


## LATEST COUNTRY REPORT

# BRAZIL: TRANSPARENCY AND CONTROL

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Brazilian accountants have an optimistic view of the impact of more-regular reporting and the implications of audit controversies for the profession. *Paul Golden* reports.

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One of the most significant changes in the Brazilian accounting market over the last 12 months has been the introduction of CPC 47, which is similar to IFRS 15 – Revenue from contracts with customers.

The financial instruments standard CPC 48 was also created for the purpose of greater control and transparency of financial reporting. Daniel Maranhão, managing partner at Grant Thornton Brazil, says his firm's experience is that entities are usually not prepared for new laws and regulations relating to corruption and money laundering.

He reckons the higher level of monitoring procedures required means compliance-related work has high potential for growth, and also refers to increased demand for cybersecurity services and data protection.

“Additionally, transaction services such as due diligence, debt restructuring and Chapter 11 services have potential to grow due to an increase in M&A activity and the poor financial position of companies impacted by Brazil's economic downturn,” adds Maranhão, who suggests that the major challenge facing accounting firms in Brazil in 2018 – and in the years to come – relates to increased use of technology in the audit process.

IAPA member firm Triade Auditores Independentes partner Sergio Behrend observes that an increasing number of accounting professionals are using cloud solutions. “The use of technology is a Brazilian government requirement,” he says. “All accounting transaction data must be sent to the government using a specific programme.”

Two other notable requirements introduced over the last 12 months are the so-called Block K, which consists of a digital version of the inventory and production-control book, and the E-Social, where companies must report all activities related to their payroll.

The new auditor's report has been well received, with a survey by the Brazilian Institute of auditors finding that the report meets the growing desire from users of financial statements for greater compliance, objectivity and transparency.

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# ARGENTINA: LOOKING FOR A CLEARER VIEW

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The Argentine accounting profession continues to grapple with the impacts of a weak economy and a culture of financial corruption. Paul Golden takes a closer look.

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In July, the managing director of the IMF, Christine Lagarde, stated that the Argentine authorities were implementing a decisive economic reform plan aimed at strengthening its economy and bolstering confidence.

The government had shown strong commitment to implement its plan so far, she stated. “The Central Bank of Argentina has put in place measures that have helped reduce financial volatility and improve transparency, and progress is ongoing regarding the fiscal measures for next year. We expect growth to stabilise in the last quarter of 2018 and see a gradual recovery in 2019 and 2020 as confidence grows and the cost of capital falls – along with inflation – while exports pick up.”

However, Luis Uncal, partner at MGI Worldwide member firm MGI Jebesen & Co, notes that between May and June 2018, the Argentine currency was strongly devalued and the inflation rate has risen dramatically.

This situation prompted new practices within the accounting environment regarding the implementation and application of a comprehensive adjustment for inflation to the financial statements corresponding to financial years ending from July 2018 onwards. Sebastián García, commercial director of IAPA member firm Casin & Asociados describes 2018 as a year of change in the profession, with the government approving reforms at the end of last year that will see a gradual reduction of income tax from 35% to 25% and the establishment of VAT for technology services such as Netflix and Spotify.

“The application of IAS 29 [financial reporting in hyper-inflationary economies] will be a real challenge for accounting firms,” he says. “It will be critical to work side by side with clients in order to ensure the right applications for these changes.”