

# RELATIONSHIP BETWEEN FINANCIAL AND COMPLIANCE AUDIT AND ACCOUNTING INFORMATION QUALITY: A BIBLIOMETRIC STUDY FROM 1990 TO 2012

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## Abstract

This paper identifies the relationship between the Financial and Compliance Audit (FCA) and the accounting information quality described in national and international literature. For that we carried out a bibliometric study in national and international journals on accounting area. We analyzed the papers published from 1990 to 2012. The results indicate that there is a link between the level of FTC and earnings informational quality. However, there is disagreement among the authors, because 23.08% of the studies indicate that the highest level of FTC improves the quality of accounting information by reducing opportunistic practices of managers. On the other hand, 76.92% of searches found the lowest level of FTC results in greater disclosure and consequent improvement in the quality of accounting numbers. This research contributes to the accounting literature by showing the effect of linking the accounting practice to tax rules standards in the studied period concerning to the quality of accounting statements reported to external users, which in turn can influence decision-making process in economic agents.

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**Keywords:** Financial and compliance audit, taxable income, accounting profit, accounting statements quality

## Introduction

International authors have investigated the accounting relevance to capital market development as well the role of accounting rules on disclosed Accounting Statements Quality (Santos, Lima, Freitas & Lima, 2011). Trying to understand the factors which affect the information content of financial statements disclosed to the users in and different scenarios, several studies were carried out searching the quality-affecting variables such as: the country's legal system, capital structure, property types, tax legislation, result management, discretionary accruals, corporate governance developing mechanisms, accounting conservatism and differences between accounting result and taxable (Basu, 1997; Desai, 2003; La Porta, De-Silanes & Shleifer, 2008; Hanlon & Slemrod, 2009; Ayers, Laplante & Mcguire, 2010; Armstrong, Blouin & Larcker, 2012; Moore, 2012).

Hanlon (2005) contributes to this discussion by arguing that the quality of reported earnings can be analyzed by means of the differences between accounting and taxable income results.

Radcliffe (1993 *apud* Lamb, Nobes & Roberts, 1998) distinguishes the approach or withdrawal of the two ways of calculating the result as follows: when the result for tax purposes is calculated based on generally accepted accounting principles (GAAP) has to tax

compliance. According to the authors, when financial reports are prepared in accordance with tax purposes the financial compliance occurs. As said by Chan, Lin and Mo (2010), the higher the level of financial and tax compliance (FTC) closest accounting practices are tax determinations to calculate the result. This increase in FTC is part listed by some authors as a major reason for deteriorating the earnings informational quality. (Ball & Shivakumar, 2005; Goncharov & Zimmermann, 2006; Hanlon, Maydew & Shevlin, 2008; Yoon, 2008; Hanlon & Slemrod, 2009; Chluddek, 2011; Costa, 2012).

Costa (2012, p. 99) affirms that “the difference between accounting profit reported in the income statement published by a company, and the taxable income declared to the tax authorities is due to a misalignment between accounting standards and tax regulations”. This divergence between the rules results in the difference between accounting income and taxable income (TI). The relationship between FTC and TI is analyzed by Chan, Lin and Mo (2010), who suggested that the higher the level of FTC, the lower the TI, and the lower the level of FTC, the greater the TIs

In this context, the usefulness of financial statements (FS) to external users has been questioned, mainly in countries where the accounting system is based on tax rules. This is the case of countries with legal system named as code law one, in which the influence of tax rules is determinant to elaborate and disclose accounting statements (La Porta, De-Silanes & Shleifer, 2008; Shaviro, 2008; Alali & Cao, 2010; Chan, Lin & Mo, 2010; Rezaee, Smith & Szendi, 2010; Santos, Lima, Freitas & Lima, 2011). Iatridis (2011) indicates that we can consider the accounting statements as relevant when if it can help decision makers efficiently and timely, So that, we can consider that the accounting users of code law system need information for decision-making purposes. According to Rezende and Nakão (2012), tax accounting provides information for tax collection purposes, not meeting the shareholder needs.

According to Sunder (1997 *apud* Formigoni, Antunes & Paulo, 2009), tax regulation affects corporate accounting, as it is the tool to calculate the amount of taxes to be raised for the public coffers. The tax law provides guidelines for calculating income tax, while the accounting regulation agencies establish the principles for the preparation of financial statements for dissemination to external users (Formigoni, Antunes & Paulo, 2009).

This dual demand leads to two ways of calculating the result. Hanlon and Heitzman (2010) affirm that this to the fact of accounting having two users with different economic interests: shareholders and government. Shareholders require information about the economic performance of the company, since the IRS requires information for purposes of tax collection (Rezende & Nakão, 2012). These different requirements cause differences in the information content transmitted to the tax authorities and shareholders (Comprix, Graham & Moore, 2011). Desai (2005) observed that the fact of having two ways to report results contributes for having less meaningful information on the capital market as well as a reduction in tax revenue earned by governments.

Given the presented context, the search problem was formulated as follows: which is the nationally and internationally identified relationship between FTC and accounting statements quality? Thus, the main objective of this paper is to analyze the identified relationship between the level of FTC and the quality of accounting information identified in national and international literature. The methodology involves a bibliometric study carried out by collecting national and international papers published journals available on QUALIS / CAPES on Administration, Accounting and Tourism areas from 1990 to 2012.

This study is justified for presenting a summary of the searches on FTC and identifying in which stage the investigations on this subject are. Moreover, the results of this research can help future searchers to identify the main studies on this theme and the proxies to quality of accounting statements. The results of this search can be useful to accounting and

market regulator agencies and for other external users, because it will give the results of searches on the impact of tax rules on accounting practices and on the quality of the information disclosed to users. The results can be also useful to countries' legislature when they consider approving tax rules, because the changes in tax laws can influence economic decisions of market participants.

This paper has four sections besides this introduction. The next one presents literature review; the third one describes the search methodology; afterwards we present data analysis with the pertinent discussion and the conclusions

## **Theoretical frame**

### **Financial and Tax Compliance (FTC)**

Financial and Tax compliance refers to the unification of the process of calculating profit that is presented to people who make use of accounting information process. Along the lines of FTC, there would be no separation between the profit that serves the purposes of government revenues, and that one reported on corporate to other stakeholders mainly those in capital market (Atwood, Drake & Myers, 2010). For tax purposes, tax compliance would occur when the base used for calculating taxes followed the generally accepted accounting principles (GAAP). However, when the income reported in the financial statements occurred according to tax purposes, there would be financial compliance (Radcliffe, 1993 apud Lamb, Nobes & Roberts, 1998).

James (2009) points out that occurs greater FTG levels in a system that calculates variables such as revenues, expenses and profits in the same way both for accounting purposes and for tax intentions. This results in lower difference between accounting income and taxable income (TI). On the other hand, this author states that the reason of segregating accounting and taxable incomes is just because accounting aims to serve users with different purposes and for this the rules and practices in accounting statements cannot always be used to determine the tax liability.

Hanlon, Maydew and Shevlin (2008) assert that when FTC level is low, that is, there is higher segregation on determining accounting and tax profits, the managers tend to present lower earnings to the tax authorities and disclose greater profits to their shareholders. Nevertheless, these authors also found that the earning informativeness is reduced when there is an increase in the FTC level, which is the systematic difference reduction in calculating profits, suggesting that managers tend to minimize tax effects instead of disclosing earnings.

Another form of analyzing TI is by means of temporary and permanent differences which can be generated on calculating accounting and tax incomes (Costa, 2012). Regarding temporary difference, the Technical Pronouncement CPC82 32 – Taxes on Income issued by Accounting Pronouncements Committee (ATP) as equivalent to the International Accounting Standards (IAS) 12 defines that “Temporary difference is that between asset or liability accounting values in the balance sheet and its tax base” (CPC 32, 2009, p. 5). Regarding the permanent differences, they are incurred in determining accounting and taxable profits and they correspond to a unique register in financial or tax system and do not allow the creation of deferred taxes as those derived from temporary differences (Weber, 2006).

Phillips, Pincus and Rego (2003, p. 496) comment that deferred tax is “[...] an empirical proxy for differences between accounting and tax income, because it reflects taxable temporary differences associated to the income statement”. These authors highlighted that deferred tax can be used as a way to analyze whether companies are managing their results. However Chludek (2011) demonstrated that investors have not considered the deferred tax information as a determinant on evaluating companies.

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<sup>82</sup> In Portuguese: CPC - Comitê de Pronunciamentos Contábeis: ATP – Accounting Technical Pronouncements

Concerning to searches on differences between accounting and tax incomes, their growth occurred from the 1990s (Mills; Newberry & Trautman, 2002; Hanlon, Maydew & Shevlin, 2008). However, although this growth, there is not a consensus among the scientific production concerning to profit unification, but we can observe that the studies have demonstrated a link between FTC level and accounting information quality.

### **Accounting statements quality**

Studies on DTC have as main objective to explain whether accounting information quality is improved when there is greater or lower when there is greater or lesser level of integration between the accounting and tax profits. We can observe in scientific literature that the studies are directed to the relationship between FTC and variables which affect the statement quality, such as reduction on result management, greater timeliness of results, more relevance of accounting statements and reduction in FTC level. (Daske, Hail, Leuz & Verdi, 2007; Liu & Liu, 2007; Atwood, Drake & Myers, 2010; Rezaee, Smith & Szendi, 2010; Aubert & GrudnitskiI, 2011; Dimitropoulos, Asteriou, Kousenidis & Leventis, 2013).

According to Frank, Lynch and Rego (2009), accounting information quality is impaired when the TFC level is lower, because the mentioned profit may oscillate in the financial and tax system in the same period. Moreover, the differences between accounting and tax income are associated to the reduction in tax collection and less favorable ratings in credit lending (Goncharov & Zimmermann, 2006; Ayers, Laplante & McguireE, 2010).

Wilson (2009) suggests that Market and academic community can use the differences between accounting and tax profits as an indicator of tax evasion. Nevertheless, Lev and Nissim (2004) state that the investors take into account only the differences between accounting and taxable income to assess the quality of information, but these users do not realize the information considered in calculating tax income in companies with greater profit quality, that is, lower difference between the reported profits.

Chan, Lin and Mo (2010) comment that higher level of conformity between accounting and taxable incomes in the United States would help in reducing the opportunities and incentives for fiscal failure. Badertscher, Phillips and Pincus (2009) also showed to be favorable to a higher FTC, level. They showed as a result in their study that lower FTC levels favor the profit result management.

By contrast, it was observed that higher FTC level implies smaller representation of financial information reported by financial statements, apart from delay in disclosure of profits, since firms compile their results with reference to the tax collection (Guenther, Maydew & Nutter, 1997; Hanlon, Maydew & Shevlin, 2008).

Studies carried out by authors such as Lev and Nissim (2004), Buijink and Grambovas (2006), Yoon (2008), Atwood, Drake and Myers (2010), Chludek (2011), Blaylock, Shevlin and Wilson (2012) corroborate the idea of segregation benefits in calculating profits, because a higher FTC level would result in potential loss of accounting statements.

Concerning to variables which affects the accounting information quality in studies on FTC we can observe that apart from differences between the accounting and tax profits, we highlight the information timeliness, which corresponds to the speed which economic events are disclosed in the financial statements with; tax management, which refers to earnings management in order to reduce tax payment; and the earnings management, which deals with the reformulation of profits by companies from TI (Phillips, Pincus & Rego, 2003; Ball & Shivakumar, 2005; Goncharov & Zimmermann, 2006; Hanlon & Krishnan, 2006; Noor & Mastuki, 2009; Ayers, Laplante & Mcguire, 2010)

Other studies such as La Porta, De-Silanes, Shleifer and Vishny (1998) suggest that the countries' legal system influence the quality of the information reported to their users. According to these authors, in common law system the accounting statements preparers tend

to present information in a transparent manner and there is greater disclosure of facts. In the contrary, countries which operate in code law system disclose only what is required by the law, with higher level of conformity between financial and tax accounting

Regarding the adoption of accounting international standards (AIS)<sup>83</sup> versus accounting statements quality the results of the study carried out by Barth, Landsman and Lang(2008) suggest that the companies which converged their systems to international standards showed better statements comparing to those which maintained their traditional systems. This contradicts the results found by Ball, Robin and Wu (2003), who inferred that changes in the incentives of managers and auditors are more important to the quality of information reported in the financial statements, than the adoption of accounting standards from other countries.

### **Methodology**

This search used bibliometric study as proceeding to data collect and analysis, because this type of study is characterized as a tool to observe science and technology state using statistic and mathematic techniques to study the literature characteristics (Okubo, 1997; Araújo, 2006).

We analyzed national and international journals. For the national ones, we considered the list journals available in QUALIS/CAPES in Administration, Accounting and Tourism areas with B2 minimal qualification. For international journals, we picked up those who, besides being mentioned in the above list QUALIS / CAPES, with that minimum qualification also submit a minimum impact factor equal to 0.95. This search sample of this consists of 39 papers, being 34 international and 5 national ones.

To select the analyzed papers, we used the following keywords for national and international journals: book-tax differences, book-tax conformity, accounting information quality. Based on this study objective, the authors exploited the conclusions of several searchers on the relationship between FTC and accounting statements quality from 1990 to 2012. This period was chosen due to TI have grown significantly from 1990 (Desai, 2003; Hanlon, Maydew & Shevlin, 2008).

To collect and analyze the papers, we used an instrument consisting of a structured database script in spreadsheet. The used data were the following: paper's author, journal, year, paper characteristics (page and reference numbers, conclusions, approach, objectives, variables which affect accounting statements quality and proxies for measuring them.

### **Results and discussion**

We found 39 papers on the theme published in 20 different journals (Table 1). The greater number of publications on FTC theme was found in the Journal of Accounting and Economics (20.51%) and The Accounting Review (17.95%). They have together published 15 papers (near to 38.46% of the 39 found papers). Then, The Journal of the American Taxation Association with four papers (10.26%) and the Contemporary Accounting Research with three papers (7.69%). In Brazil, Universo Contábil Review published two studies.

Even with the strong influence of tax system on accounting rules (Carvalho & Salotti, 2013) Brazil is responsible for only 05 of the 39 searches on FTC (Table 1), which represents 12.83% of the studied amount. This indicates the need of further studies on this theme.

Table 1 – Number of papers per journal

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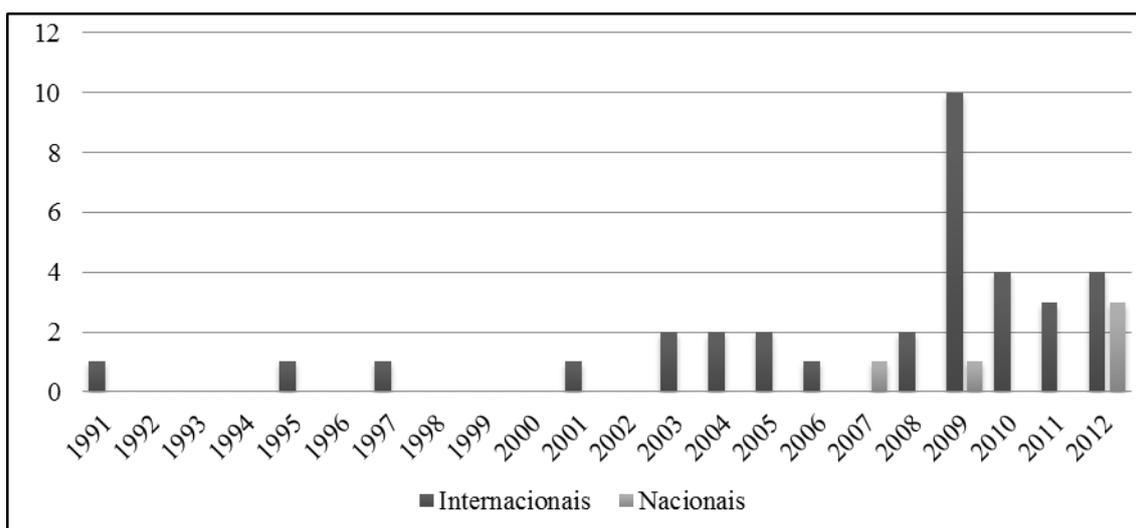
<sup>83</sup> In Portuguese: Normas Internacionais de Contabilidade (NIC)

<b>Journals</b>	<b>Number of papers</b>	<b>Relative Frequency.</b>
<b>1) International papers</b>		
<i>Accounting in Europe</i>	1	2.56%
<i>Advances in Accounting</i>	1	2.56%
<i>Contemporary Accounting Research</i>	3	7.69%
<i>Journal of Accounting and Economics</i>	8	20.51%
<i>Journal of Accounting Research</i>	1	2.56%
<i>Journal of Accounting, Auditing and Finance</i>	1	2.56%
<i>Journal of Financial Reporting &amp; Accounting</i>	1	2.56%
<i>Journal of International Accounting Research</i>	1	2.56%
<i>Journal of International Business Research</i>	1	2.56%
<i>Journal of Public Economics</i>	1	2.56%
<i>National Tax Journal</i>	1	2.56%
<i>Tax Policy and the Economy</i>	1	2.56%
<i>The Accounting Review</i>	7	17.95%
<i>The International Journal of Accounting</i>	1	2.56%
<i>The Journal of the American Tax. Association</i>	4	10.26%
<i>The National Bureau of Economic Research</i>	1	2.56%
<b>Amount of international publications</b>	<b>34</b>	<b>87.17%</b>
<b>2) National papers</b>		
BBR-Brazilian Business Review	1	2.56%
RAE - Revista de Admin. de Empresas	1	2.56%
Revista Contabilidade & Finanças	1	2.56%
Revista Universo Contábil	2	5.13%
<b>Amount of national publications</b>	<b>5</b>	<b>12.83%</b>
<b>Total - 1 + 2</b>	<b>39</b>	<b>100%</b>

Source: Elaborated by the searchers

Graphic 1 presents the volume of searches on FTC per year. We verified that the accounting studies on financial and tax compliance (FTC) had little significance: 14 articles published between 1990-2008. From then on, it began to arouse much attention from researchers, reaching its height in 2009, with 11 papers (a Brazilian article among them). In Brazil, the papers on FTC only began in 2007 with one paper, achieving higher production in 2012 with 03 publications. These findings corroborate the studies carried out by Hanlon and Heitzman (2010), in which the authors argued the FTC is a relatively new research field which has grown significantly since the beginning of the XXI century. Moreover, these authors emphasized that the growth of research benefits the tests on differences in accounting and taxable income, and its impact on financial statement analysis.

We highlight that the search increase on FTC can be considered a basis to assist the carrying motion seeking improvements in accounting information



Graphic 1 – Annual publishing of scientific papers on FTC  
Source: Elaborated by the searchers

Table 2 shows the characteristics of page distribution, references and analyzed author quantity using average, median and standard deviations. The qualitative studies were published only internationally and they present higher average on page volume (36) and references (46.33), but it is the group that presents higher pattern deviation from 10 to 8.45, demonstrating a lack of pattern in page number and references. Concerning to the quantitative researches we verified that there are differences between national and international papers: the national ones present lower average on page number and references. National researches allowed us to infer that there is a pattern of page numbers for publishing, because the pattern deviation was only 1.76.

Table 2– Page Distribution, references and authors amount in the studies.

Item	Approach	National			Internacional		
		Average	Median	Average standard deviation	Average	Median	Average standard deviation
Page nr.	Quantitative	14.8	14	1.76	28.42	27	8.11
	Qualitative	-	-	-	36	33	10
Reference nr	Quantitative	29.8	26	9.36	44.48	44	13.49
	Qualitative	-	-	-	46.33	43	8.45
Author nr.	Quantitative	2.4	2	0.88	2.22	2	0.75
	Qualitative	-	-	-	2	2	0

Elaborated by the searchers

Concerning to the author number per paper on qualitative approach it was demonstrated that all the searches analyzed in this study were performed by two authors (Table 2). Quantitative studies have greater author number per paper (2.22 in international and 2.4 in national studies). In Brazil, when compared with international research, we find a greater number of authors involved in a single search, because it has a higher average on author's number per paper.

Table 3 shows the countries which compound the sample and the law system adopted in their jurisdictions. Among the analyzed countries, The United States, who uses common law system was the most exploited environment, with 51.28% of the researches on FTC. These data may be related to the fact that the country be the precursor of the capital market, and has advanced policies regarding accounting standards and regulatory bodies prominent, as Financial Accounting Standards Board (FASB). In second place we have Brazil, adopting code law system, which was the focus of 12.82% of the researches. Researches that studied

the Brazilian environment are all national. The other surveyed countries were China, Malaysia, UK and Russia, who did not receive high attention from researchers.

Table 3 – Analyzed countries

Country	Legal System	Absolute frequency	Relative Frequency
THE UNITED STATES	<i>Common law</i>	20	51.28%
Not specified	<i>Code /Common Law</i>	9	23.08%
Brasil	<i>Code law</i>	5	12.82%
Rússia	<i>Code law</i>	2	5.13%
UK	<i>Common law</i>	1	2.56%
China	<i>Code law</i>	1	2.56%
Malaysia	<i>Common law</i>	1	2.56%
<b>Amount</b>		<b>39</b>	<b>100%</b>

Elaborated by the searchers

Concerning to scientific search per legal system, we observe in Table 3 that this production has excelled in common law countries. This phenomenon can be explained by the adoption of international accounting rules has contributed to the improvement of accounting statements quality (Barth, Landsman & Lang, 2008). International Accounting standards have common law as system rules, so that it is coherent the tendency to FTC searches in environments which allow identifying whether information quality is impaired under discretionary rules.

Table 4 shows the analysis of the relationship between FTC level and accounting statements quality, according to legal environment

Table 4 – Authors' conclusions on the relationship between higher FTC level and quality

Legal system	<i>Common Law</i>	<i>Code Law</i>	<i>Not specified</i>	Amount
				Nr. of papers
Improve quality	66.66%	22.22%	11.11%	9
Do not improve quality	53.33%	20%	26.67%	30
Nr. of papers	22	8	9	39

Elaborated by the searchers

Among the 39 analyzed papers 23.08% have as a result that higher FCT level improve information quality of accounting numbers. Among these higher FTC favorable researches, 66.66% occurred in Common Law countries. This contradicts La Porta, De-Silanes and Shleifer (2008), whose theory determines the existence of lower FTC in countries with this legal system, who do not calculate accounting profits according to tax legislation. These results can be justified by accounting scandals and tax evasion experimented in The United States in the last years. This corroborates the search carried out by Chan, Lin and Mo (2010), who pointed out that greater compliance of accounting and tax income would reduce the opportunities and incentives for tax noncompliance in the United States.

On the other hand, authors who found that higher FCT deteriorates accounting statements quality represented 76.92% of the analyzed papers. Most of these researches (53.33%) were carried out in common law countries, which corroborates La Porta, De-Silanes and Shleifer (2008), who define the accounting practices that seek transparency and reliability, where the tax law does not influence accounting. Compared to code law countries, we noted that 20% of searches found quality loss in accounting numbers when there is alignment of the accounting rules to tax legislation.

Among the conclusions issued from Table 4 on the relationship between higher FCT level and accounting statements quality, five are from national authors. The result of one of these studies demonstrated that higher FTC level improves accounting statements quality and four showed that it damages informational quality of accounting numbers.

Table 5 presents the proxies for accounting statements quality found in the published papers. In the first line are the proxies related only to common law countries. In the second line are

those used only in code law countries and in the third line those used both in common law and in code law countries.

We could observe in Table 5 that when establishing the relationship between the proxies and the legal system, the authors have settled greater number of proxies under common law ambience than in code law, which corroborates the number of searches carried out under this system, presented in Table 3. From the analysis of these papers we found that the proxies mostly used to test profit informational quality are the differences between accounting and tax incomes as well result management. These results are consistent with studies carried out by Hanlon and Krishnan (2006)

Table 5 - Quality Proxies

<b>Common law</b>	Difference on financial indexes between cash basis and competence systems; repatriations of companies foreign profits; tax income; deferred tax; nondeductible provisions before taxes; accounting audit enforcement; fraud involvement; companies characteristics; permanent differences; temporary differences; capital cost; timing differences between the accounting and tax profit; timely recognition of gains and losses, cash flow from operations.
<b>Code law</b>	financial performance; accounting system ability in measuring performance; desempenho financeiro; habilidade do sistema contábil em mensurar o desempenho; audit adjustments on taxable income.
<b>Both systmes</b>	Earnings persistence, type of property, corporate governance; difference between accounting and taxable income (DBTI); audit committee; forecast error DBTI; earnings management, risk exposure, tax planning, managerial incentives, operational risk and Return on assets (ROA), financial and tax compliance, tax burden, size of company, net operating assets, financial assets and abnormal operating earnings, net operating assets before deferred taxes, deferred tax assets, deferred tax liabilities.

Elaborated by the searchers

Despite these differences of opinion as to the FTC level, researchers agree that a greater or lesser degree of conformity between accounting and taxable income positively or negatively affects the quality of accounting information. Table 5 presents the 24 variables that affect the quality of accounting information, according to the analyzed studies. We highlight that some variables such as deferred tax, TI, result management) are used by the authors as proxies to measure quality as quality variables, but they perform different roles. When they are used as proxies, they aid to calculate informational quality and when considered as quality variables they represent indicators.

Among the variables in Table 5, TI was cited in 33.33% of the researches. The difference between accounting and taxable income was the most used variable to represent accounting statements quality. This result agrees to the statements of de Yoon (2008), Buijink and Grambovas (2006), who defend that accounting statements quality is reduced when there is higher FTC level.

Table 5 – Frequency of variables which affects quality

Variable	Nr. of searches	%
Accruals	4	10.26%
Conservatism	2	5.13%
Detection costs	1	2.56%
Dispersion of analysts' forecasts	1	2.56%
TI	13	33.33%
Lower gains	1	2.56%
Result management	10	25.64%
Fiscal management	12	30.77%
Corporative governance	1	2.56%
Deferred taxes	1	2.56%
Tax breaks	2	5.13%
Tax legislation	1	2.56%
Accounting profit	2	5.13%

Weighted accounting profit	2	5.13%
Taxable income	6	15.38%
Sizable taxable income	2	5.13%
Debt level	2	5.13%
Institutional ownership	1	2.56%
Stock returns	2	5.13%
Accounting system	1	2.56%
Enterprise Value	1	2.56%
Stock return variance	1	2.56%
Share Trading volume	1	2.56%
Business volume	1	2.56%
<b>Amount</b>	<b>39</b>	<b>100%</b>

Elaborated by the searchers

We observe that fiscal management variable appears as a variable that affects quality, relative frequency 30.77% (Table 5). This variable use can be understood by Desai's study (2005), who observed that the double form of calculating profits contributes to the reduction of tax revenue earned by governments and less relevant information to the capital market. Afterwards, results management showed 25,64% frequency, indicating that it is another relevant measure on accounting statements quality (Table 5). According to Jackson (2009) the authors who defend FCT associate the existence of accounting and taxable profit to opportunistic behaviors. The other variables had representativeness of 15.38% down, as can be seen in Table 5.

## Conclusion

This study aimed to analyze the relationship identified in national and international literature on FTC level and accounting statements quality. To achieve this objective, we carried out a bibliometric study in national and international journals, using search keywords book-tax differences, book-tax conformity, accounting information quality. It was possible to output growth, although shy, during the period from 1990 to 2008, and a significant increase in production in 2009.

Among the most representative journals for future searches we stand out Journal of Accounting and Economics; The Accounting Review and The Journal of the American Taxation Association. We observed that the studies had focused common law countries and we can infer that this fact is related to CFT theme pertinence and the system discretion. However, the United States presented most of the searches on FTC; the rules are common law based and they have representative regulation agencies on accounting area such as FASB.

With respect to proxies for measuring and quality which have been used in the studies, the ones most frequently were: differences between accounting and taxable income, tax and earnings management, aimed both at common law system, as in code law.

Overall, we found that the results presented by the analyzed articles found that there is a link between the FTC level and earning informational quality. However there is disagreement among the authors, because 23.08% of the studies indicate that the highest level of CFF improves the quality of accounting information to reduce opportunistic practices of managers. On the other hand, 76.92% of searches found that the lowest FTC level results in greater disclosure and consequent improvement in accounting numbers quality.

This research contributes to the accounting theory, since it brings the main discussions on FTC and accounting information quality, relating the variables that affect the quality of accounting numbers and the main proxies for its measurement and increasing knowledge basis for future studies on FTC. The results can also contribute to the practice of accounting regulators and market, and to the legislative agencies. The search showed the effect of binding tax accounting practices and standards to the quality of accounting information

reported to external users, which in turn can influence the process of decision-making of economic agents.

It should be noted that the results of this study were restricted to journals which did not approach the ongoing discussions by the universities, which are not yet available in the database of the listed journals. Considering the controversy found between the authors and the small number of publications on the subject, there is motivation for future research involving the FTC level and its impact on the quality of accounting information. For the development of future studies, we suggest adding the analysis ongoing studies by leading national and international universities.

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