# Accounting Transparency and Business Concentrations: A Study on Financial Disclosure under IFRS

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***Abstract***
*This article analyzes the relationship between financial disclosure in business combinations and the performance of Brazilian companies that apply International Financial Reporting Standards (IFRS). The research focuses on companies listed on the B3 Stock Exchange (Brazil), exploring how corporate factors such as debt, profitability, return on assets (ROA), size, type of external auditor, major shareholders, and industry influence the level of compliance with the disclosure requirements of IFRS 3 – Business Combinations. The sample consists of 60 companies and is based on data extracted from their 2018 annual reports. The results indicate that size, debt, and industry type are positively associated with the level of compliance, while profitability, ROA, auditor quality, and shareholder structure were not significantly related. The study contributes to the literature on financial disclosure and corporate governance by offering relevant empirical evidence for emerging countries and suggesting recommendations for accounting regulators and standard setters.*

***Keywords:*** *financial disclosure; business combinations; corporate performance; IFRS; Brazil.*

## INTRODUCTION

The history of the economy and the business world is marked by rapid and profound changes—economic, social, political, and cultural—that impact both individuals and organizations. These intense transformations stimulate the demand for transparency and accountability in companies, especially in regulatory environments that require mandatory disclosure of financial information. In recent years, research has reinforced how factors such as globalization, economic crises, technological advances, and demands for sustainability have pressured companies in emerging and developed markets to disclose greater quality and quantity of accounting information (Ebaid, 2023; Rodríguez & Maldonado, 2025; Fontana et al., 2024; Zhou et al., 2025). In this context, it becomes particularly relevant to examine the incentives that lead companies to disclose complete financial information and comply with regulatory requirements, as these practices have become not only a legal requirement but also a competitive differentiator, attracting the attention of regulators, investors, and researchers (Rodríguez & Maldonado, 2025; Lavin & Montecinos-Pearce, 2021; Ebaid, 2023).

Transactions related to business combinations (mergers, acquisitions, and divestitures) are among the most significant movements in the capital markets. In addition to reflecting structural changes within organizations, these transactions pose significant risks to a company's current and future cash flows. Therefore, companies are expected to disclose detailed information about these combinations, including the valuation and measurement of acquired assets and liabilities, to reflect associated operational risks and provide transparency to stakeholders (Souza & Borba, 2017; "Value Relevance of Intangible Assets Recognized in a Business Combination," 2024).

The disclosure of financial information regarding business combinations and their impact on corporate performance has been a growing focus of research. Recent studies among Latin American and emerging countries identify that organizational factors such as size, leverage, ownership structure, external audit, and industry still play a relevant role in determining the degree of compliance with international accounting standards such as IFRS (Rodríguez & Maldonado, 2025; Ebaid, 2023). However, it is noted that most of these studies focus on emerging markets outside Brazil, which highlights an empirical gap regarding the behavior of Brazilian companies under these standards. Additionally, there is also evidence that not only formal regulation, but also institutional pressures, investor and market expectations, corporate reputation, governance, and transparency are determinants that can motivate or hinder mandatory disclosure (Fontana et al., 2024; Lavin & Montecinos-Pearce, 2021; Zhou et al., 2025).

In practical terms, studies on mandatory disclosure often examine how corporate characteristics—such as company size, debt level, profitability, return on assets (ROA), type of external auditor, ownership concentration, and industry sector—relate to compliance with accounting and financial disclosure standards. Despite this, gaps persist, especially in Brazilian evidence, particularly regarding the analysis of information related to IFRS 3 (Business Combinations) and its direct link to corporate performance.

Financial information has multiple functions: it allows for the assessment of financial impacts, supports management, guides investment decisions, and complies with regulatory and tax obligations. In emerging markets, such as Brazil, its importance for competitiveness is particularly relevant, given that market credibility and trust depend on information quality (Rodríguez & Maldonado, 2025; Zhou et al., 2025; Fontana et al., 2024). Therefore, it is essential to specifically investigate the disclosure of financial information related to business combinations and their effect on the performance of Brazilian listed companies that apply IFRS. This study seeks to fill this gap, considering factors such as debt, profitability, ROA, organizational size, type of external auditor, ownership concentration (major shareholders), and industrial sector as independent variables.

## LITERATURE REVIEW

The literature on financial disclosure in business combinations highlights the role of IFRS 3 in accounting harmonization and promoting international comparability. Previous studies (Lucas & Lourenço, 2014; Devalle et al., 2016; Nahar et al., 2016) demonstrate that corporate characteristics influence the degree of compliance with the standard. Company size and the complexity of its operations tend to increase disclosure, while political and proprietary costs can inhibit transparency. Several authors have also explored the relationship between corporate governance, shareholder concentration, and disclosure (Aman, 2013; Agyei-Mensah, 2017; Frias-Aceituno et al., 2014). In emerging markets, audit quality and industry type prove to be important determinants. In Brazil, where IFRS adoption has been mandatory since 2010, companies face additional challenges due to high sectoral heterogeneity and differences in regulatory enforcement.

### Financial Disclosure and Business Combinations

Business combinations correspond to a set of transactions carried out between companies as part of the execution of their corporate strategies, to achieve economies of scale, exploit complementarities in activities, or facilitate business succession (Diri et al., 2020; Kaur et al., 2016; Lee et al., 2020; Ray et al., 2018).

In the context of European accounting harmonization, and in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, companies with securities admitted to trading on regulated markets in the European Union must present their

consolidated financial statements in accordance with international accounting standards (IAS/IFRS). With the mandatory adoption of IFRS 3 – Business Combinations – beginning in 2005, entities began to disclose a broader set of information related to business combinations (Devalle et al., 2016; Nahar et al., 2016; Nistorenco, 2019; Silva et al., 2014).

IFRS determine that such disclosures must cover not only combinations carried out during the reporting period, but also those that occurred after the end of the reporting period and before authorization for the issuance of financial statements (Acar & Ozkan, 2017; Carp & Toma, 2018; Devalle et al., 2016; Kota & Charumathi, 2018; Lucas & Lourenço, 2014; Nahar et al., 2016; Silva et al., 2014). In addition to mandatory information, voluntary disclosure is also permitted when regulatory requirements are insufficient to meet the objective of providing transparency and clarity to users of financial information.

Given the inherent complexity of business combination processes, IFRS 3 allows the entity to provisionally determine the value of goodwill at the end of the fiscal year in which the transaction occurs, allowing for the recognition of adjustments in the 12 months following the acquisition date, due to the difficulties in collecting all the necessary information and time and resource constraints (Baboukardos & Rimmel, 2014; Forte et al., 2017).

Considering the volume of mandatory disclosures and the different levels of compliance observed, several authors argue that it would be appropriate for the International Accounting Standards Board (IASB) to reevaluate IFRS 3, removing disclosure requirements whose cost exceeds the informational benefit, in order to promote greater practical applicability, transparency and comparability between companies (Baboukardos & Rimmel, 2014; Chen et al., 2017; Elnahass & Doukakis, 2019; Forte et al., 2017; Glaum, Schmidt et al., 2013; Nistorenco, 2019; Okafor et al., 2016). The growing relevance of business combinations and the consequent demand for financial transparency have led companies to become more organized and rigorous in disclosing their information (AlQadasi & Abidin, 2018; Hashmi et al., 2018; Hou et al., 2016; Lee et al., 2020; Moreno-Pérez et al., 2017; Ray et al., 2018). Business combinations thus assume an increasingly decisive role in the global economy, imposing new demands on the disclosure and transparency of accounting information (Fritsch, 2017; Nistorenco, 2019; Silva et al., 2014).

The effects of market concentration on competition and its positive impact on firm performance have been extensively studied (Andre et al., 2001; Ataay, 2018; Diri et al., 2020; Grassa, 2018; La Rosa et al., 2019; Subramanian & Reddy, 2012). Highly competitive markets tend to restrict firms' ability to obtain significant gains through price differentiation (Moreno-Pérez et al., 2017).

According to IFRS 3, a business concentration can occur through the acquisition of equity interests in another entity, a merger, the acquisition of assets that constitute one or more business activities, the assumption of liabilities, or the acquisition of control by contract. The standard establishes that all mergers must be treated as acquisitions and accounted for using the acquisition method (Abdullah, Evans, Fraser & Tsalavoutas, 2015; Devalle et al., 2016; Kota & Charumathi, 2018; Nahar et al., 2016; Nistorenco, 2019).

The distinction between a business combination and the simple purchase of isolated assets lies in the concept of control, understood as the power to manage an entity's financial and operational policies for the purpose of obtaining benefits from its activities (Torres & Viana, 2015).

These transactions are characterized by diversification and the acquisition of specialized knowledge from different sectors, as well as the pursuit of synergies between companies in the same segment, in order to expand market power and take advantage of economies of scale and distribution channels. This is a complex process, with significant implications for organizational culture and the management of human, financial, technological, and logistical resources (Silva et al., 2014; Torres & Viana, 2015).

Transparent communication between publicly traded companies and stakeholders is essential for the proper functioning of the capital market, directly influencing the decision-making processes of various economic agents. Disclosure of financial information aims, among other things, to protect investors, reduce information asymmetries, and mitigate agency costs. The term "business combinations," as adopted by IFRS 3, encompasses mergers and acquisitions in which an acquiring entity obtains control of the acquired entity.

Regarding the disclosure requirements of IFRS 3 and their complexity, it is pertinent to consider agency theory, which examines the relationships between shareholders (principals), creditors, and managers (agents). This theory recognizes that parties have distinct utility functions and asymmetric information, which can lead to conflicts of interest and agency costs (Abdullah et al., 2015; Carp & Toma, 2018; Lucas & Lourenço, 2014; Nahar et al., 2016; Nistorenco, 2019).

According to this perspective, the contractual relationship between principal and agent implies delegation of authority, and managers do not always make decisions aligned with shareholders' interests, as their objectives may diverge. Thus, the imposition of disclosure standards, such as IFRS 3, constitutes a governance mechanism that aims to reduce information asymmetry and mitigate agency costs (Carpenter et al., 2003; Chen, 2011; Chen et al., 2016; Contractor & Kundu, 1998; Esqueda & Connor, 2020; Sambharya, 2011; Zhang et al., 2018).

Most of the studies analyzed investigate the determinants and effects of financial and non-financial information disclosure by companies, under different institutional, regional, and sectoral contexts.

Authors such as Agyei-Mensah (2017), Torchia and Calabrò (2016), Pisano et al. (2017), and Scaltrito (2016) highlight the influence of board structure (such as the presence of independent directors and board size) and corporate ownership on corporate transparency, especially regarding forward-looking disclosure, human capital, and sustainable practices.

Complementarily, studies such as those by Subramanian and Reddy (2012) and Abdi et al. (2018) explore the effects of voluntary disclosure on international competitiveness and the adoption of online reporting, reinforcing the importance of transparency as a mechanism for reducing information asymmetry and strengthening corporate reputation. Other studies, such as those by Neifar and Jarboui (2018) and Tauringana and Chithambo (2015), focus on the disclosure of operational and environmental risks, highlighting the role of governance mechanisms and regulation in promoting accountability and sustainability commitment.

Ownership, market, or customer concentration is another recurring theme, with direct implications for the quality of disclosed information, the cost of capital, and the financial performance of organizations.

Studies such as Cascino et al. (2010) and Dhaliwal et al. (2016) indicate that high ownership or customer concentration can increase the cost of equity capital by increasing investors' perception of risk. Frias-Aceituno et al. (2014) and Wang et al. (2014) show that sectoral concentration can negatively affect the level of disclosure by reducing companies' incentives to disclose strategic information in less competitive environments.

On the other hand, Lanier et al. (2010) demonstrate that concentrated supply chains can generate superior financial performance, especially among downstream members. In the banking field, Wu and Bowe (2010) observe that higher levels of market concentration lead to smaller capital buffers, directly influencing the stability of the financial sector.

Studies such as those by Cheng et al. (2013) and Markarian and Santalo (2014) address how competition in the product market affects earnings quality and earnings management. Heightened competition appears to act as a disciplinary factor, leading to greater accuracy in financial reporting, although it can also encourage earnings manipulation in environments with high performance pressure.

Furthermore, Stoughton et al. (2017) suggest that more competitive markets do not necessarily promote more efficient investment decisions, pointing to a complex relationship between competitive pressures and strategic corporate decisions.

Corporate governance is shared to almost all of the studies reviewed, being considered a key mediating or moderating variable in the relationships between disclosure, market concentration, financial performance, and competitiveness. The presence of independent directors, the separation of the CEO and chairman roles, and the role of auditors (including the BIG4) emerge as critical factors for promoting transparency, mitigating risks, and increasing the credibility of reports.

The literature review indicates that the disclosure of financial and non-financial information, business concentration, and corporate governance practices are closely interconnected. In environments with high ownership or market concentration, incentives for voluntary disclosure tend to be reduced, which can negatively affect information quality and increase the cost of capital. On the other hand, the presence of robust governance mechanisms can mitigate these adverse effects, promoting greater transparency, efficiency, and competitiveness. Therefore, understanding these dynamics is essential for policymakers, investors, and managers interested in the sustainability and long-term value of organizations.

Glaum, Schmidt, et al. (2013) highlighted the importance of analyzing compliance in a large sample of European companies that are required to apply International Financial Reporting Standards (IFRS). They focused on the disclosures required by IFRS 3 and found that impairment of assets resulted in substantial noncompliance. Compliance levels are determined jointly by company- and country-level variables, indicating that accounting traditions and other country-specific factors continue to play a role despite the use of common reporting standards under IFRS.

The results show that, at the company level, the importance of goodwill positions, prior experience with IFRS, the type of auditor, the existence of audit committees, the issuance of shares or equity securities in the reporting period or subsequent periods, the ownership and financial structure, and the service industry are influential factors. At the country level, the strength of the oversight system and the size of the national stock market are associated with compliance. All factors not only directly influence compliance but also moderate and mediate some company-level factors. Finally, they indicate national culture in the form of the strength of national traditions and influence compliance when combined with company-level factors.

In the study by Białek & Matusiewicz (2015), the authors identify factors that determine the extent of mandatory and voluntary disclosure in the financial reports of listed companies in Poland. This is relevant in the context of the harmonization of reporting standards and the related process of IFRS, which has been in everyday use in consolidated financial statements since 2005. The experts used the Poland Corporate Disclosure Index (PCDI), developed by the research team led by Iderswiderska (2010), for non-financial companies. The PCDI index includes voluntary disclosures in financial statements, management reports, and corporate social responsibility reports.

The results demonstrate a negative correlation between the extent of mandatory and voluntary disclosure and the financial performance of companies/Return on Equity (ROE), except for a positive relationship with disclosure in management reports. Managers likely prefer to display promising results in their management reports, as corroborated by Rosenstein et al. (1993) in their "impression management theory."

It is also interesting to note that when company profitability was lower, managers explained the financial situation in more detail (signaling theory) (Coleman, 2011; Yao et al., 2019). Auditors play an important role in voluntary and corporate social responsibility disclosures, but not in mandatory ones. Larger companies disclose more in each area, according to agency theory (Esqueda & Connor, 2020; Paiva et al., 2019; Sambharya, 2011; Tauringana &

Chithambo, 2015).

Carpal & Toma's (2018) study, in turn, analyzes the quality of financial information, assessing the timeliness of earnings, using information specific to non-financial companies. Listed on the regulated section of the Bucharest Stock Exchange. They sought to assess the symmetry of the shares for the timely recognition of potential gains and losses (components of economic revenue) and, if asymmetry existed, identify the direction of the temporary gap.

The phenomenon was analyzed in conjunction with several control factors, such as Romanian Accounting Standards (RAS), IFRS standards, the level of indebtedness, and the field of activity of the entities. The quantitative analysis, conducted using econometric models, reveals that the companies included in the study provide financial information that meets the assessed qualitative criterion, respectively, the timeliness of gains.

In the discussion of the results, it was possible to identify the timely recognition of unrealized gains and potential losses, as a result of tests performed on the entire sample, representing progress regarding the inclusion of economic losses in the accounting result compared to the recognition of economic gains. The presence of disjunctive factors in the analysis yielded several specific results. In the case of normally indebted companies that apply the IFRS, timely recognition of economic gains and losses was observed, without the specific gap of conservatism.

In the financial world, disclosure refers to the timely disclosure of all information about a company that may influence an investor's decision, as it analyzes the positive and negative information, data, and operational details that affect its business. In this sense, and similar to disclosure in law, the concept is that all parties should have equal access to the same set of facts without prejudice to the interests of justice (Fernando et al., 2020; Garcia-Sanchez et al., 2013; Lepore et al., 2018; Silva et al., 2014; Subramanian & Reddy, 2012; Torchia & Calabro, 2016). The studies on business combinations and corporate performance.

The relationship between business concentration and corporate performance has been widely discussed in the literature, demonstrating that the integration of organizational strategies, the use of technology, and stakeholder management can generate sustainable competitive advantages. According to Chang and Hong (2000), companies affiliated with business groups achieve better economic performance by sharing tangible and intangible resources, in addition to conducting internal transactions as a form of mutual support. This synergy logic is also addressed by Tanriverdi (2005), who states that technological proximity between business units favors knowledge management and, consequently, improves financial performance. Additionally, investment in ERP systems, as discussed by Hitt et al. (2002), despite requiring time to mature, tends to result in significant gains in productivity and market value. In the context of corporate sustainability, Eccles et al. (2014) demonstrate that companies with more consolidated sustainable practices have more efficient organizational processes and superior performance, especially when the board of directors assumes direct responsibility for these practices. Furthermore, authors such as Harrison et al. (2010) and Parmar et al. (2010) emphasize that stakeholder-focused management generates additional value by considering their needs as part of the company's strategic process. Finally, studies such as that by Frias-Aceituno et al. (2014) reinforce that industry concentration can, in some cases, hinder the adoption of more plural and sustainable corporate reporting, negatively impacting transparency and long-term vision. Thus, the literature suggests that corporate performance depends not solely on size or market concentration, but instead on companies' ability to integrate technology, knowledge, governance, and social responsibility into their operational strategy.

## HYPOTHESIS DEVELOPMENT

The following research hypotheses are formulated based on existing literature, seeking to understand the factors associated with the level of compliance with the disclosure requirements of IFRS 3 – Business Combinations.

H1 – Debt - Debt represents the proportion of debt capital used in the company's financing structure. According to agency theory, companies with higher levels of debt tend to disclose more information to reduce information asymmetry and agency costs associated with the relationship between creditors and managers (Fernandes et al., 2013; Lucas & Lourenço, 2014; Ahmed & Courtis, 1999). In this context, the following hypothesis is formulated:

H1: Debt is negatively associated with the level of compliance with IFRS 3 disclosure requirements.

H2 – Profitability - Profitability measures a company's ability to generate profits from available resources (Devaraj & Kohli, 2003; Jonker et al., 2017). More profitable companies tend to adopt higher levels of disclosure as a way to strengthen their image among investors and other stakeholders, as indicated by previous studies (Lucas & Lourenço, 2014; Abro & Awan, 2020). Therefore, we propose:

H2: Profitability is positively associated with the level of compliance with IFRS 3 disclosure requirements.

H3 – Return on Assets (ROA) - ROA is a performance indicator that assesses a company's efficiency in using its assets to generate profits (Baek & Kim, 2015; Sueyoshi & Wang, 2014). Companies with higher return on assets tend to have more transparent accounting practices, resulting in greater compliance with disclosure standards. Therefore, the following hypothesis is presented:

H3: ROA is positively associated with the level of compliance with IFRS 3 disclosure requirements.

H4 – Company Size - Company size is a factor broadly related to the level of accounting disclosure. Larger companies are more exposed to pressure from regulatory agencies, investors, and public opinion, which may lead them to demonstrate greater compliance with disclosure requirements (Lei & Huang, 2014; Lucas & Lourenço, 2014). Therefore, the following hypothesis is presented:

H4: Company size is positively associated with the level of compliance with IFRS 3 disclosure requirements.

H5 – Type of External Auditor (Big 4) - Audits conducted by firms belonging to the Big Four group are generally associated with higher quality and rigor in audit processes. These auditors tend to require greater adherence to accounting standards, promoting greater compliance in disclosures (Abid et al., 2018; Neifar & Jarboui, 2018). Thus, it is established:

H5: The quality of the external auditor is positively associated with the level of compliance with IFRS 3 disclosure requirements.

H6 – Shareholder Structure (Major Shareholders) - The presence of majority shareholders can

influence corporate governance and disclosure levels by seeking to reduce agency conflicts and protect their interests (Frias-Aceituno et al., 2013; Zhang et al., 2018). In this sense, we propose:

H6: Major shareholder ownership is positively associated with the level of compliance with IFRS 3 disclosure requirements.

H7 – Industry Type - Companies' industry sectors can influence disclosure levels, as organizations operating in specific sectors face similar regulatory, competitive, and institutional pressures (Devalle et al., 2016; Gomber et al., 2018). Based on this, the following hypothesis is formulated:

H7: Industry type is associated with the level of compliance with IFRS 3 disclosure requirements.

## METHODOLOGY

### Approach and Data Source

This study adopts a quantitative, descriptive-explanatory approach, based on secondary data extracted from public sources and recognized databases. The objective is to analyze the determinants of the level of compliance with the disclosure requirements of IFRS 3 – Business Combinations, in Brazilian companies listed on the B3 (Brazilian Stock Exchange). The sample includes 60 Brazilian companies that applied IFRS in 2018 and disclosed business combination transactions. Disclosure information was obtained through content analysis of the 2018 annual reports, while financial data were extracted from the Refinitiv Eikon database, widely used in corporate finance studies. The empirical analysis used multiple linear regression, complemented by Pearson's correlation and statistical significance tests, following the tradition of previous studies on disclosure (Forte et al., 2017; Ebaid, 2023; Fontana et al., 2024).

### Dependent Variable: Disclosure Ratio (DI)

The dependent variable is the Disclosure Ratio (DI), constructed based on 13 mandatory items defined by IFRS 3. Each item was assessed on an ordinal scale (0 = not disclosed, 0.5 = partially disclosed, 1 = fully disclosed). The final index is expressed as a percentage of compliance. This method follows practices validated in the accounting literature (Lemos et al., 2009; Ebaid, 2023) and does not weight items, assigning equal weight to all regulatory requirements.

### Independent Variables

Seven explanatory variables were selected based on contemporary literature on corporate disclosure, as described:

- Leverage: the ratio of equity to total assets (Zhou et al., 2025).
- Profitability (PROFIT): the return on equity (Abro & Awan, 2020).
- Return on Assets (ROA): management efficiency in the use of assets (Rodríguez & Maldonado, 2025).
- Company Size (EmpDim): natural logarithm of total assets (Ebaid, 2023).
- External Auditor (BIG4): binary variable for the presence of audits by the Big Four (Lavin & Montecinos-Pearce, 2021).
- Shareholder Concentration (SC): approximate measure of shareholder control (Sacomano Neto et al., 2020).
- Business Sector (IND): categorical variable for the type of industry (Zhou et al., 2025).

**Analytical Strategy**

The statistical model allows empirical testing of hypotheses based on three main theories:

• Agency Theory, which predicts greater disclosure to mitigate conflicts between managers and stakeholders.

• Signaling Theory, which considers disclosure as a means of demonstrating quality and performance. • Legitimacy Theory, which links transparency to the pursuit of institutional acceptance.

The adopted methodology ensures empirical robustness and adherence to best practices in studies on regulatory compliance in emerging markets (Rodríguez & Maldonado, 2025; Fontana et al., 2024).

## ANALYSIS AND DISCUSSION OF RESULTS

**Descriptive Statistics**

This study tests seven hypotheses related to corporate performance and its impact on the level of compliance with the mandatory disclosure requirements established by IFRS 3. The analysis aims to identify differences between companies with high and low levels of compliance in disclosing information on business combinations.

The research is part of a consolidated body of literature on the relevance of accounting information and the informative value of disclosure, as evidenced by previous studies (Bykova & Jardon, 2018; Guzzini & Iacobucci, 2017; Hou et al., 2017; Kosarkoska & Mircheska, 2012; Santoro et al., 2019). To empirically assess the influence of explanatory variables on the level of disclosure compliance, multiple linear regression was applied using the ordinary least squares (OLS) method to estimate the following model:

$$(1)\ IND\_DIV_j = \alpha_0 + \alpha_1 LEV_J + \alpha_2 PROF_j + \alpha_3 Ln(TOTAL\_ASSETS_j) + \alpha_4 ROA_j + \alpha_5 BIG4_j + +\alpha_6 SHARE_j + \alpha_7 \mathrm{CONS\_DISC}_j + \alpha_8 \mathrm{CONS\_STAP}_j + \alpha_9 UTILIT_j$$

Based on and supporting all the foundations of the previous literature, and having identified some of the main characteristics and variables of the disclosure indexes of companies' financial information, this leads us to propose the following conceptual model in figure 1:

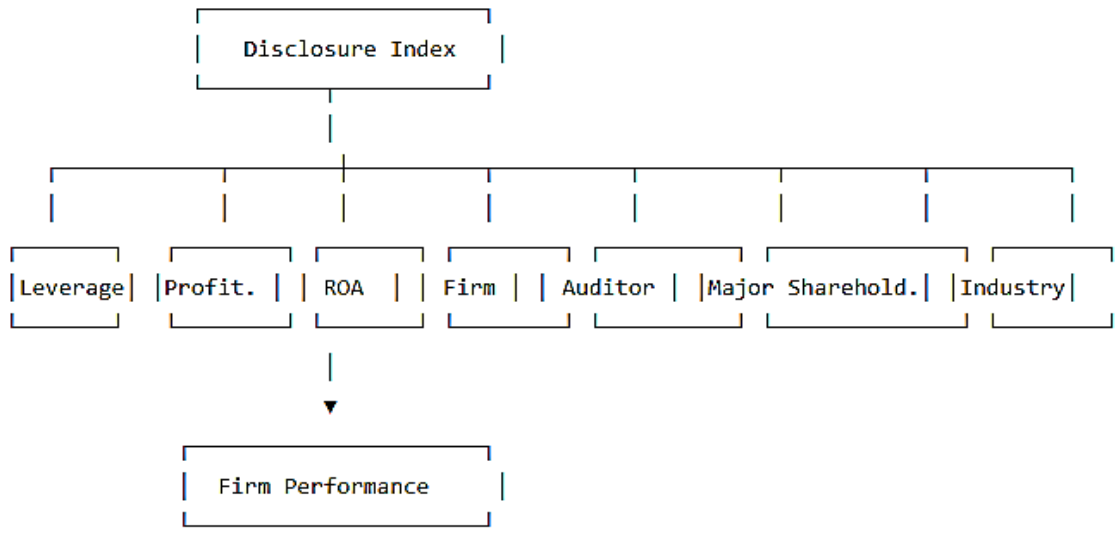


**Figure 1.** Proposed conceptual model

The proposed model establishes that the relationship among the variables is represented by the disclosure index [$IND\_DIV_j$], which depends on the weighted sum of several corporate and sectoral determinants. Specifically, the model is formulated as follows:

$$IND\_DIV_j = \alpha_0 + \alpha_1 LEV_j + \alpha_2 PROF_j + \alpha_3 Ln(TOTAL\_ASSETS_j) + \alpha_4 ROA_j + \alpha_5 BIG4_j + \alpha_6 SHARE_j + \alpha_7 CONS\_DISC_j + \alpha_8 CONS\_STAP_j + \alpha_9 UTILIT_j + \varepsilon_j$$

where:

- $LEV_j$represents the leverage ratio (Equity Ratio);
- $PROF_j$denotes profitability;
- $Ln(TOTAL_ASSETS_j)$indicates the firm size, expressed as the natural logarithm of total assets;
- $ROA_j$measures the return on assets;
- $BIG4_j$is a dummy variable equal to 1 if the company is audited by one of the Big Four auditing firms, and 0 otherwise;
- $SHARE_j$corresponds to the largest shareholder ownership (%);
- $CONS\_DISC_j$, $CONS\_STAP_j$, and $UTILIT_j$are industry dummy variables, taking the value 1 when the company belongs to the Consumer Discretionary, Consumer Staples, and Utilities sectors, respectively, according to the Industry Classification Benchmark (ICB).

The variables used in the study are summarized in Table 1, which presents their names and operational definitions:

**Table 1.** Variables of the study

| Variable Name | Definition |
|---|---|
| **IND_DIV** | Disclosure Index |
| **LEV** | Equity Ratio |
| **PROF** | Profitability |
| **Ln(TOTAL_ASSETS)** | Natural logarithm of total assets |
| **ROA** | Return on assets |
| **BIG4** | Dummy = 1 if audited by one of the Big Four |
| **SHARE** | Largest shareholder ownership (%) |
| **CONS_DISC** | Dummy = 1 if ICB industry is Consumer Discretionary |
| **CONS_STAP** | Dummy = 1 if ICB industry is Consumer Staples |
| **UTILIT** | Dummy = 1 if ICB industry is Utilities |

In all estimations, the existence of multicollinearity among the explanatory variables was assessed through the Variance Inflation Factor (VIF). Additionally, heteroskedasticity-robust standard errors were estimated for the coefficients in order to correct for potential heteroskedasticity issues.

Data processing and statistical analyses were carried out using IBM SPSS Statistics, version 25.0 (IBM Corporation, USA). The descriptive statistics and the correlation matrix for the variables included in the model are presented in Table 2.

**Table 2.** Descriptive statistics and correlation matrix

| | N | Média | Mediana | DP | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) IND_DIV | 60 | 0,59 | 0,63 | 0,17 | 1,000 | | | | | | | | | |
| (2) LEV | 60 | 128,42 | 72,38 | 308,72 | -0,261* | 1,000 | | | | | | | | |
| (3) PROF | 60 | 12,27 | 7,62 | 46,07 | 0,069 | 0,012 | 1,000 | | | | | | | |
| (4) Ln(TOTAL_ASSETS) | 60 | 15,83 | 15,97 | 1,72 | -0,186 | 0,239 | 0,151 | 1,000 | | | | | | |
| (5) ROA | 60 | 5,59 | 6,22 | 8,99 | 0,086 | 0,170 | 0,129 | 0,316* | 1,000 | | | | | |
| (6) BIG4 | 60 | 0,88 | 1,00 | 0,32 | 0,101 | -0,371** | 0,164 | 0,150 | 0,198 | 1,000 | | | | |
| (7) SHARE | 60 | 40,46 | 42,85 | 20,70 | 0,000 | -0,064 | 0,357** | 0,195 | 0,154 | 0,118 | 1,000 | | | |
| (8) CONS_DISC | 60 | 0,20 | 0,00 | 0,40 | -0,031 | -0,098 | 0,095 | -0,144 | 0,057 | 0,182 | 0,020 | 1,000 | | |
| (9) CONS_STAP | 60 | 0,13 | 0,00 | 0,34 | 0,033 | 0,330** | -0,160 | 0,052 | 0,090 | -0,468** | 0,014 | -0,196 | 1,000 | |
| (10) UTILIT | 60 | 0,17 | 0,00 | 0,38 | 0,257* | -0,104 | 0,136 | 0,135 | -0,029 | 0,163 | 0,286* | -0,224 | -0,175 | 1,000 |

Nota: * $p < 0,05$; ** $p < 0,01$; N – dimensão da amostra; DP – Desvio Padrão

Table 2 presents the descriptive statistics and correlation coefficients for the variables included in the model. The sample comprises 60 listed companies. The disclosure index (IND_DIV), the dependent variable, shows an average value of 0.59, with a median of 0.63 and a standard deviation of 0.17, indicating moderate variation in the level of disclosure practices among the firms analyzed. Regarding the correlation results, the univariate analysis reveals that the disclosure index (IND_DIV) is significantly correlated with two variables: leverage (LEV) and the Utilities sector dummy (UTILIT). Specifically, there is a negative and statistically significant correlation between IND_DIV and LEV ($r = –0.261$; $p < 0.05$), suggesting that firms with higher levels of indebtedness tend to disclose less information. This result aligns with agency theory, according to which highly leveraged firms may face greater monitoring costs and therefore prefer to limit voluntary disclosure to avoid additional scrutiny. Conversely, IND_DIV presents a positive and significant correlation with the Utilities industry dummy (UTILIT) ($r = 0.257$; $p < 0.05$). This indicates that companies operating in the Utilities sector exhibit higher levels of disclosure compared with firms in other industries. This finding may reflect the regulatory nature and public visibility of utilities, which often encourage greater transparency and more standardized reporting practices. The other correlations between IND_DIV and the remaining explanatory variables (PROF, Ln(TOTAL_ASSETS), ROA, BIG4, SHARE, CONS_DISC, CONS_STAP) are not statistically significant, suggesting that, at the bivariate level, these variables do not exhibit a strong linear relationship with disclosure levels.

Examining the control variables, notable correlations include:

- A negative and significant correlation between BIG4 and LEV ($r = –0.371$; $p < 0.01$), indicating that firms audited by Big Four auditors tend to be less leveraged.
- A positive and significant correlation between Ln(TOTAL_ASSETS) and ROA ($r = 0.316$; $p < 0.05$), suggesting that larger firms generally achieve higher returns on assets.
- A positive and significant association between PROF and SHARE ($r = 0.357$; $p < 0.01$), implying that companies with higher profitability often have more concentrated ownership structures.
- A negative and significant correlation between BIG4 and CONS_STAP ($r = –0.468$; $p < 0.01$), indicating that firms in the Consumer Staples sector are less likely to be audited by Big Four auditors.

Overall, the correlation coefficients are relatively low to moderate, indicating the absence of severe multicollinearity, a conclusion further supported by the Variance Inflation Factor (VIF) test conducted in subsequent estimations.

From a broader perspective, these findings suggest that disclosure practices vary according to firms' financial structure and industry characteristics. The negative relationship between disclosure and leverage may reflect information asymmetry and risk aversion among more indebted firms. In contrast, the positive relationship observed for Utilities firms may highlight the impact of sectoral regulation and public accountability in shaping transparency levels.

The descriptive results also reflect certain contextual specificities of Brazilian listed companies, where socio-territorial and institutional factors influence the degree of information disclosure. Thus, differences in disclosure intensity across sectors may relate not only to firm size or profitability but also to the regulatory and social expectations faced by each type of company.

The following section (Table 3) presents the estimated regression model results, which further explore the joint effects of these variables on the disclosure index.

**Table 3.** Estimated model (Coefficients and standard errors)

| | Coeficiente | VIF | p |
|---|---|---|---|
| $\alpha_0$ | 0,94 | - | 0,000 |
| LEV | -0,01** | 1,39 | 0,003 |
| PROF | 0,00 | 1,22 | 0,245 |
| Ln(TOTAL_ASSETS) | -0,02 | 1,30 | 0,067 |
| ROA | 0,00 | 1,24 | 0,059 |
| BIG4 | 0,02 | 1,64 | 0,748 |
| SHARE | 0,00 | 1,31 | 0,360 |
| CONS_DISC | 0,00 | 1,19 | 0,965 |
| CONS_STAP | 0,11 | 1,47 | 0,079 |
| UTILIT | 0,14** | 1,25 | 0,008 |
| $R^2$ | | 23,3% | |
| $R^2$ ajustado | | 9,5% | |
| F | | 1,688 | |

Note: * p < 0.05; ** p < 0.01; N – sample size; VIF – Variance Inflation Factor; F – F-test; *, **, and *** indicate statistical significance at the 0.10, 0.05, and 0.001 levels, respectively (n = 60).

The adoption of IFRS and value relevance allows us to analyze the value of accounting information among companies that voluntarily adopted IFRS in Table 3 (Elnahass & Doukakis, 2019; Nistorenco, 2019; Sanabria-García & Garrido-Miralles, 2020). The estimated model (coefficients and standard errors) aims to investigate the effects of voluntary IFRS adoption on the value relevance of accounting information (Bykova & Jardon, 2018; Iorio et al., 2017).

Correlation coefficients are statistical methods for measuring the relationships between variables and their corresponding meanings. Correlation seeks to understand how one variable behaves in a scenario where another is varying, aiming to identify whether there is any relationship between the variability of both. Although it does not imply causality, the correlation coefficient expresses this relationship in numbers, that is, it quantifies the relationship between the variables. Pearson's correlation coefficient (r), also called linear correlation or Pearson's r, is a measure of the degree of relationship between two quantitative variables and expresses the degree of correlation through values between -1 and 1. When the correlation coefficient approaches 1, an increase in the value of one variable is observed when the other also increases, that is, there is a positive linear relationship. When the coefficient approaches -1, it is also possible to say that the variables are correlated, but in this case, when the value of one variable increases, the value of the other decreases. This is called a negative or inverse correlation.

A correlation coefficient close to zero indicates that there is no relationship between the two variables, and the closer they are to 1 or -1, the stronger the relationship.

Table 3 presents the results for the estimated model, finding that the models have reasonable predictive power (R2 = 23.3%, adjusted R2 = 9.5%, F = 1.688). Following the model estimation, the results show that the adjusted R-squared is approximately 9.5%. This article stipulates that the explanatory variables contributed 23.3% to the explanation of stock price, and

the model is globally significant (F statistic = 1.688; p-value = 0.000).

However, the estimated model of coefficients and standard errors applied to these variables reveals that their standard deviations are significantly lower after IFRS adoption at the 1% level. Next, it is observed that the mean value of (PROF, ROA, BIG4, SHARE, CONS_DISC, CONS_STAP, UTILIT) is statistically significant at the 1% level ($\alpha = 0.14$; $p < 0.01$). Conversely, the UTILIT variable has a positive, statistically significant effect on IND_DIV ($\alpha = 0.14$; $p < 0.01$), where UTILIT companies are associated with higher levels of financial disclosure.

On the other hand, regarding the variables that have a statistically significant impact on the Disclosure Index (IND_DIV), the LEV variables have a statistically significant adverse impact ($\alpha = -0.01$; $p < 0.01$), where the higher the value of this variable, the lower the IND_DIV.

Therefore, regarding the corporate debt variable (H1), it is found to be negatively associated with the level of compliance with IFRS3 disclosure requirements. This hypothesis is valid, as can be seen in the model analysis. This relationship is not significant, as the relationship between these two variables is negative, where LEV (r = -0.01; VIF = 1.39; and p = 0.003). This result is consistent with the theories of Fernandes et al. (2013), Fernandes and Lourenço (2014), Guerreiro (2006), and Kang and Gray (2011).

Regarding the corporate profitability dimension (H2), it is positively associated with the level of compliance with IFRS3 disclosure requirements. This contrasts with the results obtained by Lucas and Lourenço (2014), Abro & Awan (2020); Ataay, (2018), Beccalli, (2007), Elekdag et al., (2020) and Ma et al., (2020), it was found that there is a positive relationship between these two variables, as PROF (r=0.00; VIF=1.22 and p=0.245). Thus, it is concluded that this hypothesis is not valid. Regarding variable (H3), companies' Ln(TOTAL_ASSETS) is positively associated with their level of compliance with IFRS3 disclosure requirements (Baek & Kim, 2015; Borlea et al., 2017; Kohli et al., 2012; Ren & Dewan, 2015; Sueyoshi & Wang, 2014). Like (H2), this hypothesis is also not valid, as the relationship between the two variables is not significant (Ln(TOTAL_ASSETS) (r=-0.02; VIF=1.22 and p=0.245).

Given variable (H4), companies' size is positively associated with their level of compliance with IFRS3 disclosure requirements. This hypothesis is also not validated, as the relationship between these two variables is close to zero, where ROA (r=0.00; VIF=1.24 and p=0.059). Contrary to the results obtained by Abdi et al. (2018), Aydin & Dube (2018), Forte et al. (2017), Schwatka et al. (2020), Vavrek & Bečica (2020), and Lucas and Lourenço (2014).

H5, regarding the dimension of External Auditor Quality, is positively associated with the level of compliance with IFRS3 disclosure requirements. Given that BIG4 (r=0.02; VIF=1.64; and p=0.748), there was no positive relationship between these two variables. Therefore, we conclude that this hypothesis is not valid.Regarding hypothesis (H6), Major Shareholders may be positively associated with the level of compliance with IFRS3 disclosure requirements (Hussain I et al., 2018; Karajeh, 2019; Park & Kim, 1997; Tang & Luo, 2016; Frias-Aceituno et al., 2013; Hilmola, 2020; Sacomano Neto et al., 2020). According to our results, the relationship between these two variables is negative (SHARE) (r=0.00; VIF=1.31 and p=0.360). We conclude that it is not valid.

Finally, variable (H7), the type of industry, may be associated with the level of compliance with IFRS3 disclosure requirements, where UTILIT (r=0.14; VIF=1.25 and p=0.008). The results are consistent with the conclusions obtained by Devalle et al. (2016). Gewald & Dibbern, (2009), Gomber et al., (2018), Hasan et al., (2017), Jonker et al., (2017), Shu & Strassmann, (2005); Zhao & Pang, (2018). In fact, these studies consider the existence of a

link between the type of industry and the level of disclosure. It is concluded that the hypothesis is valid.

## CONCLUSIONS

This study analyzed the influence of financial disclosure on business combinations (in accordance with IFRS 3) on the performance of Brazilian companies listed on the B3 stock exchange. Based on a sample of 60 companies, seven hypotheses related to corporate characteristics such as debt, profitability, return on assets (ROA), size, auditor type, ownership structure, and industry were tested.

The results showed that financial disclosure remains limited, even when mandatory, which may reflect both strategic management choices and factors such as lack of technical expertise, misinterpretation of the standard, or unintentional negligence. The adoption of IFRS, while relevant, still faces challenges related to the consistency and comparability of disclosed information.

Larger companies tend to demonstrate greater compliance with IFRS 3, as previously shown in previous studies (Lei & Huang, 2014; Forte et al., 2017). Furthermore, the company's industry showed a positive and statistically significant influence on the level of disclosure. On the other hand, debt and, in some cases, size showed a negative relationship with the compliance index, indicating that more leveraged or larger companies do not always prioritize informational transparency.

The results also indicate that companies with higher levels of compliance tend to have better market performance, reflected in higher share prices, reinforcing the importance of financial disclosure for investors. However, the differences between companies that voluntarily adopt IFRS and those required to do so suggest that the method of adoption can impact the informational content of financial statements (Elnahass & Doukakis, 2019; Nistorenco, 2019).

Overall, the findings align with international literature, confirming that IFRS adoption in Brazil still lacks uniform and practical application, which directly impacts the quality of information provided to the market.

The research provides important insights for regulators, investors, and capital market participants by highlighting that compliance with IFRS 3 still falls short of expectations. This can compromise the comparability of financial statements and affect investor confidence.

Limitations include the focus on a single country—which limits the generalizability of the results—and the possibility of delving deeper into additional variables. Furthermore, some contextual characteristics of Brazil, such as the level of legal protection and governance practices, directly influence the results.

Future research could expand the analysis to other countries or periods, explore different disclosure indices, and monitor the effects of recent initiatives aimed at improving oversight and enforcement of accounting standards in Brazil. It is also important to investigate whether recent institutional advances are actually contributing to improving the quality of disclosure and compliance with IFRS in the Brazilian corporate environment. The results obtained for the hypotheses formulated are summarized below. Leverage (H1) showed a negative and significant relationship with the level of compliance with IFRS 3 disclosure requirements, thus being valid. Profitability (H2) showed a positive but non-significant relationship, thus failing to confirm the proposed hypothesis. Similarly, return on assets (ROA) (H3) and company size (H4) showed positive but non-significant associations, thus failing to validate their respective hypotheses.

Regarding the quality of the external auditor (H5), the analysis revealed that companies

audited by the Big Four firms did not exhibit significant differences in compliance levels, failing to validate the hypothesis. Similarly, ownership structure (H6), represented by the presence of majority shareholders, did not have a significant effect on compliance with IFRS 3 disclosure requirements.

Finally, the hypothesis related to industry type (H7) was validated, indicating that a company's sector of activity significantly influences its level of compliance with the standard's disclosure requirements. Thus, only the variables leverage and industry type showed statistically significant associations with the disclosure index, partially confirming the initially formulated hypotheses.

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