the accounting and financial information presented by the Federal Public Financial Institutions (IFPFs) and to present the potential of adopting the combined disclosure of the statements, in order to provide adequate and transparent information about the Federal Government's work and performance in the banking sector. In addition, information on business segments and on transactions between related parties disclosed by public banks is also analyzed. Among the expected benefits, the dissemination of combined information will make it possible to: (1) provide public managers with more appropriate information for making strategic planning and control decisions on government action in the financial sector; (2) expand interaction and integration, as well as assist in improving the corporate governance of IFPFs; and (3) increase the transparency of accounting and financial information, allowing society, in general, to better evaluate the overall results achieved by the federal government's banking activities.

Key words: Accounting. Financial Institution. Combination of Balance Sheets.

Disclaimer: This is a free translation of the original monograph written in Portuguese.

1. Introduction

The role of the Brazilian State as an economic agent in the financial sector is old and has grown significantly in recent decades. The debate on the importance and strategic guidelines of federal and state public financial institutions among all segments of society in general, and in particular between academics and professionals directly involved with the subject, has always been intense.

Currently, at the federal level, there are five large public institutions developing specific functions that are very important for the development and strengthening of the national economy. Figure 1 shows these five institutions and shows the participation of the Federal Government in the voting capital of each one.

Figure 1 - Federal Public Financial Institutions controlled by the Federal Government
Source: Prepared by the authors.
Note: The percentage indicated represents the participation of the Federal Government in the voting capital of the company.

Table 1 presents basic information about the year of creation, the mission and the main public funds used as a source of legal resources by each of the IFPFs. It is possible to note that all IFPFs have administrative autonomy and legal personality, with two banks being set up as public companies and three as mixed capital companies. All of them are subordinate to the Ministry of Economy and subject to supervision and technical standards issued by the Secretariat for Coordination and Governance of State Enterprises (SEST) and the standards issued by the Interministerial Commission for Corporate Governance and Administration of Corporate Participation of the Union (CGPAR).

	Banco do Brasil - BB
Creation	October 12, 1808 - The License granted by Dom João VI underwent successive changes until, on December 30, 1905, it was renamed was renamed Banco do Brasil by Decree No. 1,455.
Type	Mixed Economy Society

Mission	Banco do Brasil's mission is to be a market bank, competitive and profitable, acting with a public spirit in each of its actions with society.
Manager	Constitutional Financing Fund of the Midwest (FCO).
	Caixa Econômica Federal - CEF
Creation	January 12, 1861 - Decree No. 2,723 - “Caixa Econômica da Corte”. In 1986, it incorporated the National Housing Bank (BNH).
Type	Public Company (Decree-Law No. 759/1969)
Mission	Promote the sustainable development of Brazil, generating value for customers and society as a public financial institution and agent of State policies.
Manager	Operator agent of the Severance Pay Fund (FGTS), main financial agent of the Salary Variation Compensation Fund (FCVS), the Social Integration Program (PIS), the Social Development Fund (FDS), the Lease Fund Residential (FAR), among others.
	Bank of the Amazon - BASA
Creation	July 9, 1942 - Decree-Law No. 4,451 - creates the Rubber Credit Bank. Law No. 1,184, of August 30, transformed it into Banco de Crédito da Amazônia SA, and Law No. 5,122, of September 28, 1966 changed the name to Banco da Amazônia.
Type	Mixed Economy Society (Law nº 5.122, of 28/09/1966)
Mission	Develop a Sustainable Amazon with credit and effective solutions.
Manager	It operates and manages the Northern Constitutional Financing Fund (FNO), the Amazon Investment Fund (FINAM) and is the operating agent of the Amazon Development Fund (FDA).
	National Bank for Economic and Social Development - BNDES
Creation	June 20, 1952 - Law No. 1,628 - “National Bank for Economic Development BNDE” - created as a federal autarchy.
Type	Public Company (Law nº 5.662, of 21/06/1971)
Mission	Enable solutions that add investments for the sustainable development of the Brazilian nation.
Manager	Worker Support Fund (FAT), PIS / PASEP Participation Fund, Merchant Marine Fund (FMM) and the Guarantee Fund for the Promotion of Competitiveness (FGPC).
	Banco do Nordeste do Brasil - BNB
Creation	July 19, 1952 - Federal Law No. 1,649.
Type	Mixed Economy Society.
Mission	Act as the development bank for the Northeast Region.
Manager	Administrator of the Constitutional Financing Fund of the Northeast (FNE), operator of the National Program for Strengthening Family Agriculture (Pronaf), and operating agent of the Northeast Investment Fund (FINOR) and the Northeast Development Fund (FDNE).

Table 1 - General aspects of IFPFs
Source: Prepared by the authors.

Grades:
(1) Information extracted from the banks' websites on July 20, 2020. Sites (a) bb.com.br, (b) Caixa.gov.br, (c) bancoamazonia.com.br, (d) bndes.gov.br, and (e) bnb.gov.br.
(2) Article 19 of Law No. 4,595, of December 31, 1964, describes the duties of Banco do Brasil.
(3) IFPFs also invest in Special Deposits from the Worker Support Fund - FAT. (4) BNDES and plays the role of administrator, manager, or operating agent of the following funds: PIS / PASEP Participation Fund, Social Participation Fund (FPS), Merchant Marine Fund (FMM), National Fund on Climate Change (FNMC), Amazon Fund (FA), Audiovisual Sectoral Fund (FSA), Land Fund (FT), Fund for Technological Development of Telecommunications (Funttel), Fund for Regional Development with Privatization Resources (FRD), Guarantee Fund for the Promotion of Competitiveness (FGPC), Export Guarantee Fund (FGE), Investment Guarantee Fund (FGI), Special Deposits Worker Support Fund (FAT-DE) and National Privatization Fund (FND).

Araújo and Cintra (2011, p. 13) classify the activities of federal public banks into four broad categories: “i) fostering economic development, offering credits to sectors and modalities in which private banks have no interests, given the greater risks and the lowest profitability - popular housing, rural, urban infrastructure, exports, etc. - and / or longer maturation periods and higher volumes - technological innovation, energy, transport and telecommunications matrix, etc .; ii) stimulating regional development, for similar reasons; iii) expansion of liquidity in a moment of reversal of the state of confidence, featuring countercyclical action; and iv) promoting banking inclusion. ”

Table 2 presents general information on the numbers of subsidiaries and affiliates, branches and employees of IFPFs.

Dice	BB	CEF	BASA	BNDES	BNB
Headquarters	Brasilia DF	Brasilia DF	Belém - PA	Rio de Janeiro - RJ	Fortaleza - CE
Number of employees	93,190	84 952 (March 2019)	2,965	2,643	6,802
Subsidiaries	23 directly controlled and several indirectly controlled.	Three subsidiaries Caixapar, Caixa Loterias and Caixa Seguridade, a wholly owned subsidiary Caixa Cartão Holding S / A, and more than 10 investee companies.	AT	Two subsidiaries (Bndespar and Finame)	AT
Number of Branches	4,356 branches.	4.1 thousand branches and service stations, 8.2 thousand correspondents, 13 thousand lottery units, 8 truck units and 2 boat branches, a representative office in the USA.	120 branches and 2 Advanced Service Points.	Headquarters and 3 offices (Brasília, São Paulo and Recife).	292 branches, 977 service points and 685 urban and rural microcredit units and posts.
Listed actions	BBAS3 and BDORY (ADR)	AT	AT	AT	BNBR3

Table 2 - General data of IFPFs (Base date: 12/31/2019)

Source: Prepared by the authors.

Grades:

(1) Information extracted from the annual reports or from the banks' websites on July 20, 2020. Sites (a) bb.com.br, (b) Caixa.gov.br, (c) bancoamazonia.com.br, (d) bndes.gov.br, and (e) bnb.gov.br.

(2) BNB shared the service network with Caixa Econômica Federal, expanding Banco do Nordeste's service capacity by 5,000 self-service points in the Northeast.

(3) In accordance with Law No. 5.122 / 66 (article 8), BASA must have a Technical Advisory Council, in addition to the General Assembly and the Fiscal Council, in which it must have a representative of the National Bank for Economic Development.

(4) The Banco do Brasil S / A group comprises of the following subsidiaries: (a) Banking Segment (Banco do Brasil AG, BB Leasing SA - Leasing Mercantil, BB Securities Asia Pte. Ltd., Banco do Brasil Securities LLC. , BB Securities Ltd., BB USA Holding Company, Inc., BB Cayman Islands Holding, Banco do Brasil Americas, and Banco Patagonia SA), (b) Investment Segment (BB Banco de Investimento S / A), (c) Management Segment (BB Gestão de Recursos - Distribuidora de Titulos e Valores Mobiliários S / A, and Besc Distribuidora de Titulos e Valores Mobiliários SA), (d) Insurance, Pension Plan and Capitalization Segment (BB Seguridade Participações SA, BB Corretora de Seguros e Administradora de Bens SA, and BB Seguros Participações SA), (e) Means of Payment Segment (BB Administradora de Cartão de Crédito SAand BB Elo Cartão Participações S / A), and (f) Other Segments (Ativos SA Securitizadora de Creditos Financeiros, Ativos SA Collection and Credit Recovery Management, BB Administradora de Consórcios SA, BB Tur Viagens e Turismo Ltda., BB Asset Management Ireland Limited, BB Tecnologia e Serviços).

(5) N / A - Not applicable.

In Table 2, it is possible to observe that IFPFs do not have homogeneous characteristics. Banco da Amazônia and Banco do Nordeste do Brasil have a small number of branches, all of which are located in their respective geographic regions. The BNDES, on the other hand, albeit large, is a bank that does not have operational branches, carrying out the contracting of direct operations of great value at its headquarters and uses accredited financial institutions to carry out indirect operations of lesser value. In addition, it deals significantly in operations related to the capital market.

Banco do Brasil and Caixa Econômica Federal have a significant number of branches and service stations spread across the country, and operate in several segments of the financial market.

Banco do Brasil stands out for the number of companies controlled, directly and indirectly, in the country and abroad, and for the fact that its shares are traded on the stock exchange (B3) and are, theoretically, part of the Ibovespa index with 2, 78% participation (base May-August / 2020).

According to Vigotto (2002), on November 30, 1993, the Management Coordination Committee of Federal Public Financial Institutions (COMIF) was created[1]with the attribution of deliberating on the execution of the economic-financial, administrative and market policies common to the IFPFs, making them compatible with the government's general plans and programs. In this context, this committee should have the function of formulating and radiating public policies, while the presidents of the IFPFs' boards of directors should transmit to the respective boards the policies and actions established by COMIF. However, Vigotto (2002) states that later, due to political factors, COMIF lost its importance in relation to the deliberative instances of federal banks. According to him, the articulation of the IFPFs and the coordination of their operational and administrative policies was maintained at COMIF,

In summary, the IFPFs' performance has undergone strong changes, where the centralized management model that was under construction has been replaced by the decentralized model previously used.

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[1]COMIF is a committee linked to the Ministry of Finance, created by the Decree of November 30, 1993, which has the task of deliberating on the execution of the administrative and market economic and financial policies common to IFPFs, in order to make plans and programs compatible. general government. The Committee is made up of executive secretaries from the ministries of finance, planning and development, and the respective chairmen of the boards of directors and chairmen of the respective banks. It is noteworthy that Decrees No. 7,482, dated 05/16/2011, and 9,003, dated 03/13/2017, maintained the referred committee in its organizational structures, although its performance did not apparently generate new actions with a relevant impact to be highlighted in the media in the last decade.

In 2000, a study was carried out by the company Booz Allen & Hamilton do Brasil to provide technical services aiming at conducting studies to model the performance of the Federal Public Financial Institutions (IFPF)[2].

The initiative originated in a COMIF meeting, held on February 8, 1999, where it was proposed to resume studies aimed at articulating the actions of federal public banks in order to "propose measures to rationalize and make activities more compatible". IFPFs, as well as monthly meetings were set up to monitor the ongoing restructuring process[3]. As explained in Interministerial Ordinance 403, of 12/17/2002, after several questions, COMIF decided, in a meeting of 11/13/2002, for the unilateral termination of said contract.

It is noteworthy that before the termination of the contract, the Federal Government approved the Program for Strengthening Federal Banks in 2001[4], in order to resolve "the serious situation of equity imbalance of these institutions [of which it was a controlling shareholder], including non-compliance with the minimum capital and equity limits required by the regulatory authority"[5]and institute "the same discipline that private banks were subject to". This program was aimed at:

> "The maintenance of the current design of federal banks, but optimized with the capitalization of these institutions, the sanitation of their assets and the introduction or improvement of the rules of corporate governance, pricing, segregation of functions and credit risk assessment".
> **Source:** Item 6 of Interministerial Ordinance No. 403, of 12/17/2002.

Currently, the Secretariat for Coordination and Governance of State-owned Companies (SEST) publishes a "State-owned Companies Bulletin" quarterly with information on budget, indebtedness, market value, assets, equity, results, dividends, personnel, etc. The information, publicly disclosed on the website of the Ministry of Economics (https://www.gov.br/economia/pt-br/centrais-de-conteudo/publicacoes/boletins), is a collection of data that presents this information for

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[2]The study was contracted by BNDES at the request of the Management Coordination Committee of Federal Public Financial Institutions (COMIF). The result of the Competition in MIF / CN-01/99 was published in the union's official daily on 10/8/1999, with the winning consortium formed by Booz Allen & Hamilton do Brasil Consultores Ltda., As leader, Booz Allen & Hamilton Inc. and the Economic Research Institute Foundation - FIPE). The hiring was carried out on 11/26/1999 under the terms of Interministerial Ordinance 73, of 12/04/1999.

[3]COMIF Official Note, dated February 8, 1999, with the title "Comif discusses the future of federal financial institutions". Available at <www.fazenda.gov.br/notícias/1999/r990208>.

[4] See Provisional Measures No. 2,155, of 6/22/2001 and 2,196-3, of 8/24/2001.

[5] Item 6 of Interministerial Ordinance No. 403 of 12/17/2002.

each one of the companies individually[6], reinforcing the idea that they operate in a decentralized and individualized way.

Notwithstanding the efforts made to ensure centralized coordination of the operations of the IFPFs, there is still a lack of consolidation of the operational, accounting and financial information of these institutions in order to have a holistic view of the performance and results of these IFPFs.

1.1 Objectives

This study has three objectives. The first is to present a tentative version of the combined financial statements for the Federal Public Financial Institutions (IFPFs). The second objective is to analyze the information on business segments disclosed in the individual financial statements. And the third objective is to analyze the transactions between related parties disclosed by these banks.

Considering that there are still no accounting standards that determine how to prepare and disclose combined financial statements for public organizations, and that international accounting standards only address the preparation and disclosure of consolidated financial statements, this study will apply the standards provided for in CPC Technical Pronouncement 44 to prepare the combined financial statements for all IFPFs, as they are all subordinate to the Ministry of Economy.

With regard to segment reports, it must be considered that they are not usually prepared for public organizations, not because they are irrelevant, but because they are not provided for in the accounting standards for the public sector. Therefore, this study will use the accounting standards of CPC 22 designed for private companies to analyze the operations of IFPFs in the different segments in which they operate.

The orderly disclosure of transactions with related parties in the case of private companies has the purpose of reducing the chances that the controlling shareholders will carry out transactions that violate the rules in force in the country, harming society and that expropriate the results that would be due to minority shareholders. These

[6] It is worth remembering that, in 2007, the Federal Government instituted the Interministerial Commission for Corporate Governance and the Administration of Corporate Participation of the Union (CGPAR), through Decree No. 6.021, of January 22, 2007, with the purpose of dealing with of matters related to corporate governance in federal state-owned companies and the administration of Brazilian equity interests.

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problems certainly do not apply to IFPFs. However, in the case of IFPFs, especially in the recent past, society was interested in knowing and discussing the movement of resources between these institutions and the purposes for which it was made. It can therefore be assumed that the regular and orderly disclosure of these transactions complies with the constitutional determinations of publicizing all the facts relevant to the economy and the society of Brazil.

1.2 Contributions

The first contribution of this study is to show that, at least for the set of IFPFs, in the absence of specific accounting standards for the public sector, the rules provided for private companies can be applied to prepare combined statements, segment reports and disclosure. transactions between related parties.

The second contribution, perhaps the most important, is to offer, tentatively, to public managers and citizens, regardless of ideological preferences they have and / or the interests they defend, a combined view of IFPFs' assets and operations, results, what these institutions are getting in the main segments that characterize their operations, and how the government uses its power of control to move resources between these institutions to achieve economic and social objectives. In this sense, it can be argued that this study is not intended to provide answers. Its purpose is, rather, to suggest questions and stimulate debates among everyone who is interested in the country's progress and development.

2. General aspects of the application of accounting standards by financial institutions in Brazil

In Brazil, financial institutions are required to prepare the financial statements in accordance with the rules established by the National Monetary Council and the Central Bank of Brazil - BACEN (Law No. 4,595 / 1964). More specifically, the financial statements are prepared according to the procedures defined in the Accounting Plan of the Institutions of the National Financial System, also known as the COSIF Plan (Circular BCB No. 1,273 / 1987). This information is used for monitoring and inspection of banks by BACEN, and also serves as a reference for determining the minimum capital limits adopted in prudential regulation.

In addition, as of 2010, large financial institutions also began to publish consolidated financial statements in accordance with international accounting standards (IFRS), in accordance with the accounting standard defined by the International Accounting Standard Board (IASB), as defined in BACEN Circular Letter No. 14,259, of March 10, 2006 and in other regulations (CMN Resolution No. 3,786 / 09, Circular BACEN No. 3,472 / 09, Circular Letter BACEN No. 3,435 / 10 and CMN Resolutions No. 4,776 / 2009, 3,853 / 10 and 3,786 / 2020).

In Brazil, the international accounting standards of the IASB are translated and give rise to Technical Pronouncements issued by the Accounting Procedures Committee (CPC). Since the issuance of Law 11,638 / 2007, these regulations have been endorsed by several regulatory bodies and by the Federal Accounting Council (CFC).

It should be noted that BACEN did not comply with most of the rules issued by the CPC. Among the few exceptions, we highlight Technical Pronouncements CPC 05 (R1) - Disclosure about Related Parties and CPC 24 - Subsequent Event that were approved by BACEN Resolutions 3,750 / 09 and 3,973 / 11, respectively. In summary, only a few CPC accounting standards have been incorporated into the COSIF plan.

In this context, banks that have securities traded on the stock exchange are required to prepare their financial statements according to the standards issued by BACEN and according to the standards issued by CPC / IASB, which were endorsed by CVM, thus producing two sets of statements different accounting methods that can be used by users and regulatory bodies.

It does not seem idle to remember that federal public banks are not required to apply international accounting standards for the public sector issued by the International Public Sector Accounting Standards Board (IPSASB), a body linked to the IFAC (International Federation of Accountants). These standards, also known as IPSAS (International Public Sector Accounting Standards), are being issued by the CFC, with the designation of Brazilian Accounting Standards Applied to the Public Sector (NBCASP), to be applied to public entities in general.

3. Theoretical framework

3.1 Disclosure of consolidated and combined financial statements

This section aims to define and differentiate the consolidated and combined financial statements, as well as to present the main aspects of the accounting standard that requires the disclosure of consolidated and combined information that is currently in force in Brazil. In addition, this section discusses the importance of disclosing this type of information to users of accounting information.

3.1.1 Definition of consolidated and combined financial statements

As defined in CPC 36, consolidated statements are the financial statements of a group of entities that constitute an economic group, presented as if they were those of a single economic entity.

International accounting standards, which were incorporated in Brazil by the CPC, require companies that have investments in controlled companies to disclose only the consolidated statements. In turn, the individual statements should only be publicly disclosed when the entity does not have investments in controlled companies[7]. However, Article 249 of Law No. 6,404 - Brazilian Corporate Law, of December 15, 1976, requires entities to disclose the consolidated financial statements together with the individual ones, as indicated below.

> Consolidated Statements
>
> Article 249. A publicly-held company that has more than 30% (thirty percent) of the value of its shareholders' equity represented by investments in controlled companies must prepare and disclose, together with its financial statements, consolidated statements under the terms of article 250.
>
> Single paragraph. The Securities and Exchange Commission may issue rules on companies whose statements are to be included in the consolidation, and:
>
> a) determine the inclusion of companies that, although not controlled, are financially or administratively dependent on the company;
>
> b) authorize, in special cases, the exclusion of one or more controlled companies.

[7] In the individual financial statements, investments in subsidiaries, associates and joint ventures[7]are accounted for using the equity method. Technical Pronouncement CPC 18 (R2) Investment in Associated, Subsidiary and Joint Ventures, which is a translation of IAS 28 - Investments in Associates and Joint Ventures issued by the IASB, establishes the accounting method and defines the requirements for the application of the equity method when accounting for investments in associates, subsidiaries and joint ventures.

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Source: Law No. 6,404 / 1976. (emphasis added)

On this matter, the CPC clarifies through the interpretation ICPC 09 (R2)[8]that this requirement is related to the fact that several calculations with corporate effects, such as the determination of minimum mandatory and total dividends, are carried out based on the individual financial statements. However, the Committee also clarifies that the legal text does not require disclosure in columns side by side, and may be one financial statement after another (Items 4 and 5 of ICPC 09 R2).

As defined in CPC 44 (item 2), “combined statements represent a single set of financial statements for entities that are under common control”. They are prepared with the objective of presenting the accounting information as if the several entities under common control were just a single entity. (items 3 to 4 of CPC 44) In this case, the controlling entity is not a legal entity that prepares financial reports, as is the case with a specific investor or a group of investors.

It is essential to clarify that CPC 44 is a Brazilian accounting standard that has no equivalence, nor similarity, with international accounting standards. In addition, the presentation of the combined statements does not exempt the disclosure of individual and / or consolidated financial statements to regulatory bodies and / or to the public, as required by the respective applicable legislation (Item 14 of CPC 44).

It should be noted, as appropriate, that financial institutions also prepare individualized and consolidated standardized financial statements. They are required to disclose consolidated statements of financial conglomerates (BACEN Circular No. 1,273 / 1987) and prudential conglomerates (BACEN Resolution No. 4,280 / 2013) that are used for monitoring carried out by BACEN[9].

[8]ICPC 09 (R2) deals with “Individual Financial Statements, Separate Statements, Consolidated Statements and Application of the Equity Method”, of September 26, 2014. In the Public Hearing Report, of October 27, 2014 (page 2), the Committees explains that “it has, as far as possible, avoided issuing accounting normative acts that do not correspond to international standards. However, in the specific case of ICPC 09, this was considered a special need given the particularity provided for in our corporate legislation for the preparation of individual financial statements and their consequences in the Brazilian accounting scenario”.

[9] Until the year 2015, there was the figure of the Economic-Financial Conglomerate (CONEF), which established the consolidation of the financial statements, including the interests in companies of any branch of activity (Item 1.32.1.1 of Cosif, 2,723 / 2000, art. 3rd, I / IV; and Res. 2,743 / 2000, art. 1 st. The preparation and sending of this document was exempted with the edition of Resolution No. 4,403, of March 26, 2015. CONEF was excluded from COSIF through Circular No. 3,753, of April 1, 2015.

On June 13, 2014, the Institute of Independent Auditors of Brazil (IBRACON) issued IBRACON Technical Communication No. 04/2014 in which it explained that the "new consolidated financial statements of the" Prudential Conglomerate "have a specific purpose of meeting a new requirement the National Monetary Council (CMN) and the Central Bank of Brazil (BACEN) and which are not to be confused with the consolidated financial statements for general purposes, which are the subject of other CMN and BACEN regulations.

Thus, it can be understood that financial institutions are required to prepare up to four types of consolidated financial statements, namely: (a) Prudential Conglomerate, (b) Financial Conglomerate, (c) Consolidated for general purposes - according to COSIF rules, and (d) IFRS Consolidated.

3.1.2 Brazilian accounting standards

This section provides basic information on Technical Pronouncement CPC 36 (R3) - Consolidated Statements and Technical Pronouncement CPC 44 - Combined Statements

<u>a) Technical Pronouncement CPC 36 (R3) - Consolidated Statements:</u>

CPC 36, issued on November 6, 2009 by CPC, and updated on December 7, 2012, was prepared based on IFRS 10 - Consolidated Financial Statements issued by IASB[10]. It establishes principles and procedures for the presentation and preparation of consolidated statements by an entity that controls one or more entities.

CPC 36 specifies the circumstances in which a company should consolidate the financial statements of a controlled entity and the supplementary information that must be evidenced to allow users of the financial statements to assess the nature of the relationship between the entity and its subsidiaries. This pronouncement aims to

[10] It is worth noting that in December 2006, the BACEN's Financial System Standards and Organization Directorate made a diagnosis of the convergence with international accounting standards and concluded that COSIF standards were "partially divergent" from IAS 27. Among the differences, we highlight if three aspects (page 9): (a) The national standard includes companies that operate in the market under the same brand or trade name as subject to operational consolidation, while this situation has not been mentioned by the IASB; (b) COSIF does not address issues related to minority shareholders, while the IASB establishes some specific rules; and (c)In CONEF, the standard required the existence of equity interest to carry out the consolidation of the financial statements, while the IASB standard emphasizes effective operational and financial control, regardless of whether or not there is equity interest.

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"increase the relevance, reliability and comparability of the information that the parent company provides in its consolidated financial statements with the entities under its control" (CPC 36).

Control is characterized when the investing entity has the following attributes: (Items 6 and 7 of CPC 36)

(a) power over the investee: when it has existing rights that give it the current ability to direct the relevant activities, that is, activities that significantly affect the investee's returns; and

(b) exposure to, or rights to, variable returns arising from your involvement with the investee.

It must be considered that the determination of the existence of control demands the exercise of professional judgment, as explained below:

> "One entity controls another when it has the power to govern the financial and operational policies of the other in order to benefit from its activities. There may be situations in which the parent company does not hold the majority of the shares, quotas or other equity instruments with voting rights, but that it holds, directly or through other subsidiaries, partner rights that permanently assure its preponderance in social deliberations and the power to elect the majority of managers. "
>
> **Source:** Item 2 of the Summary of CPC 36 (R3).

It should also be noted that the parent company must consolidate all its investments in subsidiaries, regardless of whether they operate in different economic sectors.[11][12].

[11]In this pronouncement, the Committee highlights that in cases where the controlling entity is an investment entity, it should not present consolidated financial statements if it is required to measure all its subsidiaries at fair value through profit or loss. (CPC 36 item 4b)

[12]It is worth noting that CPC Technical Pronouncement 45 - Disclosure of Interests in Other Entities, issued on December 7, 2012 by CPC, aims to require the entity to disclose information that allows users of its financial statements to assess: (a) the nature of its holdings in other entities and the risks associated with such holdings; and (b) the effects of these holdings on its financial position, financial performance and cash flows. (item 1 of CPC 45) CPC 45 must be applied by an entity that has a stake in (a) subsidiaries; (b) joint business; (c) affiliates; and (d) unconsolidated structured entities. Participation in another entity refers to contractual and non-contractual involvement that exposes the entity to the variability in returns arising from the performance of the other entity. Participation in another entity includes holding equity or debt instruments, as well as other forms of involvement, such as, for example, providing resources as a source of financing, supporting liquidity, improving credit and guarantees. (CPC 45, p.12)

In operational terms, the consolidation technique of the financial statements includes the following procedures (Item B86 of CPC 36):

> “(A) combine similar items of assets, liabilities, shareholders' equity, income, expenses and cash flows of the parent company with those of its subsidiaries;
> (b) offset (eliminate) the carrying amount of the parent company's investment in each subsidiary and the parent company's share in the equity of each subsidiary (Technical Pronouncement CPC 15 explains how to account for any corresponding goodwill);
> (c) fully eliminate assets and liabilities, equity, income, expenses and intra-group cash flows related to transactions between group entities (results from intra-group transactions that are recognized in assets, such as inventories and fixed assets, are eliminated in full) . ”

In addition, CPC 36 (items 19 and B87) requires that an economic group (parent and subsidiaries) must use uniform accounting practices to record and present its transactions and other events in similar circumstances or adjust any differences before consolidation.

In the event of non-controlling interests, the controlling entity "must present the non-controlling interests in the consolidated balance sheet, within shareholders 'equity, separately from the shareholders' equity of the parent company". (Item 22 of CPC 36)

b) Technical Pronouncement CPC 44 - Combined Statements:

CPC 44 was issued on December 2, 2011 by the CPC. As indicated by the CPC itself, the preparation of Combined Statements is not subject to the international accounting standards issued by the IASB. However, generic references are made about this type of statement in certain standards issued by the IASB (CPC 44 Approval Term).

The objective of CPC 44 is to establish criteria for the preparation and presentation of combined financial statements, in addition to indicating the circumstances in which such statements would be applicable. It indicates that the combined financial statements "represent a single set of financial statements for entities that are under common control"[13][14]. (CPC 44 Item 2)

The Committee clarifies that combined financial statements "are prepared for the purpose of presenting the accounting information as if the various entities under common control are just a single entity" and that these "can provide important information about a group of entities under common control" (items 3 and 4 of CPC 44). In item 13, the Committee also clarifies that "the presentation of the combined statements has a more representative meaning than the presentation of the individual financial statements of each entity".

Unlike the consolidated financial statements, which include information about the controlling entity and its subsidiaries, and the entities in which the parent assumes most of the risks and benefits, in the combined financial statements the controlling entity is not a legal entity that prepares financial reports, as this is the case for a specific investor or group of investors.

It should be noted that the presentation of the combined statements does not replace the need for disclosure of individual and / or consolidated financial statements to regulatory bodies and / or to the public, as required by the respective applicable legislation (Item 14 of CPC 44).

In the preparation of the combined statements, the same concepts, techniques and procedures used when preparing the consolidated financial statements should be used, and the company's management must exercise its judgment in determining the entities under common control to be combined, as well as the purpose of these. combined financial statements. (items 3 and 4 of CPC 44).

The CPC establishes that the combined statements must include all the financial statements required by CPC 26 - Presentation of the Financial Statements, in a comparative way; they are: balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and

[13] The Committee establishes that “common control exists between different entities when the controller (individual (s) or legal entity (ies)), directly or indirectly, has the power over the investee ..., is exposed to, or holds rights over, variable returns arising from its involvement with the investee ... and has the ability to use its power over the investee to affect the value of its returns... ”.

[14] According to item 18 of CPC 44, “in line with Technical Pronouncement CPC 19 - Joint Arrangements, they should also be included, with the recognition of interests in assets, liabilities, income and expenses, in the combined statements, the statements of operations jointly controlled by the group of entities under common control”.

statement of added value (when applicable), accompanied by explanatory notes. (item 11 of CPC 44)

The explanatory notes should include information similar to that required when preparing consolidated financial statements and also other additional information. (item 12 of CPC 44) Notably, information on entities under common control of the group that have not been used in the preparation of the combined statements and clarify the respective reasons should also be disclosed.

Finally, the combined financial statements cannot be confused with pro forma financial information, as provided for in OCPC 06 - Presentation of Pro Forma Financial Information[15]. (Item 6 of CPC 44)

3.1.3 Consolidated statements in the public sector

The disclosure of consolidated financial statements by private companies is complete and perfectly institutionalized. Its mandatory nature and the manner in which these statements must be prepared are set out in North American accounting standards and international accounting standards. However, this practice has not yet been adopted in a systemic and significant way in the public sector.

Cîrstea (2014) states that the consolidation of balance sheets in the public sector is not yet a globally accepted practice, but points out that some local regulatory bodies are supporting such an initiative. To this end, it mentions that the International Public Sector Accounting Standards Board (IPSASB) is seeking to maintain an alignment with the accounting standards issued by the IASB. Accordingly, the IPSASB issued the IPSAS 6 (“Consolidated Financial Statements and Accounting for Controlled Entities”) standard, which requires that all controlling entities prepare consolidated financial statements.

Cîrstea (2014, p. 1292) argues that the consolidation of financial statements in the public sector can provide a general picture of the financial and economic position of public institutions at the local, regional and central levels. In addition, he adds that

[15]OCPC 06, issued by CPC on December 2, 2011, presents a formal guidance for the compilation, preparation and formatting of pro forma financial information that can be used, for example, in the case of corporate restructuring, acquisitions, sales, mergers or spin-offs of business. It should be noted that these statements must contain a clear indication that they are of a pro forma nature, as well as the justification regarding the purpose of their disclosure.

the importance of this practice is related to the need for the public sector to adopt a new accounting system, which is even capable of presenting a more comprehensive and accurate view of the public sector as a single entity. Thus, Cîrstea (2014, p. 1293) concludes that consolidated accounting reports have been seen as the most important accounting technique of accounting reform applied in the public sector.

Grossi & Pepe (2009) argue that the public sector accounting system in several countries has been altered to meet the increased demand for financial information and that consolidated financial reports contribute to the analysis of decisions and the rendering of accounts by public managers. According to these authors, there are still some problems in the use of consolidated statements in the public sector related to the comparison of different levels of government and in the definition of consolidation limits. (Grossi & Pepe, 2009, p. 251)

In addition, analyzing the similarities and differences between the standards on consolidated statements of six countries (Sweden, England, United States, Canada, New Zealand and Australia), these authors concluded that there are two conflicting trends. The first trend, common mainly in Anglo-Saxon countries, is the convergence of accounting standards to private sector approaches. The second trend, present only in some countries, is characterized by an influential role of the government that determines the accounting standards that are applied in the public sector. (Grossi & Pepe, 2009, p. 255).

In summary, this section shows that, although the disclosure of consolidated financial statements is incorporated into the practices of private companies worldwide, it has not yet been adopted regularly by public organizations. However, it must be considered that some public organizations are already disclosing punctually consolidated statements on the assumption that the benefits earned by users of these statements in the private sector apply equally to users of these statements in the public sector. In part of these initiatives, the standards used for the preparation and dissemination of the statements have been the standards issued to private companies by regulatory agents.

3.2 Disclosure of information by Business Segment

This section presents the main aspects of Technical Pronouncement CPC 22, which governs the preparation and dissemination of reports by segment; points out the importance of disclosing these reports together with the consolidated financial statements; and ends by commenting on the results of some research.

3.2.1 Brazilian accounting standard

Technical Pronouncement CPC 22, issued on June 26, 2009 by CPC, was prepared based on the international accounting standard IFRS 8 - Operating Segments, issued by the IASB. This standard requires that the disclosure of information that allows users of financial statements to assess the nature and financial effects of the business activities in which the company is involved and the economic environments in which it operates.

This CPC applies to the entity's separate, individual or consolidated financial statements, prepared annually. In case the company discloses the individual and consolidated statements together, the information by segment must be that related to the consolidated statements.

According to the Committee, an operating segment is a component of the entity: (item 5 of CPC 22)

> “(A) which carries out business activities from which it may earn income and incur expenses (including income and expenses related to transactions with other components of the same entity);
> (b) whose operating results are regularly reviewed by the entity's main operations manager to make decisions on resources to be allocated to the segment and to assess its performance; and
> (c) for which individual financial information is available. ”

Note that this standard emphasizes the disclosure of operating results that are regularly reviewed by the entity's main operations manager for making decisions about resources to be allocated to the segment and for assessing its performance.

On the other hand, the company's management must consider whether the segments have similar economic characteristics in relation to each of the following aspects: “(a) nature of the products or services; (b) nature of the production processes;

(c) type or category of customers for your products and services; (d) methods used to distribute your products or provide the services; and (e) if applicable, the nature of the regulatory environment, for example, banks, insurance or utilities”. (CPC Item 12 22)

CPC 22 (item 13) establishes that the entity must separately disclose information about the operating segment that meets any of the following minimum parameters:

“(A) its recognized revenue, including both sales to external customers and sales or inter-segment transfers, is equal to or greater than 10% of the combined revenue, internal and external, of all operating segments;

(b) the amount in absolute terms of the profit or loss found is equal to or greater than 10% of the highest, in absolute terms, of the following amounts: (i) combined profit for all operating segments that did not present losses; and (ii) the combined loss of all operating segments that presented losses;

(c) its assets are equal to or greater than 10% of the combined assets of all operating segments.”

In addition, the external revenues of the disclosed operating segments must represent at least 75% of the entity's revenues.

On the other hand, the Committee also recommends avoiding that the information by segment is overly detailed and suggests that if the number of reportable segments, as required, exceeds 10, the entity should assess whether the practical limit has already been reached. (Item 19 of CPC 22)

According to this pronouncement, the entity must disclose the following information: (Items 21 and 22)

- types of products and services from which each marketable segment earns its revenues.
- information on the recognized profit or loss of the segments, including the specific revenues and expenses that make up the profit or loss of these segments, the respective assets, liabilities and measurement bases.

- reconciliation of the total revenues of the segments, the respective profit or loss, their assets and liabilities and other material items with the corresponding amounts of the entity.

In addition, the entity must disclose the following information about each segment if the specified amounts are included in the profit or loss amount of the segment reviewed by the main manager of the operations, or is regularly presented to it, even if not included in the profit or loss amount. segment: “(a) revenues from external customers; (b) income from transactions with other operating segments of the same entity; (c) financial income; (d) financial expenses; and (e) depreciation and amortization; (f) material items of income and expense; (g) share of the entity in the profits or losses of associates and joint ventures accounted for in accordance with the equity method; (h) expense or income with income tax and social contribution; and (i) non-cash items considered material, except depreciation and amortization ”. (item 23 of CPC 22)

The entity must also provide reconciliations of the following elements: (a) the total revenue from the disclosable segments with the entity's revenues; (b) the total of the profit or loss amounts of the disclosable segments with the entity's profit or loss before income tax and social contribution expenses (revenues) and discontinued operations; (c) the total assets of the disclosable segments with the assets of the entity; (d) the total of the liabilities of the disclosable segments with the liabilities of the entity; (e) the total of the amounts of any other material items of the information evidenced from the disclosable segments with the corresponding amounts of the entity. (item 28 of CPC 22)

In addition, the entity must provide the following geographic information on (a) revenues from external customers (i) attributed to the entity's host country; and (ii) attributed to all foreign countries from which the entity obtains revenues. (b) non-current assets (i) located in the entity's headquarters country; and (ii) located in all foreign countries in which the entity has assets. (CPC Item 33) Geographic information must also be made available by country or group of countries in relation to revenues and assets. If the information by geographic region within Brazil is relevant, and if this information is used managerially, the same disclosure rules must be observed.

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Finally, the entity must provide information about its degree of dependence on its main customers. If the revenues from transactions with a single external customer (or group of entities under common control) represent 10% or more of the entity's total revenues, the entity must disclose that fact, as well as the total amount of revenues from each of these customers and the identity of the segment or segments in which the revenues are disclosed. The entity is not obliged to disclose the identity of a major customer or the disclosed amount of revenue from that customer in each segment. (Item 34 of CPC 22)

3.2.2 North American and international standards

In the United States, in December 1976, the FASB issued SFAS 14 ("Statement of Financial Accounting Standards No. 14 - Financial Reporting for Segments of a Business Enterprise") which began to require publicly traded companies to publish information by segment due to the emergence of large corporations, including a high degree of internationalization of their activities. In June 1997, the FASB replaced SFAS 14 with the issuance of a new statement on the subject (SFAS 131 - Disclosures about Segments of an Enterprise and Related Information).

The FASB highlighted that the main objective of this requirement was to assist information users in the analysis and understanding of companies' financial statements and to allow a better assessment of past performance and the projection of future performance of these companies. (SFAS 94 Item 5)

The FASB presented the following statement at the time:

> "The Board recognizes that the aggregation of assets and liabilities resulting from operations with activities that differ in profitability, risks and returns can obscure important information about each of these activities. However, the Board also believes that the disclosures required by FASB Statement No. 14, Financial Reporting for Segments of a Commercial Company, can provide significant information about the different operations within a company. Consolidated financial statements and adequate disclosure of varied activities are not mutually exclusive. "[16]

[16]Original text: "The Board recognizes that aggregation of assets and liabilities resulting from operations with activities that differ from each other in profitability, risks, and returns can obscure important information about each of those activities. However, the Board also believes that disclosures required under FASB Statement No. 14, Financial Reporting for Segments of a Business Enterprise, can provide

Source: Free translation of the original text of Item 55 of Appendix B of the “Basis For Conclusions” of FAS 94, p. 1 available at www.sec.gov. (emphasis added)

Accordingly, companies were required to disclose aggregated information in the consolidated financial statements and disaggregated information about the various business segments operated in the notes.

Notably, the consolidated accounting information allows an assessment of the performance of the company as a whole by the users, however the complementary information segregated by segment can also provide useful information about the activities and geographic segments explored by a company. This information, reorganized in another way, may enable the analysis of indicators and trends, types and intensities of risks, profitability and growth opportunities that can increase the predictive power of the consolidated financial statements disclosed.

Naturally, the comparison of information by autonomous segments between different companies depends on a detailed disclosure of accounting information at an appropriate level, so that they can even be compared with companies that operate in only one segment.

Before the issuance of SFAS 14, there were several initiatives to regulate the theme. In 1967, the AICPA's Accounting Principles Board recommended that companies voluntarily disclose information by segment (“Statement of The Accounting Principles Board (APB) of September 1967 - Disclosure of Supplemental Financial Information By Diversified Companies”). In 1969, the US Securities and Exchange Commission (SEC) issued a standard requiring disclosure of line of business information by publicly traded companies at the time of initial registration, and in 1970, these requirements were extended for archived annual reports (“Form 10-K”). In 1973, the New York Stock Exchange also started to demand the disclosure of this information. (SFAS 14 Item 45)

It is important to note that the SEC eliminated the requirement to publish additional information on the separate financial statements of consolidated

meaningful information about the different operations within a business enterprise. Consolidated financial statements and adequate disclosure of varied activities are not mutually exclusive. ”

subsidiaries.[17] very influenced by the existence of FAS 14. (Item 56 of Appendix B of SFAS 94 “Basis For Conclusions”)[18]

Thus, the US accounting regulation body started demanding the disclosure of disaggregated information as an opportunity for companies to explore new ways of providing additional useful information for investors and creditors to better understand and evaluate effects of different risks and returns from different activities.

At the international level, the standard on disclosure of information by segments was issued in August 1997 (International Accounting Standard - IAS 14 - Segment Reporting). On November 30, 2006, IAS 14 was replaced by IFRS 8 - Operating Segments, which started to be applied on January 1, 2009.

The issuance of IFRS 8, in September 2002, was the result of an IASB project conducted in conjunction with the FASB to reduce the differences between its standards. This convergence project used the North American standard (SFAS 131) as a reference, which defines the business components according to the way that the company's top management uses to make its decisions on operational issues ("management approach"). Until then, IAS 14 (which was equivalent to SFAS 14 issued by the FASB) required the breakdown of financial statements into segments based on related products and services and geographic areas. For the IASB, these requirements did not correspond to the way the information was used internally (Items BC2 and BC4 of the Basis of Conclusions of IFRS 8)

The use of the new approach practiced by the USA (SFAS 131) was considered more appropriate because it presents more useful information by improving the user's ability to predict management decisions that can significantly affect the entity's future cash flow prospects. In practical terms, the expected benefits resulting from the change in approach were as follows: (a) entities will report segments that correspond to internal management reports; (b) entities will report information by segment that will be more consistent with other parts of their annual reports; (c) some entities will report more segments; (d) entities will report more information by segment in the interim financial

[17] See the “Accounting Series Release No. 302, Separate Financial Statements Required by Regulation SX” standard.

[18]Note that ARB No 43 required certain disclosures related to a company's foreign operations, APB Opinion no 18 required disclosure of information on companies accounted for using the equity method and APB Opinion no 30 required information on the discontinued operations of a company. business segment.

reports; and (e) the new standard would reduce the cost of providing disaggregated information for many entities, because it uses segment information generated for management use. (Items BC5 and BC9 of the Basis of Conclusions of IFRS 8)

Although some IASB participants raised concerns about the loss of comparability with the adoption of the new approach, as documented in the Basis of Conclusions of IFRS 8 (item 93), it was approved for overcoming any existing disadvantages[19]. In addition, there was also a concern that the new standard would increase the volume of information disclosed too much was exaggerated.

The IASB also reported (items 44 and 45 of the Basis of Conclusions of IFRS 8) that, according to a survey carried out with the Association for Investment Management and Research (Association for Investment Management and Research - AIMR), in the 90s, data were collected evidence that data by business segment is essential and indispensable to the investment analysis process, as analysts need to know and understand how the various components of a multifaceted company behave economically. For without this information, it is not possible to predict the values, terms or general risks of future cash flows for a complete company.

The international standard (IFRS 8) included some differences in relation to the standard used in the USA (SFAS 131), with emphasis on (items 27 and 60 of the Basis of Conclusions of IFRS 8):

(a) IFRS 8 requires the disclosure of liabilities by segment, if this measure is regularly provided to the main operating decision maker, whereas the North American standard does not require this disclosure; and

(b) SFAS 131 explicitly requires an entity with a matrix form of organization to determine operating segments based on products and services, while The IASB noted that matrix organizational structures are commonly used for large complex organizations and that mandatory use of components based on products and services was inconsistent with the management approach.

[19]It is important to highlight that IFRS 8 was not approved unanimously, as some members presented divergent opinions. Stephen Cooper argued that he believes that allowing a reporting entity not to disclose segment assets simply because it is not reported to the operating decision maker weakens IFRS 8, and may result in segment assets not being disclosed, even when they are important to understanding the performance and financial position of this business (DO2). Gilvert Gélard and James J. Leisenring disagree with the IFRS issue because they do not require that a defined measure of profit or loss for the segment be disclosed and do not require that the reported profit or loss measure be consistent with the allocation of assets to reportable segments. (DO1)

In the case of vertically integrated companies, the IASB concluded that the definition of an operating segment must include components of a company that sell mainly or exclusively to other operating segments of the company, if the company is managed in this way (Item 79 of the Basis of Conclusions of the IFRS 8). According to this body, this information is important to understand vertically integrated companies, such as companies in the oil and gas sector, as it is necessary to know the results of each operation. Regarding this item, some concerns were expressed about the reliability of transfer prices used for the purpose of disclosing external reports, however, the IASB understood that this disclosure is relevant and compatible with the selected approach.

Finally, it is necessary to point out that the IASB also addressed the issue of the use of information by segments by competitors. In this regard, the IASB concluded that the exemption from disclosure based on the possibility of some potential competitive damage was inappropriate, as it could represent a means for the broad breach of the standard. In addition, when drafting this standard, some respondents argued that companies are unlikely to suffer competitive damage because most competitors already have other sources of more detailed information about a company, as documented in item 111 of the Basis of Conclusions of IFRS 8.

3.2.3 Disclosure of information by business segment in the public sector

As with the preparation and disclosure of consolidated financial statements, public organizations do not adopt the practice of disclosing information by business segment.

Grossi, Mori & Bardelli (2014, p. 32) suggested that consolidated financial statements in the public sector would be useful to improve transparency and accountability to internal and external users, especially for governments dealing with a large number of decentralized public companies, as they could clearly show the economic situation experienced by the entire public business group. However, this aggregate view is only part of the information needed to give politicians, managers, employees, financial institutions, rating branches and citizens a complete view of a government's financial performance. With the disclosure of consolidated financial statements, there is a need to have information by business segments (under the terms of IPSAS 18 - Segment Reporting, issued by IPSAB), covering specific policy areas for which it is appropriate to report separately financial and non-financial information. (GROSSI, MORI & BARDELLI, 2014, p. 43)

Notably, for these authors, the consolidated business segment report would provide internal and external users with better information on the group's performance and resource allocation, increasing the transparency of financial reporting and responsibility, and assessing the nature and financial effects of business activities. Thus, reporting by business segments disaggregates consolidated information into economic subunits, which are transversal to services and can provide a complete picture of government functions, and can assist in determining factors that influence performance and in assessing the sustainability of the group in the medium and long term. (GROSSI, MORI & BARDELLI, 2014, p. 43)

In summary, in the view of Grossi, Mori & Bardelli (2014, p. 43), these two instruments provide an overview of the financial and economic performance of a public group seen as a whole, and an analytical view for decision-making strategic and operational strategies.

In the same vein, Walker (2011) also highlights the importance of disclosing details about transfers between sectors and disaggregating expense reports in terms of government policy items and areas; and that these reports are accompanied by performance indicators for each of the policy areas.

3.3 Disclosure of information about Related Parties

This section presents the definition of Related Parties and the main aspects of the current rule that determines the disclosure of transactions with related parties. Furthermore, this section underlines the importance of disclosing these transactions together with the consolidated financial statements, when discussing the evolution of the standards associated with these two themes and commenting on the results of some research.

3.3.1 Brazilian accounting standard

Technical Pronouncement CPC 05 (R1) - Disclosure on Related Parties was issued on October 30, 2008 by CPC, and updated on September 3, 2010. This standard was prepared based on IAS 24 - Related Party Disclosures issued by IASB. In it, a related party is defined as the person or entity that is related to the entity that is preparing its financial statements (in this Technical Pronouncement, treated as “entity that reports information”).

This standard requires disclosure of the nature of the relationship with related parties and of existing transactions and balances with related parties, including commitments, which can be useful information for understanding the effects of this relationship on the financial statements. (item 3 of CPC 05 R1).

CPC 5 aims to provide information to draw users' attention to the possibility of the company's financial statements being affected by the existence of transactions between related parties.

The Committee, although recognizing that related party relationships are a normal feature of business, highlights that related parties may carry out transactions that unrelated parties would not carry out under normal conditions (Items 5 and 6 of CPC 05 R1). In addition, disclosure of these transactions "may affect the assessment of its operations by users of the financial statements, including assessments of the risks and opportunities that the entity faces". (Item 8 of CPC 05 R1)

Generally speaking, this standard defines what is a related party and a related party transaction, in addition to indicating what, when and how to disclose this information in the financial statements of consolidated companies and separate from parent company or investors with joint control of the investee or with significant influence.

It is essential to clarify that this regulation also requires that “the relationships between the parent company and its subsidiaries must be disclosed regardless of whether or not there were transactions between these related parties” (Item 13 of CPC 05 R1), and that it is also necessary to disclose the conditions under which transactions between related parties were carried out. (items 22-A of CPC 05 R1).

An interesting aspect is that, in the case of entities related to the State, the disclosure of these transactions is not mandatory when the party is: “(a) a state entity that exercises control or that has significant influence over the entity that reports the information, and (b) another entity that is a related party, due to the fact that the same state entity holds control, or exerts significant influence, over both parties". (Item 25 of CPC 05 R1)

Figure 2 shows a representation of related entities that are controlled or significantly influenced by the State.

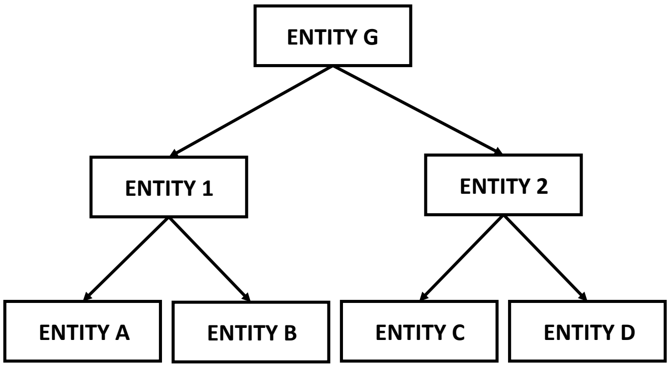

Figure 2 - Example of State control and significant influence
Source: Adapted from CPC 05 R1, p. 11.

In the example shown, state entity "G" directly or indirectly controls entities 1 and 2 and entities A, B, C and D. Thus, for entity A's financial statements, for example, the mentioned disclosure exemption must be applied to (a) transactions with state entity G; and (b) for transactions with entities 1 and 2 and with entities B, C and D.

As provided for in item 26 of CPC 05 R1, if the entity that reports the information applies the aforementioned exemption, it must disclose information on balances held and transactions with the state entity:

> "(A) the name of the state entity and the nature of its relationship with the entity that reports the information (for example, control, full or shared, or significant influence);
>
> (b) the information that follows, in sufficient detail, to enable users to understand the entity's financial statements of the effects of transactions with related parties on its financial statements:
>
> > (i) nature and amount of each individually significant transaction; and
> >
> > (ii) for other transactions that together are significant, but individually are not, a qualitative and quantitative indication of their extent."

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Finally, this regulation provides that the degree of detail of the information disclosed must consider whether the transaction is: (a) significant in terms of magnitude; (b) carried out outside market conditions; (c) avoids normal day-to-day business operations, such as buying and selling businesses; (d) disclosed to supervisory or regulatory authorities; (e) reported to senior managers; and (f) subject to shareholder approval.

3.3.2 North American and international standards

In the United States, the norm for the disclosure of information about related parties has as a relevant milestone the issuance of SFAS 57 ("Statement of Financial Accounting Standards no 57 - Related Party Disclosures") in March 1982, by the FASB.

The said regulation clearly indicated that, according to the FASB, it cannot be assumed that transactions involving related parties are carried out under competitive free market conditions or that they have been negotiated under conditions similar to those carried out in normal transactions with third parties ("arm's-length"). basis ").

Regarding this type of operation, the FASB stated that:

> "If the reporting company and one or more other companies are under common ownership or management control and the existence of such control could result in the reporting company's operating results or financial position significantly different from those that would have been obtained if the companies were autonomous, the nature of the control relationship must be disclosed even if there are no transactions between the companies. "[20]
>
> **Source:** Free translation of item 4 of SFAS 57.

It should be noted that, in July 1975, AICPA had already dealt with the topic related parties for the purpose of auditing the financial statements ("Statement on Auditing Standards no 6, Related Party Transactions - SAS 6"), and that on September 2 In 1980, the SEC had issued guidance on the disclosure of related parties in reports

[20] Original text: "If the reporting enterprise and one or more other enterprises are under common ownership or management control and the existence of that control could result in operating results or financial position of the reporting enterprise significantly different from those that would have been obtained if the enterprises were autonomous, the nature of the control relationship shall be disclosed even though there are no transactions between the enterprises. "

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filed by publicly held companies ("Accounting Series Release no 280, General Revisions of Regulation SX").

SFAS 57 noted that disclosure of information about companies under the same control helps users of financial statements to predict and analyze the extent of possible impacts of transactions between related parties in the same group, as these companies can significantly change their financial position in comparison the other companies that carry out operations with independent parties. Accordingly, the FASB believes that the financial statements may not be complete and reliable without further disclosure of information regarding related parties. (SFAS 57 items 15 and 16)

At the international level, according to the IASB, the content of the accounting standards issued was greatly influenced by the accounting standards issued in the United States. The IASB standard on related parties was originally issued in July 1984 (IAS 24 - Related Party Disclosures), being reissued on November 4, 2009 and revised on December 12, 2013.

According to the members of the IASB, the initial definition of a related party included in IAS 24 was considered to be very complex and difficult to apply in practice (Basis for Conclusions of the IASB, item 18). Another aspect that stands out in IAS 24 revised in 2009, is that the IASB proposed that the disclosure of transactions with related parties and outstanding balances in the separate financial statements of a parent company or in the financial statements of a wholly owned subsidiary are only necessary if these statements are published with the group's consolidated financial statements. (BC11 to BC17, Basis for Conclusions of IAS 24).

In this review, the IASB stressed that it believes the disclosure of such transactions is essential because external users need to be aware of the interrelationships between related parties ("intragourp transactions"), including the level of support provided by related parties, to help external users economic decisions (BC17, Basis for Conclusions of IAS 24).

4. Research Methodology

4.1 Identification of the companies analyzed in the study

The public financial institutions that were the object of analysis in this study were identified, on July 16, 2020, on the website of the Secretariat for Coordination and

Governance of State Companies - SEST (https://www.gov.br/economia/pt-br /access-to-information/institutional/planning/units/sest), a body linked to the Ministry of Economy.

On the SEST website, it is possible to verify that there are 46 state-owned companies directly controlled by the Union, 19 of which are dependent and 27 not dependent on the National Treasury[21]. Among the state-owned companies not dependent on the National Treasury, it is observed that five are financial institutions regulated by the Central Bank of Brazil and, therefore, selected for this study, which are[22]:

(1) Banco da Amazônia SA;

(2) Banco do Brasil SA;

(3) Banco do Nordeste do Brasil SA;

(4) National Bank for Economic and Social Development - BNDES; and

(5) Caixa Econômica Federal.

In the present study, public companies in the financial segment not regulated by BACEN were selected, such as BESC Distribuidora de Titulos e Valores Mobiliários S / A - BESCVAL, Asset Management Company - EMGEA and Financier of Studies and Projects - FINEP.

4.2 Data collection and preliminary analysis of the isolated IFPFs statements for the research

To carry out this study, the financial statements published by the five IFPFs were identified and analyzed. To this end, a search was carried out on the websites of each of these selected financial institutions to identify the annual consolidated (or individual, when applicable) financial statements prepared in accordance with the standards

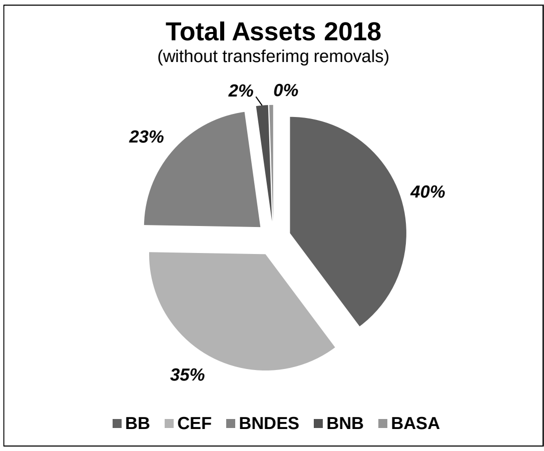
[21]Information extracted from the Bulletin of Federal State Companies [electronic resource] / Ministry of Economy, Special Secretariat for Privatization, Divestment and Markets, Secretariat for Coordination and Governance of State Companies. Vol. 13 (Oct./Dec. 2019). Brasília: SEST / ME, 2019.

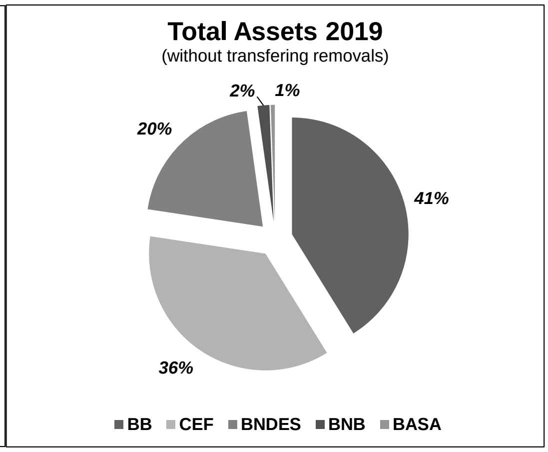
[22]In total there are 151 indirectly controlled state-owned companies, 69 of which are from the Eletrobras group and 49 from the Petrobras group. Thus, on 07/16/2020, there were 197 federal state-owned companies, three less than indicated in the SEST 2019 report, due to the closing of some companies, for example, the company BNDES Limited.

issued by BACEN (BACEN Standard) and in accordance with international accounting standards (IFRS), for the years 2015 to 2019.

During the survey, it was found that BASA and BNB did not disclose the financial statements in the IFRS standard for the period analyzed. The IFRS standard financial statements for the years 2018 and 2019 were not found on the Caixa Econômica Federal website. For this reason, in this study, the statements prepared according to the standard defined by BACEN were used in the analysis.

When comparing the 2015 to 2019 statements of the five public banks, there is a large difference in size between the entities, where Banco do Brasil, Caixa Econômica Federal and BNDES are substantially larger than BNB and BASA. Together, the three largest banks account, on average, for 98.1% of total combined assets, as well as 97.5% of total combined shareholders' equity and 97.0% of total combined net income. Thus, as shown in Graph 1, which shows the distribution of total assets in the years 2018 and 2019, the three largest public banks are the main influencers of the combined performance of the IFPFs.





Graphic 1 - Distribution of Total Assets among IFPF in 2018 and 2019.
Source: Prepared by the authors.

It is important to mention that, in this study, the consolidated financial statements prepared for the Prudential Conglomerate or Financial Conglomerate were not used, as they follow complementary and specific rules, used by BACEN for monitoring purposes.

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For analysis purposes, information from the consolidated financial statements was used for the Balance Sheet, Income Statement for the Year, Cash Flow Statement and Statement of Added Value.

Information on the companies' business segment and related parties was obtained directly from the explanatory notes to the financial statements in the BACEN standard. In the absence of this information in the BACEN standard, the explanatory notes to the statements in the IFRS standard were searched or information available in the annual management report was used.

Data collection was carried out in the first half of 2020 and is updated until 07/31/2020, the closing date of the data survey.

4.3 Data processing and preparation of the combined financial statements series

To prepare the series of combined statements, the following information treatment guide was adopted, according to the balance sheet consolidation technique, as recommended in the Technical Pronouncements issued by the Accounting Pronouncements Committee:

1) Obtaining the series of financial statements by IFPF, which adopt the same accounting classification as the groups of accounts (BACEN Standard);

2) Alignment, structuring and consolidation of the IFPFs' financial statements series, per year, for the generation of the corresponding combined statement, according to the same criteria for recognition and measurement of assets, liabilities, income and expenses; and

3) Elimination, in the statements generated, of the effects of transactions between groups of companies, on assets, liabilities, income and expenses, based on the information detailed in the explanatory notes of each IFPF.

The series of combined financial statements will be the result obtained after the third step of the information processing guide. There are latent differences in structure from the second level of detail of the accounts of the isolated financial statements disclosed by the IFPFs. In this regard, the BNDES is the entity that stands out the most for the greater detail of its financial statements in relation to the other entities, especially regarding the Balance Sheet. As an example, BNDES is the only entity that details the distribution of the profit reserve, second level account, of the shareholders' equity. However, there are other differences in the IFPFs' financial statements that deserve to be highlighted. For example, the further details of Caixa Econômica Federal regarding the account of inputs acquired from third parties in the Statement of Added Value. Thus, to ensure the consistency of the classifications, the data generating the combined statements were grouped only up to the second level of the accounting accounts, although, in general, much of the IFPF information is disclosed up to levels 3 and / or 4.

In addition, to add more consistency to the final result, data from the most recent IFPFs financial statements were used, that is, after the reclassifications of balances, to avoid possible distortions.

It is worth remembering that the financial statements prepared according to the requirements of BACEN follow the criteria and procedures specified in the Accounting Plan for Financial Institutions - COSIF, created by Circular BACEN No. 1,273 / 1987. With respect to the Technical Pronouncements issued by the Accounting Pronouncements Committee used in the analysis in this study, only CPC 05 - Disclosure on Related Parties must be mandatorily applied by the Financial Institutions regulated by the Central Bank of Brazil, as required by Resolution BACEN / CMM no. 3,750 / 2009.

4.4. Presentation and analysis of results

The series of combined IFPF statements produced, along with information by business segment and related parties for each individual IFPF, found in the management reports and / or explanatory notes, were the sources for analyzing the data and obtaining the results. of research.

Although the IFPFs are all subordinated to the same Ministry of Economy, subject to supervision and technical standards issued by SEST, and adopt the same BACEN standard for preparing financial statements, disaggregating information by business segment is not a simple task, due differences in bases and elaboration criteria. Thus, considering the limitation in the disclosure of information by business segment, the analysis of the information raised on this topic was carried out only in a qualitative way, allowing an exploratory analysis of the data in order to present the similarities and differences in the IFPFs operating segments.

5. Results

5.1 Combined IFPF accounting information

The preparation of the IFPFs' combined corporate financial statements, which are currently not disclosed, followed the information processing guidelines and was carried out using the balance sheet consolidation technique, as indicated in the methodology.

In the preparation of the combined statements, the difficulties encountered in the second step of the roadmap for handling information related to the lack of standardization of structures of the individual statements disclosed by the analyzed federal public banks are highlighted. The limitation of presentation of the combined statements only up to the second level of granularity of the accounting accounts is a consequence of this restriction in obtaining adequate and transparent information on the performance and performance of the banking sector controlled by the Federal Government. If there was a standardization of all accounting accounts, the level of granularity of the combined statements would be similar in the separate statements and would facilitate the process of combining the financial statements.

The third step of the information processing script, with the objective of eliminating transactions between IFPFs for the preparation of the combined statements, considered the balances existing in the balance sheets (account “Interfinancial Relations” in the asset; and account “Obligations for onlendings of the Country in liabilities), and their respective effects on income and expenses in the income statements for the year and added value.

Table 1 presents a detailed view of the transactions identified that were eliminated in the preparation of the combined IFPF statements.

Panel 1 of Table 1 shows the balances identified in the IFPFs' balance sheets, in the country onlendings accounts, and eliminated from the combined balance sheets. There is a gradual reduction in the amounts of eliminations in the balance sheets of the series. From 2015 to 2019, the reduction observed was 27.6%.

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Panel 2 of Table 1 shows the percentage of overbalance removed in the combined balance sheets in relation to the liabilities. The reduction in eliminations has a faster pace than that which has been occurring in Liabilities. Therefore, there is also a gradual reduction in the associated percentages. Despite the highest percentage observed being only 3.59% in 2015, from 2015 to 2019 there is a gradual decrease that reached 0.88 pp.

ELIMINATIONS
(billions of BRD)

Panel 1: Overbalance removed from Balance Sheet Statement:

	2.019	2.018	2.017	2.016	2.015
BNDES	45.683	52.198	59.753	65.501	72.390
Caixa Econômica Federal	30.937	29.413	26.558	23.758	19.691
Finame	12.082	15.342	20.031	25.087	30.357
Total	**88.701**	**96.952**	**106.342**	**114.346**	**122.438**

Panel 2: Percentage of overbalance removed in Panel 1 over Liabilities (before eliminations):

	2.019	2.018	2.017	2.016	2.015
Overbalance removed from Balance Sheet	88.701	96.952	106.342	114.346	122.438
Liabilities	3.267.764	3.291.974	3.330.415	3.381.689	3.408.528
% of overbalance removed over Liabilities	***2,71%***	***2,95%***	***3,19%***	***3,38%***	***3,59%***

Panel 3: Overbalance removed from Income Statement:

Transfer obligations expenses		2.019	2.018	2.017	2.016	2.015
CEF	with BNDES	(1.179,7)	(2.375,9)	(2.335,8)	(2.041,2)	(2.326,6)
BB	with BNDES	(1.368,1)	(1.818,6)	(2.147,5)	(3.065,6)	(2.563,8)
	with FINAME	(293,5)	(349,2)	(456,3)	(651,5)	(560,2)
	with CEF	(1.534,6)	(1.393,8)	(1.642,4)	(1.180,8)	(1.544,2)
BASA	with BNDES	(35,6)	(39,3)	(34,9)	0,0	0,0
	with Finame	(3,8)	(4,2)	(5,0)	0,0	0,0
BNB	with BNDES	(93,0)	(125,9)	(111,7)	(1.496,4)	(1.498,3)
	with Finame	(2,8)	(4,3)	(3,1)	(6,3)	(5,3)
Total		**(4.511,1)**	**(6.111,2)**	**(6.736,7)**	**(8.441,9)**	**(8.498,5)**

Table 1 - Summary of eliminations made in the consolidated IFPF statements.
Source: Prepared by the authors.

Panel 3 of Table 1 presents the values identified in the obligation expenses for onlendings in the income statements for the year of the IFPFs, eliminated in the Financial Intermediation Expenses accounts and in the Financial Intermediation Income accounts, respectively. These amounts were also eliminated in the Statement of Added Value. The year-over-year gradual reduction throughout the series is consistent with that observed in the combined balance sheets.

Combined Accounting Corporate Statement - Financial Federal Public Institutions					
	(millions of BRD)				
BALANCE SHEET STATEMENT					
	2019	2018	2017	2016	2015
ASSETS					
Availabilities	27.472	23.070	25.138	23.807	30.151
Interbank Investments	663.053	683.315	645.112	628.439	554.162
Securities and Derivative Financial Instruments	655.997	570.228	517.867	489.654	460.724
Interbank Transactions	289.300	307.848	368.409	368.752	369.602
Interdependencies Transactions	611	318	433	508	1.078
Credit Operations	1.455.583	1.500.371	1.522.778	1.586.525	1.679.787
Leasing Transactions	188	223	378	563	826
Other Credits	327.916	313.613	314.203	315.126	305.449
Other Assets and Goods	9.809	11.083	10.181	7.262	5.271
FIXED ASSETS	**50.883**	**53.903**	**57.576**	**58.478**	**59.108**
Investments	31.053	34.516	36.418	34.639	34.701
Fixed Assets for Use	11.349	10.926	10.918	11.447	11.675
Intangible	8.481	8.461	10.239	12.392	12.715
Deferred	0	0	0	0	17
TOTAL ASSETS	**3.480.812**	**3.463.973**	**3.462.074**	**3.479.115**	**3.466.157**
LIABILITIES					
CURRENT LIABILITIES	**3.179.063**	**3.195.022**	**3.224.073**	**3.267.343**	**3.286.090**
Deposits	1.073.541	1.033.941	983.270	984.827	948.721
Open Market Funding	565.807	570.759	531.158	541.592	537.239
Funds from Acceptance and Issuance of Securities	187.220	204.437	270.910	328.448	366.142
Interbank Transactions	9.105	8.416	82	404	409
Interdependencies Transactions	4.186	3.905	3.871	3.816	7.054
Borrowings	32.485	44.584	46.768	50.963	81.498
Local Onlending	479.325	563.300	646.396	633.279	687.058
Foreign Onlending	20.398	22.807	20.579	20.461	26.267
Instrumentos Financeiros Derivativos	2.035	1.920	2.151	2.943	3.447
Other Liabilities	804.961	740.953	718.888	700.610	628.255
Subordinated Debts	336.083	325.302	307.432	287.863	261.661
Capital and Debt Hybrid Instruments	10.193	7.270	8.928	6.506	11.167
Elegible Debt Instruments	96.941	93.250	88.873	80.453	89.111
Others	361.744	315.132	313.654	325.789	266.316
DEFERRED INCOME	**92**	**448**	**429**	**446**	**459**
NET EQUITY	**301.656**	**268.503**	**237.572**	**211.326**	**179.608**
Capital	156.104	146.359	143.447	132.645	122.863
Core Capital Eligible Instrument	38.354	48.343	45.076	44.554	44.187
Capital Reserve	1.369	17	15	18	17
Revaluation Reserves	357	375	389	420	444
Profit Reserves	103.097	76.465	59.995	50.357	46.601
Asset and Liability Valuation Adjustment	811	(3.062)	(12.098)	(18.026)	(35.542)
Shares in Treasury	(340)	(1.833)	(1.850)	(1.855)	(1.697)
Participation of Non-Controlling Shareholders	1.904	2.511	3.398	3.213	3.128
Profit and Loss Retained	0	(671)	(799)	0	(393)
TOTAL LIABILITIES	**3.480.812**	**3.463.973**	**3.462.074**	**3.479.115**	**3.466.157**

Table 2 - Combined Balance Sheets 2015-2019
Source: Prepared by the authors.

It is important to clarify that it was not possible to make the respective eliminations in the Cash Flow Statement due to the lack of available information.

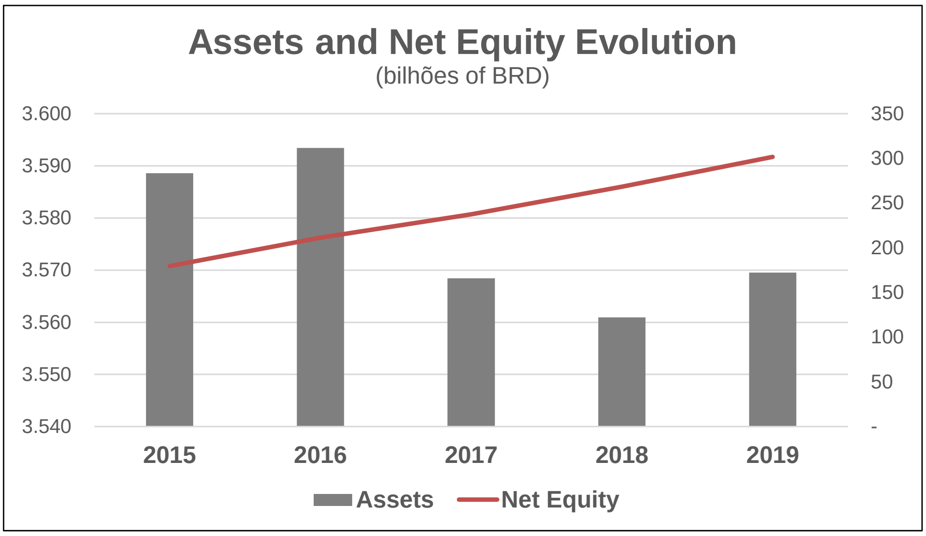
After completing the three steps of the information processing script, the series of combined corporate financial statements presented in Table 2 was produced, with the combined balance sheets from 2015 to 2019 and in Table 3, with the statements of income, cash flows. cash and added value from 2015 to 2019.

In general, the series of combined balance sheets in Table 2 shows stable results year on year. However, in assets, a sustained reduction in the combined accounts of interbank relations is seen in the second level; leasing operations and intangible assets, the latter being the main cause of the sustained reduction in permanent assets throughout the series. The combined account of interbank relationships is the account where the eliminations were made in the asset, according to Panel 1 of Table 1. Therefore, it appears that the reduction in the value of the eliminations follows the process of sustained reduction of the combined account of interbank relationships. In fact, throughout the series, the percentage of eliminations has been stable, between 22.4% in 2017 and 24.9% in 2015. In 2019, this percentage was 23,

As for liabilities, there was a substantial growth in the interbank relations account for the years 2018 and 2019, as well as a gradual increase in the account for other obligations and a gradual reduction in the accounts for acceptances and securities issues; lending obligations and lending obligations in the country. It is the combined account of onlending obligations of the country where the eliminations in the liabilities are made, as shown in Panel 1 of Table 1. As in the case of assets, it appears that the reduction in the value of the eliminations in the liabilities accompanies the process of sustained reduction the combined account of obligations for onlendings in the country. The percentage of eliminations in the combined liability account has also been stable in the period, varying between 14.1% in 2017 and 15.6% in 2019.

The combined shareholders' equity shows growth mainly sustained by the gradual increase in profit reserves. Also noteworthy is the substantial increase in capital reserves in 2019. The best performance of the equity return indicator occurred in 2019, with 19.5%, surpassing 2015, with 15.7%, until then the best year. from the series. The lowest performance in the return on equity occurred in 2016, with 9.2%.

Graph 2 illustrates the evolution of the Assets and Equity of the combined IFPFs over the period studied, which shows a consistent increase in the combined equity, despite the decrease in total assets since 2017. In fact, from 2015 to 2019 the growth in the combined net worth of the IFPFs was 68.0%.



Graph 2 - Evolution of Total Assets and Combined Net Equity of IFPFs.
Source: Prepared by the authors.

From the point of view of the combined capital structure, the sharp increase in shareholders' equity reduced by 3 pp the share of third-party capital over equity over the period. The reflection is also observed in the asset profitability indicator, going from 0.8% in 2015 to 1.7% in 2019, that is, more than doubling.

Table 3 presents the combined statements of income for the years, cash flows and added value for the period studied.

As for the combined income statements for the years, there is a gradual reduction in the main revenue account, the banking sector's end activity, the revenue from financial intermediation. From 2015 to 2019 the reduction in this revenue account is 32%. However, as the reduction in financial intermediation expenses has been more accentuated, there is a sustained growth in gross income, especially in 2019 with the highest result in the series. Non-operating results were positive only in the years 2015 and 2019. Net income for 2019 was the highest recorded in the series, 91.6% higher than the previous year and 116.5% higher than the average of previous years in the series studied. It appears that the positive performance of net income, even with a reduction in the main source of revenue,

The series of combined cash flow statements shows only the years 2015 and 2016 with positive net cash changes. Cash generated by operations had a substantial drop of 69.4% in 2016 compared to 2015, with a further reduction in 2017. Since then, it has been in the process of recovery, but still below the performance of 2015. Cash generated by financing activities, which had been offsetting the cash used by investment activities in the years 2015 and 2016, as of 2017, it left this compensatory function, contributing to the net change in cash becoming negative, until it presented a negative result for the first time in 2019.

Combined Accounting Corporate Statement - Financial Federal Public Institutions

(millions of BRD)	2019	2018	2017	2016	2015
INCOME STATEMENT					
Income from Financial Operations	**293.702**	**309.302**	**341.497**	**382.233**	**431.941**
Financial Expenses	(200.301)	(233.133)	(268.317)	(307.406)	(368.234)
Gross Financial Income	**93.400**	**76.169**	**73.180**	**74.826**	**63.707**
Other Operating Income and Expenses	(32.443)	(26.474)	(29.791)	(46.779)	(45.824)
Operational Result	**60.957**	**49.695**	**43.389**	**28.048**	**17.883**
Non Operational Result	3.643	(1.924)	(22)	(37)	5.297
Net Income Before Income Taxes and Profit Sharing	**64.601**	**47.771**	**43.367**	**28.011**	**23.181**
Income Tax and Social Contribution	1.784	(12.330)	(8.023)	(4.436)	10.300
Result Before Profit Sharing	**66.385**	**35.442**	**35.344**	**23.575**	**33.481**
Employee and Management Profit Share	(4.951)	(3.271)	(3.231)	(2.475)	(3.475)
Minority Interests	(2.482)	(1.396)	(1.650)	(1.675)	(1.742)
NET PROFIT	**58.952**	**30.774**	**30.463**	**19.425**	**28.264**
CASH FLOW STATEMENT					
Cash Generated from Operations	46.137	36.852	23.716	26.099	85.389
Cash Used in Investment Activities	(41.015)	(50.432)	(32.376)	(3.846)	(24.920)
Cash Generated in Financial Activities	(9.260)	9.143	6.301	2.672	29.159
NET CHANGES IN CASH AND CASH EQUIVALENTS	**(4.139)**	**(4.437)**	**(2.359)**	**24.924**	**89.629**
VALUE ADDED STATEMENT					
Revenues	**336.826**	**335.252**	**361.246**	**379.984**	**446.464**
Financial Expenses	(168.406)	(193.474)	(217.180)	(249.276)	(321.620)
Inputs Acquired from Third Parties	(45.404)	(36.607)	(39.029)	(40.304)	(45.511)
Gross Added Value	**123.016**	**105.171**	**105.037**	**90.405**	**79.333**
Revenues Reductions - Amortization and Depreciation Expenses	(4.677)	(5.065)	(6.418)	(6.364)	(6.138)
Net Added Value Produced by Entity	**118.339**	**100.106**	**98.619**	**84.041**	**73.195**
Added Value Received in Transfers	9.226	8.110	5.959	6.159	7.233
Value Added to Distribute	**127.566**	**108.216**	**104.578**	**90.200**	**80.428**
Valeu Added Distributed	**127.566**	**108.216**	**104.578**	**90.200**	**80.428**
Staff	48.271	44.171	44.585	44.612	41.976
Taxes, Charges and Contribution	14.927	28.956	24.729	21.393	5.563
Federal	12.247	26.351	22.250	19.194	3.486
State	2	2	2	2	2
Municipal	2.678	2.602	2.477	2.197	2.075
Third-Party Capital Remuneration	2.934	2.930	3.185	3.095	2.883
Own Capital Remuneration	61.434	32.159	32.079	21.100	30.006
VALUE ADDED DISTRIBUTION					
Staff	37,84%	40,82%	42,63%	49,46%	52,19%
Taxes, Charges and Contribution	11,70%	26,76%	23,65%	23,72%	6,92%
Third-Party Capital Remuneration	2,30%	2,71%	3,05%	3,43%	3,58%
Own Capital Remuneration (retained earnings included)	48,16%	29,72%	30,67%	23,39%	37,31%
TOTAL	**100,00%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Table 3 - Statement of Income, Cash Flows and Value Added Combined 2015-2019
Source: Prepared by the authors.

Graph 3 illustrates the evolution of the combined operating cash flow, compared to net income over the years of the series studied. Greater similarity between the values of these accounts is evident from the reduction in operating cash flow that occurred in 2016.

Regarding the series of combined value added statements, there is a gradual and sustained growth in the gross and net added value produced. The added value to

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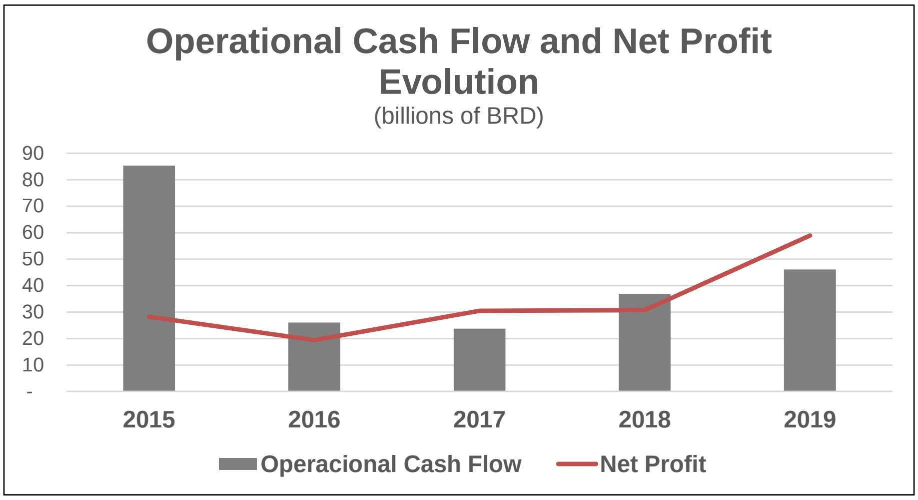
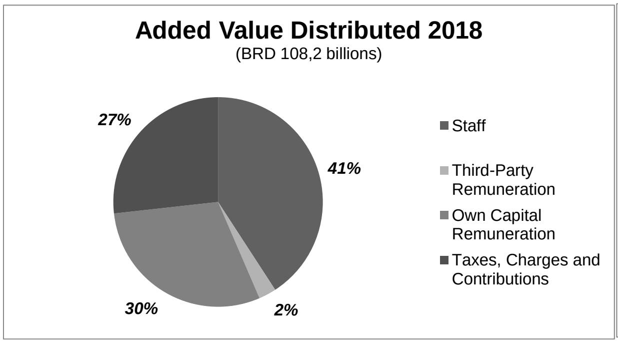
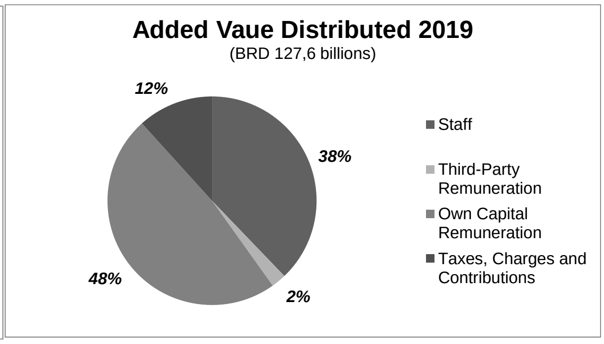
be distributed reached the highest amount in 2019. As a result, the personnel and equity remuneration items also obtained their highest value in 2019.



Graph 3 - Evolution of Operating Cash Flow and Net Income combined.
Source: Prepared by the authors.

Graph 4 shows the percentage distribution of the combined added value in the years 2018 and 2019, where there is also a substantial percentage increase in the return on equity.





Graph 4 - Percentage of the Distribution of the Added Value Added of the IFPFs in 2018 and 2019.
Source: Prepared by the authors.

In general, the results obtained in the combined statements were presented, as well as some comments on the performance of the federal public banking sector.

5.2 Information by IFPF business segment

Based on the survey carried out, referring to the explanatory notes and management reports for the 2019 financial year of each IFPF, it is possible to verify that Banco do Brasil, BNDES, and Banco do Nordeste disclose information on the business segment according to the Technical Pronouncement CPC 22 - Information by Segment in the financial statements in the BACEN standard, while Caixa Econômica Federal and Banco da Amazônia do not present this information.

In the case of Banco do Brasil, it is urgent to clarify that, according to the explanatory notes (page 35), the bank applied CPC 22, as it considers that this procedure is not in conflict with BACEN rules, as determined by article 22, paragraph 2 , of Law No. 6,385 / 1976.

Banco do Nordeste do Brasil also highlighted in its explanatory notes, in the item “Note 2. Basis for the Preparation and Presentation of the Financial Statements” (page 2), which applies the Technical Pronouncement CPC 22.

It must be recognized that only BB, CEF and BNDES are required to disclose the financial statements in accordance with the IFRS standard, in which the disclosure of information by segment is mandatory. Thus, it is positively surprising that BNB voluntarily discloses its information by business segments. In the case of CEF, the financial statements under IFRS are no longer disclosed as of 2018.

Table 3 presents a summary of the business segments of each of the financial institutions, as it was possible to identify in the respective released annual reports.

The information by business segment of Banco do Brasil is disclosed in explanatory notes (Note 5). BB informs that this information is prepared based on internal management reports (Consolidated Management), which are regularly reviewed by Management. In addition, it clarifies that the accounting practices adopted in the Consolidated Managerial differ from those described in the summary of the main accounting practices of BB Consolidated due to the investments in jointly controlled entities being consolidated proportionally to the Bank's interest.

Banco do Brasil's operations, as indicated in the annual report, are divided into five segments:

(1) banking: business with the retail, wholesale and government markets, and business with micro-entrepreneurs and the informal sector,

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(2) investments: business in the domestic capital market, acting in the intermediation and distribution of debts in the primary and secondary market, in addition to equity interests and the provision of financial services,

(3) asset management: purchase, sale, and custody of securities, portfolio management and fund management and investment clubs,

(4) insurance (insurance, pension and capitalization): products and services related to life, property and automobile insurance, supplementary pension plans and capitalization bonds, and

(5) means of payment: provision of services for the capture, transmission, processing and financial settlement of transactions in electronic media.

IFPF	Explanatory Notes	Management Report
BB	(1) Banking, (2) Investments, (3) Resource management, (4) Security and (5) Means of payment (6) Other Segments (consortium management, and other services)	Similar to the information in the explanatory notes.
CEF	Uninformed.	(1) Real Estate Credit, (2) Commercial Credit (individuals and companies, credit card and microcredit), (3) Infrastructure Credit, (4) Rural Credit (5) Public Sector Credit, (6) Insurance, private pension, capitalization and consortium management.
BASA	Uninformed.	(1) Commercial Credit, (2) Micro and Small Enterprises, (3) Individual Microentrepreneur, (4) Family Farming, and (5) Microfinance (Oriented Productive Microcredit Program)
BNDES	(1) Fixed Income (Financing to companies), (2) Variable Income (Capital Markets) and (3) Treasury / Asset Liability Management - ALM (Financial Resource Management)	Similar to the information in the explanatory notes.
BNB	(1) Own Portfolio (credit and market operations, fund management and provision of other banking and guarantee services (2) FNE (FNE credit operations)	(1) Family Farming, (2) National Land Credit Program - PNCF Social, (3) Rural micro-entrepreneur, (4) Urban Micro-entrepreneur, (5) Micro and Small Enterprise (MPE), (6) Corporate, (7) Individual Agribusiness, (8) Individuals, (9) Government, and (10) Business.

Table 3 - Information by IFPFs business segments on 12/31/2019

Source: Prepared by the authors.

Note: Information extracted from the Explanatory Notes to the Financial Statements and the 2019 Management Report for each of the institutions.

In addition to these segments, the Bank carries out economic activities such as consortium management, and other services (credit recovery, development, manufacturing, marketing, rental and integration of digital electronic equipment and systems, peripherals, programs, computer supplies and supplies, in addition to the intermediation of airline tickets, accommodation and event organization), which were aggregated in Other Segments. (Explanatory Notes to BB's 2019 Financial Statements, pages 45 - 48)

Banco do Brasil also discloses information on customers by geographic region (Brazil and abroad), indicating whether operations abroad are concentrated in South America and North America. In addition, it discloses information on the composition of the portfolio of credit operations by (a) modality (Loans, Discounted Credit Rights, Financing, Rural Financing, Real Estate Financing, Credit Card Transactions, Honored Sureties and Finances, among others), and by (b) sectors of economic activity (Public Sector - Direct and Indirect Administration, Private Sector, Individuals and Legal Entities).

In the Management Report, Banco do Brasil refers to the business of the conglomerate using the same groups indicated in the explanatory notes (Security, Means of Payment, Resource Management, Capital Markets and Consortia)

In the case of Caixa Econômica Federal, the notes to the financial statements for the year 2019 do not include information on business segments. However, the notes inform that the group operates in the credit segments (public sector, individuals, legal entities, rural and agro-industrial, credit card), insurance, private pension, capitalization and consortium management.

In addition, credit portfolio information by sector of activity is also disclosed (Electricity, Civil Construction, Retail Trade, Sanitation and Infrastructure, Health, Food, Petrochemical, Textile and others).

In the management report, CEF refers to a performance analysis in which it describes the assets of the following portfolios: (1) Extended Credit Portfolio, (2) Mortgage Loans, (3) Commercial Loans, (4) Infrastructure Loans, and (5) Rural Credit. In addition, CEF highlights its operations in the Retail, Wholesale and Government segments, as well as indicating a strategic repositioning in its credit operations, which prioritizes concessions to segments linked to micro-companies, SMEs and the promotion of real estate credit.

In the case of Banco da Amazônia, as already mentioned, information by business segment is not presented in the explanatory notes to the financial statements for the year 2019. In the 2019 Management Report, BASA indicates the bank's main areas of operation, which namely: (1) Commercial Credit, (2) Micro and Small Enterprises, (3) Individual Micro-entrepreneurs, (4) Family Farming, and (5) Microfinance (Oriented Productive Microcredit Program). In addition, BASA also highlights that it supports infrastructure projects for the development of the region.

In the case of BNDES, the explanatory notes to the financial statements for the year 2019 (page 73) indicate the existence of three operating segments: (1) Fixed Income (Financing to companies), (2) Variable Income (Capital Market) and (3) Treasury / ALM (Financial Resource Management).

The 2019 Management Report (pages 4 and 13) contains information on the sectors of the economy in which the BNDES operates (Energy, Sanitation, Transport, Telecommunications, Health, Culture and Heritage, for example), information by sector of activity (Trade and Services, Infrastructure, Industry, and Agriculture) and information on some of its products (BNDES Automatic Loan Line for Micro and Small Companies, BNDES Credit Services, Direct Credit to Medium-Sized Companies, BNDES Services and Project Structuring, BNDES Debentures Encouraged: subscription, BNDES Saúde Program, a health program, BNDES Crédito Caminhoneiro Program, program to help truck drivers, among others).

In the case of Banco do Nordeste do Brasil, the notes to the financial statements for the year 2019 (page 9) indicate the existence of two operating segments, based on products and services: (a) Own Portfolio - which comprises products and services its own portfolio, such as: credit and market operations, fund management and provision of other banking and guarantee services; and (b) FNE - which comprises credit operations within the scope of the FNE.

The 2019 Management Report (p. 16) also shows a performance analysis by segment for 10 groups: (1) Family Farming, (2) National Land Credit Program - Social PNCF, (3) Rural Micro-entrepreneur, (4) Micro-entrepreneur Urban, (5) Micro and

Small Business (MPE), (6) Corporate, (7) Agribusiness Individuals, (8) Individuals, (9) Government, and (10) Business.

The BNB Management Report (page 5) indicates that the bank's business model is structured in segments, products and business lines focused on credit for the development of its area of operation:

> "- Customer segments: serves companies of all sizes (corporate, large, medium, MPE), segments of the rural sector (agribusiness, small and rural mini-producer and family farming), microfinance sector (urban and rural) and individual and corporate segments Government, the latter to serve institutions of direct and indirect public administration.
>
> - Products and services portfolio covers: infrastructure operations, credit operations for micro, small, medium and large companies, portfolio management and credit analysis for government funds and programs, banking services, capital market operations and asset management. third-party assets.
>
> - Business lines: Specialized Credit, Credit for Infrastructure, Credit for Urban Microfinance and Credit for Rural Microfinance."

The information by business segment released by the IFPFs follows different classification standards and is difficult to reconcile. It is observed that the level of detail of the information is also varied. In the case of Banco do Brasil, the results and balance sheet information are more detailed and include data on the items of assets and liabilities. In the case of BNDES and BNB, there are few categories of segments (three and two segments, respectively) and with an emphasis on information on results.

In summary, based on this information, it is possible to verify some overlapping of businesses and credit portfolios, as well as some specific characteristics about the business segments that are developed.

5.3 IFPF Related Party Information

Initially, it is necessary to clarify that this topic does not show the transactions with related parties related to the direct and indirect controlled companies (which have already been consolidated) and associated companies, as well as the transactions with the employees' post-employment benefit plans (PREVI, FUNCEF , CAPAF, FAPES and CAPEF).

In general, it is possible to observe that there are several transactions carried out between related parties in the IFPFs, considering that all banks are under the common control of the Federal Union.

It is also noticed that the BNDES has the largest amount of loans and transfers from the National Treasury. Furthermore, it appears that BB, CEF, BASA and BNB have transactions that correspond to Obligations for onlendings in the Country - Official Institutions, in which they act as an agent for transferring funds from the BNDES group (which also includes the wholly owned subsidiary Finame).

In the case of Banco do Brasil, the explanatory notes for the year 2019 (pages 102 and 105), indicate the existence of transactions with public companies (BNDES, FINAME and CEF) and mixed economy companies (Petrobras and Eletrobras), both controlled by the Federal Government; with the National Treasury (R $ 167.2 million) and with government funds (Fundo de Amparo ao Trabalho - FAT and Guarantee Fund for Employment and Income Generation - Funproger).

In the explanatory notes for the year 2019 (pages 107 and 108), Caixa Econômica Federal points to the existence of transactions with public companies (Banco do Brasil, BNDES, FINAME and Banco do Nordeste, Petrobras and Emgea) and with the National Treasury (R $ 467.9 million), in addition to government funds operated and / or managed such as FAT, FAR, FMM, FCVS and FIES.

CEF discloses that it plays the role of operator of funds and social programs, among which the Guarantee Fund for Time of Service (FGTS) stands out, being the main financial agent, of the Fund for Compensation for Salary Variations (FCVS) , the Social Integration Program (PIS), the Social Development Fund (FDS), the Residential Lease Fund (FAR), among others. According to information disclosed by CEF, these funds are independent legal entities, managed by specific governance structure and regulation and own accounting, with no impact on CAIXA's balance sheet.

In the case of Banco da Amazônia, the explanatory notes for the year 2019 (pages 36 and 37) indicate the existence of transactions with public companies (BNDES, FINAME and FINEP), National Treasury (R $ 26.5 million), and with programs and funds under the control of the Federal Government (FINAM, FDA, FNO, FMM and FAT Special Deposits such as Pronaf - National Program for Strengthening Family Farming).

At BNDES, in addition to operations with the National Treasury, transactions with the following public companies are also observed: Banco do Brasil, Caixa Econômica Federal, Banco do Nordeste, Banco da Amazônia, Petrobras, Eletrobras, and Financier of Studies and Projects - FINEP. In addition, there are operations with the Worker Support Fund - FAT, PIS / PASEP Participation Fund, Merchant Marine Fund - FMM and the Guarantee Fund for the Promotion of Competitiveness - FGPC.

Passive operations with the National Treasury include lending obligations (R $ 162.9 billion), other liabilities (R $ 42.0 million) and instruments eligible for principal capital (R $ 36.8 billion), on 12/31 / 12019. Additionally, the specific credits linked to the National Treasury, in the amount of 1,926.7 million in 2019, are mostly amounts receivable as interest rate equalization of programs encouraged by the Federal Government (Investment Support Program - PSI , Pronaf, Revitaliza and Agricultural Programs).

It is worth mentioning that BNDES has acquired federal public securities, through a loan, with the Guarantee Fund for Length of Service - FGTS. This loan, in the updated amount of R $ 2,566.2 million on 12/31/2019.

BNDES has the role of administrator, manager, or operating agent for the following funds: PIS / PASEP, Social Participation Fund (FPS), Merchant Marine Fund (FMM), National Fund on Climate Change (FNMC), Amazon Fund (FA), Audiovisual Sector Fund (FSA), Land Fund (FT), Fund for Technological Development in Telecommunications (Funttel), Fund for Regional Development with Privatization Resources (FRD), Guarantee Fund for the Promotion of Competitiveness (FGPC), Export Guarantee Fund (FGE), Investment Guarantee Fund (FGI), Worker Deposits Fund for Special Deposits (FAT-DE) and National Privatization Fund (FND).

Finally, in the case of Banco do Nordeste, the explanatory notes for the year 2019 (page 53) indicate the existence of transactions with public companies (BNDES and FINAME), National Treasury (R $ 505 thousand), and programs and funds under control of the Federal Government (FND, FNDE, FMM and FAT Term Deposits).

In summary, the data presented in this section indicate the relevance of the operations carried out with the National Treasury Secretariat, as well as the relevance of the inter-financial transfers carried out by BNDES to the other institutions. In addition, the information presented suggests the important participation of public funds resources invested in IFPFs.

5.4 Information on IFPFs' Capital Stock

In the composition of the IFPFs Capital Stock, on 12/31/2019, which is indicated in Table 4. It is observed that the funds FI Caixa FGEDUC Multimercado and BB FGO Fundo de Investimento em Valores, of CEF and BB respectively, have interests significant in the share capital of BASA and BNB.

FI Caixa FGEDUC Multimercado is an investment fund, created in 2011, in which Caixa Econômica Federal is its manager and administrator. This fund receives resources from the Educational Credit Operations Guarantee Fund (FGEDUC), which was created with the purpose of guaranteeing part of the risk in educational credit operations, within the scope of the Higher Education Student Financing Fund (FIES).

BB FGO Equity Investment Fund is an investment fund, created in 2011, in which Banco do Brasil is its manager and administrator. This fund is intended to receive resources exclusively from the Operations Guarantee Fund (FGO). The purpose of the FGO, constituted by Banco do Brasil SA, is to guarantee part of the risk of loans and financing granted by the Fund's financial institutions, within the scope of the National Financial System for micro, small and medium-sized companies, individual micro entrepreneurs, and autonomous carriers cargo road, in the acquisition of capital goods inherent to its activity.

Shareholder	BB	CEF	BASA	BNDES	BNB
Federal Union	50.0%	100%	51.0%	100%	55.45%
National Privatization Fund - FND	0.7%	-	-	-	-
FI Caixa FGEDUC Multimarket	-	-	35.2%	-	34.97%
BB FGO Stock Investment Fund	-	-	9.6%	-	7.19%
Others	49.3% -	-	4.2%	-	2.39%

Table 4 - Composition of the Capital Stock of IFPFs on 12/31/2019
Source: Prepared by the authors.
Grades: (1) Information extracted from the Explanatory Notes to the Financial Statements for the 2019 financial year of each of the institutions.
(2) The FND is managed by BNDES.
(3) Percentage of common shares (ON).

In general, it can be seen that the Federal Government only owns all the shares in CEF and BNDES, and that in the case of BB, the shares are highly dispersed in the investor base.

6. Complementary analysis of the results

As discussed in the introduction to this study, the proposed presentation of the combined financial statements is based on the premise that the isolated disclosure of information by each of the IFPFs analyzed may be inappropriate and to some extent misleading. Regardless of the management model selected by the Federal Union, the lack of disclosure of a vision of the whole can lead to informational asymmetry both within the Government and within society in general.

The review of the accounting standards presented showed that, for national and international accounting regulators, consolidated accounting information is always more appropriate than individual, or separate, accounting information to indicate an entity's performance and financial position. In this context, they approved a specific standard enabling the combination of balance sheets (CPC 44) when there is no parent company in the group that discloses its consolidated financial statements, as is the case with the Federal Union that has control of several public companies.

Based on Table 2, which presents the combined balance sheets of the IFPFs from 2015 to 2019, it is possible to evaluate several characteristics, as well as to have an integrated view that can validate or improve the role of the Brazilian public banking sector. Table 5 has the purpose of presenting aspects of the horizontal and vertical evolution of the Combined Balance Sheets for the years 2018 and 2019. In relation to assets, the vertical view allows to verify the clear preponderance of the credit operations account over the total (average of 42.6%). The observation of previous years, according to Table 1, confirms the same preponderance (average of 44.6% in the five years).

BALANCE SHEET STATEMENTS				(milliond of BRD)	
	2019		2018		
ASSETS	Value	% over Total	Value	% over Total	*Evolution 2019 / 2018*
Availabilities	27.472	*0,8%*	23.070	*0,7%*	*19,1%*
Interbank Investments	663.053	*19,0%*	683.315	*19,7%*	*-3,0%*
Securities and Derivative Financial Instruments	655.997	*18,8%*	570.228	*16,5%*	*15,0%*
Interbank Transactions	289.300	*8,3%*	307.848	*8,9%*	*-6,0%*
Interdependencies Transactions	611	*0,0%*	318	*0,0%*	*92,5%*
Credit Operations	1.455.583	*41,8%*	1.500.371	*43,3%*	*-3,0%*
Leasing Transactions	188	*0,0%*	223	*0,0%*	*-16,1%*
Other Credits	327.916	*9,4%*	313.613	*9,1%*	*4,6%*
Other Assets and Goods	9.809	*0,3%*	11.083	*0,3%*	*-11,5%*
FIXED ASSETS	**50.883**	***1,5%***	**53.903**	***1,6%***	*-5,6%*
Investiments	31.053	*0,9%*	34.516	*1,0%*	*-10,0%*
Fixed Assets for Use	11.349	*0,3%*	10.926	*0,3%*	*3,9%*
Intangible	8.481	*0,2%*	8.461	*0,2%*	*0,2%*
Deferred	0	*0,0%*	0	*0,0%*	*0,0%*
TOTAL ASSETS	**3.480.812**	***100,0%***	**3.463.973**	***100,0%***	***0,5%***
LIABILITIES	**Value**	**% over Total**	**Value**	**% over Total**	***Evolution 2019 / 2018***
CURRENT LIABILITIES	**3.179.063**	***91,3%***	**3.195.022**	***92,2%***	*-0,5%*
Deposits	1.073.541	*30,8%*	1.033.941	*29,8%*	*3,8%*
Open Market Funding	565.807	*16,3%*	570.759	*16,5%*	*-0,9%*
Funds from Acceptance and Issuance of Securities	187.220	*5,4%*	204.437	*5,9%*	*-8,4%*
Interbank Transactions	9.105	*0,3%*	8.416	*0,2%*	*8,2%*
Interdependencies Transactions	4.186	*0,1%*	3.905	*0,1%*	*7,2%*
Borrowings	32.485	*0,9%*	44.584	*1,3%*	*-27,1%*
Local Onlending	479.325	*13,8%*	563.300	*16,3%*	*-14,9%*
Foreign Onlending	20.398	*0,6%*	22.807	*0,7%*	*-10,6%*
Instrumentos Financeiros Derivativos	2.035	*0,1%*	1.920	*0,1%*	*6,0%*
Other Liabilities	804.961	*23,1%*	740.953	*21,4%*	*8,6%*
Subordinated Debts	336.083	*9,7%*	325.302	*9,4%*	*3,3%*
Capital and Debt Hybrid Instruments	10.193	*0,3%*	7.270	*0,2%*	*40,2%*
Elegible Debt Instruments	96.941	*2,8%*	93.250	*2,7%*	*4,0%*
Others	361.744	*10,4%*	315.132	*9,1%*	*14,8%*
DEFERRED INCOME	**92**	***0,0%***	**448**	***0,0%***	*-79,4%*
NET EQUITY	**301.656**	***8,7%***	**268.503**	***7,8%***	*12,3%*
Capital	156.104	*4,5%*	146.359	*4,2%*	*6,7%*
Core Capital Eligible Instrument	38.354	*1,1%*	48.343	*1,4%*	*-20,7%*
Capital Reserve	1.369	*0,0%*	17	*0,0%*	*7977,3%*
Revaluation Reserves	357	*0,0%*	375	*0,0%*	*-4,6%*
Profit Reserves	103.097	*3,0%*	76.465	*2,2%*	*34,8%*
Asset and Liability Valuation Adjustment	811	*0,0%*	(3.062)	*-0,1%*	*126,5%*
Shares in Treasury	(340)	*0,0%*	(1.833)	*-0,1%*	*-81,5%*
Participation of Non-Controlling Shareholders	1.904	*0,1%*	2.511	*0,1%*	*-24,2%*
Profit and Loss Retained	0	*0,0%*	(671)	*0,0%*	*-100,0%*
TOTAL LIABILITIES	**3.480.812**	***100,0%***	**3.463.973**	***100,0%***	***0,5%***

Table 5 - Evolution 2018–2019 of the Combined Balance Sheet.
Source: Prepared by the authors.

Then, the accounts with the highest proportion in assets are of interbank investments and of securities and derivative financial instruments, respectively in this order, with an increase in the representativeness of the securities and liquidity financial instruments account from 2018 to 2019. It is also noticed that these two accounts added up, but are still smaller, to the credit operations account (average of 37.0%) of assets. Over the five years studied, the average of the sum of accounts is 33.7% of assets.

In the horizontal view of the 2018-2019 evolution of the asset, with the exception of the 92.5% growth in the interdependence relations account, the lowest value and the highest volatility account over the period studied, the highest growth in the cash and cash equivalents, with 19.1%, followed by the securities and liquidity financial instruments account, with 15.0%. The largest decrease observed occurred in the leasing operations account, with -16.1%, but it is a lower value account that has already been gradually decreasing throughout the series studied.

Regarding liabilities, as expected, the vertical view shows that the deposit account is the one with the highest proportional value over the total (average of 30.3%), confirming this trend throughout the period studied (an average of 29.0% in the last five years). The G / L account for other obligations is the second most proportional in liabilities. Two are third-level accounts that contribute the highest amounts to the other obligations account. They are: subordinated debts and others. The third account others is one of the largest liabilities accounts, occupying the fourth position in 2019 and the fifth position in 2018. Since the “other obligations” account has a vague denomination, it also comes from an account with the same denomination “other obligations” one level above, understanding it requires further deepening to the fourth level, from the analysis of the individual contribution of each IFPF to this account. Table 6 presents the accounts with the highest contribution in the fourth level of the other account, by IFPF. We emphasize that even at the fourth level, from the verification of the consolidated liabilities of each IFPF, we see that the name of the account with the highest contribution from both Banco do Brasil and CEF has the vague name “miscellaneous”.

IFPF	Nome da Conta	Valor
BB	Miscellaneous	96.988
CEF	Miscellaneous	70.849
BNDES	Development and Financial Funds	28.205
BNB	Development and Financial Funds	23.656
BASA	Development and Financial Funds	7.482

Table 6 - Main contributions, by IFPF, of the fourth level of the Other account of the Combined Liabilities of 2019 (in millions of reais).
Source: Prepared by the authors.

In the horizontal view of the 2018-2019 evolution of liabilities, three accounts had marked growth, all of them of lesser value. This is the equity reserves account for shareholders 'equity, with growth of 7,977.3%, the equity valuation adjustments account for shareholders' equity, with growth of 126.5%, and the account for hybrid capital instruments and debt, third level of liabilities, with growth of 40.2%.

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Considering the most significant accounting accounts, the largest growth occurred in the other obligations account, due to the growth of its third level accounts associated with hybrid capital and debt instruments and others. Also noteworthy is the 12.3% growth in total shareholders' equity, mainly due to the 34.8% increase in the profit reserve account. In the chargeable liabilities, the highest growth was in other obligations with 8.6%. The largest decrease 2019-2018 observed in the most significant accounts occurred in the loan obligations account with -27.1%.

INCOME STATEMENTS	2019		2018		
	Value	% over Total	Value	% over Total	*Evolution 2019 / 2018*
Income from Financial Operations	**293.702**	***100,0%***	**309.302**	***100,0%***	*-5,0%*
Financial Expenses	(200.301)		(233.133)		*-14,1%*
Gross Financial Income	**93.400**	***31,8%***	**76.169**	***24,6%***	*22,6%*
Other Operating Income and Expenses	(32.443)		(26.474)		*22,5%*
Operational Result	**60.957**	***20,8%***	**49.695**	***16,1%***	*22,7%*
Non Operational Result	3.643		(1.924)		*289,4%*
Net Income Before Income Taxes and Profit Sharing	**64.601**	***22,0%***	**47.771**	***15,4%***	*35,2%*
Income Tax and Social Contribution	1.784		(12.330)		*114,5%*
Result Before Profit Sharing	**66.385**	***22,6%***	**35.442**	***11,5%***	*87,3%*
Employee and Management Profit Share	(4.951)		(3.271)		*51,3%*
Minority Interests	(2.482)		(1.396)		*77,8%*
NET PROFIT	**58.952**	***20,1%***	**30.774**	***9,9%***	***91,6%***

Table 7 - Evolution 2018–2019 of the Combined Income Statement.
Source: Prepared by the authors.

Table 7 has the purpose of presenting aspects of the horizontal and vertical evolution of the Combined Income Statements for the years 2018 and 2019. In relation to the financial intermediation revenue, the main revenue account of the combined IFPFs, the horizontal view allows to verify the reduction of 5%. However, despite this reduction, we can see an increase of 87.3% in the result before profit sharing. As a result, the share of net income over revenue had a substantial growth of 91.6% (10.2 pp).

It is also worth remembering that the CPC and IASB accounting standards also require the disclosure of information by business segment that complements the financial statements. This situation stems from the fact that some companies may have very comprehensive, heterogeneous and complex businesses, which can lead to overly condensed and simplified financial statements.

Although the data analyzed in this research has shown that it is possible to prepare combined IFPF financial statements, there are still three main limitations to be overcome if the Federal Government is interested in publishing this information.

The first limitation concerns the choice of the combined financial statements model to be used. Considering that only two banks published their statements in the IFRS standard, in this study it was necessary to use the statements in the BACEN standard. In this standard, the financial statements are easily reconciled, but they do not apply all accounting standards issued by the Accounting Pronouncements Committee. Notably, the financial statements in the IFRS standard released by two banks do not follow a common classification standard for accounting accounts, making it difficult to implement the combined statements without adequate coordination.

The second limitation is related to the way the IFPFs define their business segments and the level of detail of the information. With adequate coordination, it would be easy to establish the disclosable business segments and the type of information to be disclosed, as well as the form of disclosure of the information by modality and sector of activity.

The third and last limitation refers to the significant differences in the details of the information on transactions with related parties disclosed, having as reference that the control is exercised by the Federal Government.

For the application of the combination of financial statements to be feasible, it is understood that the incentive, support and guidance of SEST is necessary for the disclosure of uniform, standardized and structured information related to the published statements, as well as the disclosure of information by business segment and related parties.

The Ministry of Economy, through the Secretariat for Coordination and Governance of State Enterprises (SEST) and the Secretariat of the National Treasury, the Central Bank of Brazil, and the IFPFs' directors and advisors themselves may be one of the main direct users of this information.

7. Final considerations

This study had three objectives. The first was to present a tentative version of the combined financial statements for IFPFs. The second objective was to analyze the information on business segments disclosed in the individual financial statements. And the third objective was to analyze the transactions between related parties disclosed by these banks.

To carry out the work, it was decided to review the national and international experience with the preparation and dissemination of these three reports. In this regard, what has been realized is that, despite all of them being fully incorporated into the accounting practices of private companies, these reports have not yet been systematically adopted in public institutions. However, in some of the cases in which these reports were published by public institutions, managers used the accounting standards employed by private companies to prepare and disseminate them. Therefore, in this study the rules of CPC's 44, 36, 22 and 5 (R1), currently in force in Brazil, were applied to prepare the combined statements, the reports by segment and the reports of the transactions with related parties for the IFPFs.

Although the decision to apply the rules of the referred CPCs was essentially pragmatic, it imposed some limitations on the results achieved. The first occurred due to the consequences of choosing the model determined by CPC 44 to make the combined financial statements.

The correct application of the rules of CPC 44 would require that all IFPFs prepare their financial statements in accordance with the IFRS standard. But that is not the case at IFPFs. Only two banks disclosed their statements in the IFRS standard. Therefore, in this study it was necessary to use the statements in the BACEN standard. According to this standard, the financial statements are easily reconciled, but they do not apply all accounting standards issued by the Accounting Pronouncements Committee. In addition, the financial statements published by the two banks that adopted the IFRS standard did not follow a common classification standard for accounting accounts, making it difficult to prepare the combined statements.

The second limitation is related to the lack of standardization in the definitions used by IFPFs for their business segments and in the levels of detail of the information they disclose. As this is not a concern for IFPF administrators and accountants, nor is there any centralized determination for this to occur, it was not possible to complete the consolidation of the reports by segments.

Finally, the third and last limitation refers to the significant differences in the details of the information on transactions with related parties disclosed, having as reference that control is exercised by the Federal Government.

It can be concluded, therefore, that, in the absence of specific accounting standards, there is no obstacle to the use of the CPC rules in force to prepare and disclose combined financial statements, segment reports and reports of transactions with related parties for the set of IFPFs. The great challenge to be overcome for this purpose is the existence of coordination between the accounting departments of these institutions.

As there is no record that the statements elaborated in this work and presented in section 5 have been made or considered previously, it can be argued that this work poses an enigma for the government and for society. Everyone got used to seeing, thinking and evaluating IFPFs as individual institutions, without weighing what they represent together for the country. In some cases, they perform activities that are redundant, in others these institutions, which are public, perform typical activities private financial institutions. However, the survival of these institutions for a long time suggests that individually and as a group they have managed to pass the tests of viability and coexistence. How would the country be if one of them ceased to exist, or what gaps exist in the functions they perform? Are there benefits that justify new institutions?

The regular preparation and publication of combined financial statements, segment reports and reports of transactions with related parties, in addition to the financial statements that IFPFs publish individually, will encourage government agents, politicians, citizens of the country and employees of these institutions to consider individual performance in their proposals, without forgetting the importance of the set of IFPFs.

As stated by Fligstein (1998), one of the main functions of quantitative information systems, such as accounting, in the political process is to impose a common language on contenders where everyone will have to use the same premises and examine the same facts to decide on public policies that do not ostensibly privilege the interests of one group over others. Or as Schopenhauer (2017) wrote, “the availability of common principles accepted by all parties is a requirement for maintaining a debate - contra negantem principia non est disputandum” (p.18). In this instance, accounting may be one of the disciplinary agents of political disputes, through the adoption of combined financial statements,

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Appendix I - List of laws and standards mentioned in the study

Laws (1)
BRAZIL. Law No. 4,595, of December 31, 1964. Provides for Policy and Monetary, Banking and Credit Institutions, Creates the National Monetary Council and makes other provisions.
BRAZIL. Law No. 6,404, of December 15, 1976. Provides for corporations.
BRAZIL. Decree of November 30, 1993. Creates the Management Coordination Committee of Federal Public Financial Institutions, and takes other measures.
BRAZIL. Provisional Measure No. 2,155, of June 22, 2001. Establishes the Program for Strengthening Federal Financial Institutions and authorizes the creation of the Asset Management Company - EMGEA.
BRAZIL. Provisional Measure No. 2,196-3, of August 24, 2001. Establishes the Program for Strengthening Federal Financial Institutions and authorizes the creation of the Asset Management Company - EMGEA.
BRAZIL. Law No. 11,638, of December 28, 2007. Amends and repeals provisions of Law No. 6,404, of December 15, 1976, and Law No. 6,385, of December 7, 1976, and extends provisions to large companies preparation and disclosure of financial statements.
BRAZIL. Decree No. 6,021, of January 22, 2007. Creates the Interministerial Commission for Corporate Governance and the Administration of Corporate Participation of the Union - CGPAR, and takes other measures.
BRAZIL. Decree No. 7,482, of May 16, 2011. Approves the Regulatory Structure and the Statement of Positions in Commission and the Gratified Functions of the Ministry of Finance.
BRAZIL. Decree nº 9.003, of March 13, 2017. Approves the Regulatory Structure and the Statement of Positions in Commission and Trust Functions of the Ministry of Finance, reallocates commission positions and trust functions and replaces commission positions in the Steering Group and Superior Advisory - DAS for Commissioned Functions of the Executive Branch - FCPE.
Central Bank of Brazil (BCB) and National Monetary Council (CMN) rules (two)
BCB. Circular No. 1,273, of December 29, 1987. Institutes the Accounting Plan for Institutions of the National Financial System - COSIF.
BCB. Communiqué 14.259, of March 10, 2006. Announces procedures for the convergence of accounting and auditing standards applicable to financial institutions and other institutions authorized to operate by the Central Bank of Brazil with the international standards promulgated by the International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC).
BCB. Resolution No. 3,750, of June 30, 2009. Establishes criteria and conditions for the disclosure, in explanatory notes, of information on related parties by financial institutions and other institutions authorized to operate by the Central Bank of Brazil.
BCB. Circular 3,472 of October 23, 2009. Establishes conditions and procedures for the preparation and disclosure of consolidated financial statements based on the international accounting standard issued by the International Accounting Standards Board (IASB).

BCB. Circular Letter No. 3,435, dated March 18, 2010. Clarifies the preparation of the opening balance sheet of the consolidated financial statements, in accordance with the pronouncements issued by the International Accounting Standards Board (IASB).

CMN. Resolution No. 3,786, of September 24, 2009. Deals with the preparation and disclosure of consolidated financial statements based on the international accounting standard issued by the International Accounting Standards Board (IASB).

CMN. Resolution No. 3,853 / 10, of April 29, 2010. Deals with the preparation and disclosure of interim consolidated financial statements based on the international accounting standard issued by the International Accounting Standards Board (IASB), and makes other provisions.

CMN. Resolution 3,973, of May 26, 2011. Provides for procedures applicable to the accounting and disclosure of events subsequent to the period to which the financial statements refer.

CMN. Resolution No. 4,280, of October 31, 2013. Deals with the preparation, disclosure and remittance of consolidated Financial Statements from the Prudential Conglomerate to the Central Bank of Brazil and repeals Resolution No. 4,195, of March 1, 2013.

CMN. Resolution No. 4,776, of January 29, 2020. Deals with general criteria for the preparation and disclosure of consolidated financial statements by financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

Financial Accounting Standard Board (FASB) and AICPA standards (3)

ARB. Accounting Research Bulletin - ARB no 51: Consolidated Financial Statements)

FASB. Statement of Financial Accounting Standards No. 14 - Financial Reporting for Segments of a Business Enterprise "(SFAS 14)

FASB. Statement of Financial Accounting Standards no 57 - Related Party Disclosures (SFAS 57)

FASB. Statement of Financial Accounting Standards no 94 - Consolidation of All Majority-Owned Subsidiaries. (SFAS 94).

FASB. Statement of Financial Accounting Standards no 131 - Disclosures about Segments of an Enterprise and Related Information. (SFAS 131).

AICPA. Statement on Auditing Standards no 6 - Related Party Transactions. (SAS 6).

International Accouting Standard Board (IASB) standards (4)

IASB. International Accounting Standard no 14 - Segment Reporting (IAS 14)

IASB. International Accounting Standard no 24 - Related Party Disclosures (IAS 24)

IASB. International Accounting Standard no 27 - Separate Financial Statements (IAS 27)

IASB. International Accounting Standard no 28 - Investments in Associates. (IAS 28)

IASB. *International Financial Reporting Standards* nº 8 - Operating Segments (IFRS 8)

IASB. *International Financial Reporting Standards* nº 10 - Consolidated Financial Statements (IFRS 10)

International Public Sector Accounting Standards (IPSASB) standards

IPSASB. International Public Sector Accounting Standards no 6 Consolidated Financial Statements and Accounting for Controlled Entities (IPSAS 06)

IPSASB. International Public Sector Accounting Standards no 18 - Segment Reporting (IPSAS 18)

Rules of the Accounting Pronouncements Committee (CPC): (5)
CPC. TECHNICAL INTERPRETATION ICPC 09 (R2) - Individual Financial Statements, Separate Statements, Consolidated Statements and Application of the Equity Method.
CPC. TECHNICAL ORIENTATION OCPC 06 - Presentation of Pro Forma Financial Information.
CPC. TECHNICAL PRONUNCIATION CPC 05 (R1) - Disclosure about Related Parties.
CPC. TECHNICAL PRONOUNCEMENT CPC 18 (R2) Investment in Associates, Subsidiaries and Joint Ventures.
CPC. TECHNICAL PRONOUNCIATION CPC 19 (R2) - Joint Business.
CPC. TECHNICAL PRONUNCIATION CPC 22 - Segment information.
CPC. TECHNICAL PRONUNCIATION CPC 24 - Subsequent Event.
CPC. TECHNICAL PRONUNCIATION CPC 26 (R1) - Presentation of the Financial Statements.
CPC. TECHNICAL PRONUNCIATION CPC 36 (R3) - Consolidated Statements.
CPC. TECHNICAL PRONUNCIATION CPC 37 (R1) - Initial Adoption of International Accounting Standards.
CPC. TECHNICAL PRONUNCIATION CPC 44- Combined Statements.
CPC. TECHNICAL PRONUNCIATION CPC 45 - Disclosure of Interest in Other Entities.
Other regulations and documents:
BRAZIL. Interministerial Ordinance No. 76, of April 12, 1999. Authorizes BNDES to carry out the service provision contract maintained with the Consortium of companies led by Booz-Allen & Hamilton Consultores Ltda.
BRAZIL. Interministerial Ordinance MF / MDIC nº 403 of 12/17/2002. Authorizes BNDES to promote the unilateral termination of the service agreement entered into with the Consortium of companies led by Booz-Allen & Hamilton Consultores Ltda.
IBRACON. IBRACON Technical Communication nº 04/2014, of June 13, 2014. The objective of this Technical Communication is to guide independent auditors on the requirement for audit work and the issuance of audit reports on the Consolidated Financial Statements of the Prudential Conglomerate, to which refers to Resolution No. 4,280 of the National Monetary Council (CMN), of October 31, 2013 and complementary regulations.

Source: Own elaboration.
Notes: (1) Available at: http://www.planalto.gov.br;
(2) Available at: <https://www.bcb.gov.br/pre/normativos/busca/;
(3) Available at: https://www.fasb.org/;
(4) Available at https://www.ifrs.org/; and
(5) Available at: http://www.cpc.org.br/CPC/Documentos-Emitidos.