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STATUS QUO BIAS IN MANAGER'S ACCOUNTING CHOICES UNDER A LACK OF SPECIFIC REGULATION

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Resumo/Abstract

Evidence from Behavioral Finance literature suggests that users often make decisions influenced by behavioral biases, which might affect their choices. Despite the relevance of this subject, to my knowledge, there are no studies that have already explored possible direct interferences of emotional and cognitive biases on managers' accounting choices. In addition, among the main behavioral biases explored by literature, the status quo bias seems to be directly related to the natural process of choice. So, the goal of this research is to provide empirical evidence about the influence of status quo bias on accounting choices, under a scenario of lack of specific accounting regulation. Then, to achieve this goal, I proposed a qualitative analysis, aiming to verify the influence of the status quo bias on managers' choices in a low accounting enforcement scenario, which allowed me to understand better and deeply how accounting choices can be influenced by status quo bias. For this purpose, I interviewed managers of public and private companies in relation to the accounting treatment provided by them to the ICMS Accumulated Credit. The evidence suggests that managers' behavior cannot be explained exclusively through the assumptions of rationality and opportunism, but also by an inertial behavior in relation to the initial accounting treatment (proxy for status quo bias).

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ABSTRACT

Evidence from Behavioral Finance literature suggests that users often make decisions influenced by behavioral biases, which might affect their choices. Despite the relevance of this subject, to my knowledge, there are no studies that have already explored possible direct interferences of emotional and cognitive biases on managers' accounting choices. In addition, among the main behavioral biases explored by literature, the status quo bias seems to be directly related to the natural process of choice. So, the goal of this research is to provide empirical evidence about the influence of status quo bias on accounting choices, under a scenario of lack of specific accounting regulation. Then, to achieve this goal, I proposed a qualitative analysis, aiming to verify the influence of the status quo bias on managers' choices in a low accounting enforcement scenario, which allowed me to understand better and deeply how accounting choices can be influenced by status quo bias. For this purpose, I interviewed managers of public and private companies in relation to the accounting treatment provided by them to the ICMS Accumulated Credit. The evidence suggests that managers' behavior cannot be explained exclusively through the assumptions of rationality and opportunism, but also by an inertial behavior in relation to the initial accounting treatment (proxy for status quo bias).

Keywords: Status quo bias; Behavioral biases; Accounting choices; Value-added taxes.

1. INTRODUCTION

The mainstream literature on accounting choices deals with implications of accounting practicing based on individuals' incentives to manipulate earnings under the assumptions of Agency Theory. According to this perspective, managers are rational individuals that tend to maximize their own interests in every choice, considering a set of available and non-exhaustive range of information (Jensen & Meckling, 1976; Healy, 1985; Simon, 1990; Barth, Landsman, & Lang, 2008; Kouki, 2018). According to Lambert (2001), the arguments used by Agency Theory are attractive because allow researchers to explicitly conflicts of interest, incentive problems and mechanisms of control for managers' opportunistic behavior.

Over the years, studies on accounting choices have presented a lot of evidence that suggest the existence of a rational behavior in managers' decisions. Most of them affirm that managers can manipulate information in order to improve their performance through earnings management and, consequently, maximize their compensation contracts (Watts & Zimmerman, 1978; Healy, 1985; Holthausen, Larcker, & Sloan, 1995). Because of it, a range of accounting standards and mechanisms of enforcement are often implemented as a system of control that aims to align the interests between managers and principals (Holthausen, Larcker, & Sloan, 1995; Watts & Zimmerman, 1986; García-Meca, & Sánchez-Ballesta, 2009; Kouki, 2018; Harris, Karl, & Lawrence, 2019), especially in public companies, where agency conflicts are more evident.

On the other hand, evidence from Behavioral Finance literature and Prospect Theory suggest that individuals do not always make rational decisions, but can present behavioral biases that might affect their choices. According to Andrikopoulos and Vagenas-Nanos (2017, p. 102), "one of the unrealistic assumptions of neoclassical models is that such individuals are fully rational". In this context, Tversky and Kahneman (1971) and Kahneman and Tversky (1979) have developed a strong critique to the Traditional Theory, questioning its real applicability as a fundamental model of decision-making under risk and suggesting that decisions can also be affected by physiological conditions of the individual. Since then, many studies have been developed in order to understand the influence of behavior aspects on investors' decision-making and empirical evidence have suggested that some cognitive and emotional disfunctions, called behavioral biases or heuristics by literature, may affect individuals' decision process and choices (Kahneman, Knetsch, & Thaler, 1991; Baker & Nofsinger, 2002; Kempf & Ruenzi, 2006; Messier, Quick & Vandervelde, 2014; El Harbi & Toumia, 2020).

Therefore, despite the relevance of previous findings suggesting the influence of cognitive and emotional factors on decision-making, to my knowledge, there is a lack of studies dealing with the possible influence of behavioral biases on accounting choices, which suggests a large gap in literature.

So, the explanation about accounting choices must be wider. The motivations of accounting choices need to take into account an important hypothesis that is not being considered by literature until now: the possibility that managers' choices are not always rational and opportunistic, but motivated by some fear or emotional limitation.

In this context, among the numerous behavioral biases that literature on Behavioral Finance have already identified, one of them seems to be directly related to the natural process of choice and may affect accounting choices, which is the status quo bias. According to Kahneman, Knetsch and Thaler (1991) and Pompian (2006), when in front a set of available options to elect, individuals may prefer things to stay relatively the same, choosing the option that keep their current situation. This kind of behavior results from an inertial position that is very related to managers' loss aversion and can be explained by an emotional bias called status quo. Under this perspective, there must be a strong stimulus for the individual gets away from this initial state of inertia, which is very close to what would be the enforcement existent in firms' reality (Kahneman, Knetsch, & Thaler, 1991; Pompian, 2006).

In Brazil, we can be benefited by an asset that is not completely covered by current IFRS accounting standards: a specific value-added tax credit called ICMS Accumulated Credit. I hope we will be able to explore accounting choices related to this asset, which requires a change in its initial condition, and analyze possible evidence of status quo bias on managers' decision, using an extreme case of lack of specific accounting regulation, which implies in a lower level of enforcement for companies and enables more flexible accounting choices.

In this context, this study expects to answer the follow question: can the low accounting enforcement favor the rising of status quo bias in managers' accounting choices related to an asset with changing conditions? There is little evidence in the literature about the influence of behavioral biases on managers' decision-making. So, the objective of this research is to understand managers behavior under an environment of lack of specific accounting regulation, analyzing if this scenario can stimulate the presence of status quo bias in managers accounting choices related to an asset with changing conditions.

To achieve this goal, we developed qualitative research using both deductive and inductive approaches. we focused on semi-structured interviews with managers of private and public Brazilian companies. The choice of the cases was intentional and focused on the depth of the interview contents, much more than the number of interviews. We also used triangulation's technique by capturing auditor and creditor analyst's perception about managers' behavior.

This study aims to present theoretical and practical contributions to literature. First, we hope to shed light on the existence of status quo bias on accounting choices made under the perspective of under regulated assets and low enforcement environments. Thus, the findings may complement what Agency Theory predicts, suggesting that Agency Theory and Behavioral Finance literature need to be analyzed together for a better understanding about managers' behavior under the context of accounting choices.

In a practical perspective, it is relevant for stakeholders realizing the factors that interfere in recognition, measurement and disclosure of a under regulated asset, once they use accounting information to make decisions. Moreover, regulators must improve their understanding about manager's behavior under a lack of specific accounting standards, so they can assess the need of an asset standardization, emphasizing the usefulness and reliability of this information for stakeholders. In the case of this specific fiscal asset, the results support the need to standardize the accounting treatment of the ICMS Accumulated Credit.

2. PREVIOUS LITERATURE

The literature on accounting choices is sustained especially on the assumptions presented by Agency Theory and Firms' Contractual Theory, both immersed in a proposal of individual's efficiency and rationality. According to Fields, Lys and Vincent (2001, p. 256), "an accounting choice is any decision whose primary purpose is to influence (either in form or substance) the output of the accounting system in a particular way". Based on this definition, this research area uses economics and contractual aspects to provide explanation for manager's behavior under accounting choices, seeking to increase knowledge about the determinants in terms of recognition, measurement and disclosure available options (Watts & Zimmerman, 1990; Holthausen & Leftwich, 1983; Fields, Lys, & Vincent, 2001; Francis, 2001; Murcia, Souza, Wuergues, & Duarte, 2013; Nobes & Perramon, 2013; Silva, Martins, & Lemes, 2016).

The basis of traditional economic theory is on the assumption that the agent is utility maximizer and always makes rational decisions, choosing the option that gives him more satisfaction and minimum risk. In this expected environment, individuals have boundedly rationality and risk aversion, which suggests that organizational life and decision-making are process basically guided by manager's self-interest and opportunistic behavior (Jensen & Meckling, 1976).

Despite the assumption of rationality in manager's decision-making, it is important to emphasize that agent makes decisions based on the idea of "bounded rationality". Simon (1990) affirms that this term is used to designate rational choices that consider the cognitive limitations of the decision-makers, seeking to bring economics theories assumptions closer to market's reality. Under this environment, the agent decides to make an accounting choice considering a set of available and non-exhaustive alternatives, but still from a perspective of managers' rationality.

On the other hand, evidence provided by the literature on Behavioral Finance and the Prospect Theory have suggested that the concept of bounded rationality may not be enough to explain accounting choices. Kahneman and Tversky (1979; 2013) sustained a strong critique of expected utility theory as a fundamental model of decision used by literature. They proposed an explanation for individual's behavior using psychological aspects of human-being, breaking the paradigm that supports all the Traditional Finance Theory, where manager always presents a rational and opportunist behavior. According to Shiller (2003), Behavioral Finance brings evidence that stands in notable contradiction of efficient markets. So, it must be considered by studies when analyzing managers decision-making process.

Over time, the number of studies in Behavioral Finance have grown significantly. The literature presents some evidence of manager's non-rationality in decision-making, that are translated through emotional and cognitive behavioral biases. So, most of the studies in this area seek to find explanation and determinants of investors and managers' behavior through the influence of biases in their decision-making process (see, e.g., Baker & Nofsinger, 2002; Goldfarb, Amaldoss, Brown, Chen, Cui, & Yang, 2012; Martins, Lima, & Silva, 2015; Bakar & Yi, 2016), opposing the arguments brought by Traditional Finance Theory- still dominant in mainstream research.

Among the main biases already identified by literature, the most studied and one of the first verified is the loss aversion bias. It was proposed by Kahneman and Tversky, in 1984, and suggests that people are more susceptible to avoid losses than to acquire gains (Pompian, 2006). Since then, a lot of biases were proposed and explored by literature, among them:

overconfidence, anchoring, representativeness, framing, conservatism, self-attribution, optimism and status quo.

The loss aversion bias comes from the Prospect Theory and suggests that people avoid discarding unprofitable investments with little expectation of future gains, because they do not want to perform those losses. Thus, in classical cases of loss aversion bias, investors avoid selling stocks that have not performed well, but tend to sell quickly those that were profitable (Kahneman & Tversky, 2013; Pompian, 2006; Isidore & Christie, 2019). Bringing this behavior to accounting choices' context, an example of loss aversion bias can be the managers' resistance to recognize an impairment loss or to measure an asset by its fair value, because they do not want to accept that any loss can be irreversible.

Moreover, Kahneman, Knetsch and Thaler (1991, p.197) affirm that "one implication of the loss aversion is that individuals have a strong tendency to remain in the status quo, because of the disadvantages of leaving it loom larger than advantages". So, although not much explored by literature, the status quo bias may probably also be present in manager's decision-making, as this bias is directly related to the need to make choices.

Status quo bias was first identified by William Samuelson and Richard Zeckhauser, in 1988, and operates in individuals who prefer things to stay relatively the same, even having a set of options to choose (Pompian, 2006). So, status quo can be classified as an emotional bias and refers to the finding that a choice is more desirable if it is designated as the "status quo" one, i.e., when the option elected by the individual keeps the same position existing before. It can also be compared to the physics concept of inertia, which suggests that individuals tend to remain in "rest" unless they have some external strong incentive that forces themselves to leave their current state (Samuelson & Zeckhauser, 1988; Pompian, 2006).

Over the last decades, several studies have sought to identify the influence of the status quo bias in different contexts, expanding the explanations about decision-making (see, e.g., Masatiouglu & Ok, 2005; Kempf & Ruenzi, 2006; El Harbi & Toumia, 2020), that earlier was strongly based on the premise of individual's rationality.

From a theoretical perspective, the limitations on the individual's rationality assumption became increasingly evident over the years. Then, Masatiouglu and Ok (2005) proposed a rational choice theory that allowed for the presence of a status quo bias. According to the authors, the study was motivated by the empirical findings showing the relevance of one's current situation on her choices and, consequently, the need to extend rational choice theory to consider this behavior. Later, Dean, Kibrisb and Masatliogluc (2017) expanded economic models by demonstrating that both attention and psychological constraints are important to explain the presence of status quo on individuals' choice. These studies tried to incorporate the status quo bias into the rational model of decision-making.

In a practical perspective, studies have been concerned with demonstrating the impact of the status quo bias on individuals' decision-making. Hunton, Mauldin and Wheeler (2010) analyzed the effects of monitoring in managers' behavior, aiming to explain why continuous monitoring appeared to drive such risk aversion. The authors found that decisions made under continuous monitoring may increase the perceived likelihood that managers' decisions would be detected and, then, must be justified to their superiors. So, under a continuous monitoring, managers preferred to keep the current level of investment, instead to increase or decrease it, what characterizes a status quo decision.

Additionally, Messier, Quick and Vandervelde (2014) examined whether auditors presented a status quo bias when interpreting accounting standards, even if the current scenario allows a different decision. They verified that auditors were more likely to follow the prior year treatment when judging a current year scenario, regardless the adequacy of this treatment, which suggests the influence of status quo bias on auditors' decisions. However, the paper also suggested that the accountability can decrease, or even mitigate, the status quo bias on auditors' position. According to them, if they are "under conditions of higher process accountability, auditors may not be affected by the way a similar accounting event was treated in the prior year" (Messier, Quick, & Vandervelde, 2014, p. 71).

At the organizational level, Kempf and Ruenzi (2006) examined the influence of status quo bias (SQB) in the mutual funds market and identified a positive influence of previous growth on current growth, which suggests the presence of SQB. Moreover, there was evidence that the number of available alternatives increases the SQB, which confirms the findings presented by Samuelson and Zeckhauser (1988) earlier. In the same perspective, El Harbi and Toumia (2020) investigated the influence of SQB on venture capital (VC) investments and found that the current choice of investment depends positively on the previous choice. These results indicate that Agency Theory cannot explain totally venture capital investment's decisions, either.

Despite the growing number of studies that propose a wider analysis of the decision-making process, considering behavioral biases as variables of interest in economic decisions, the literature on accounting choices does not seem to consider these variables as possible determinants for managers' accounting choices. However, considering the results arising from the expansion of Behavioral Finance literature, ignoring the influence of behavioral biases is unrealistic, as already suggested by Andrikopoulos and Vagenas-Nanos (2017).

Based on the arguments brought by Samuelson and Zeckhauser (1988), in decisions involving accounting choices, for example, managers may prefer to choose the option that keep an asset recognized in current period (if it represents the initial recognition), even if the amount can probably be recoverable in long-term, unless there is a stimulus that forces him to leave this passive behavior and transfer the amount to non-current assets, or even do an impairment test in this asset.

Thus, it is possible to imply that, in order to status quo bias does not affect manager's accounting choice, there must be an incentive, pressure and enforcement stimulating managers to stay away from the expected inertia behavior. Otherwise, he will prefer things to stay as they are, even it has a cost (Samuelson & Zeckhauser, 1988; Pompian, 2006). This necessary stimulus can appear from different kind of enforcements, as an accounting standard, stakeholders demand from information or corporate governance, for example.

Thereby, in the absence of an accounting enforcement, it is expected that the status quo bias may become more evident. Rules or principles, for example, must avoid some undesirable behaviors and direct managers actions, because it forces choices that may demand necessary changes, as an amount provisioning, an impairment loss or even a change of classification.

Another way to avoid status quo behavior may be a strong demand for information from stakeholders. In public companies, for example, investors' figure plays an important role increasing the quality of information in accounting standards. So, investors' demand for information can act as a mechanism of information quality control, forcing managers to choose the options according to market's expectation.

Thus, in a scenario of low enforcement, it may be expected that managers choose to keep the same choice or parameters over the years. The low enforcement supports this bias on managers' behavior and, even the output can also be explained by Agency Theory literature, the motivation cannot be explained by its assumptions, as it emerges from managers' non-rational behavior of being in a status quo position.

In this context, the lack of enough enforcement may favor the rising of status quo bias in managers' decision-making, affecting their accounting choices and decreasing the quality of accounting information. Therefore, aiming a wider explanation for accounting choices' determinants, the Prospect Theory and Behavioral Finance assumptions may help to explain managers' decision-making under uncertainty and complement the rationality assumption, which has been strongly sustained by Agency Theory over the last decades.

3. RESEARCH DESIGN

To achieve the research goal, a qualitative approach was proposed. In order to observe managers' decision under the context of accounting choices, we chose an asset without specific accounting regulation to analyze the possible choices related to it. In Brazil, we can be benefited with a particular case of an asset that is not completely covered by current IFRS accounting standards: a specific value-added tax credit called ICMS Accumulated Credit.

The ICMS is a Brazilian value-added tax that is applicable by the States to transactions involving Goods Circulation, Interstate and Intermunicipal Transport and Communication Services (i.e., it is inserted in almost all stages of the production and commercial chain). Because it is a value-added tax, there are recoverable credits on the inflows and debits on the exits of products from the companies. In general, it is expected that there will be payable taxes after the confrontation between debts and credits, but there are specific situations that generate accumulated credits, especially when the outputs are not taxed.

Then, the ICMS Accumulated Credit is a type of value-added recoverable fiscal asset that can emerge in some situations (i.e., it is a particular case of ICMS credit), like: when company's operation is exempt from ICMS taxation on sales, but presents recoverable ICMS on purchase; or even when the firm presents a lower ICMS taxation on sale than on purchase. In some of these situations, the legislation allows the maintenance of ICMS credit embedded in the purchase moment, even if the firm will not be compensated with future ICMS debits. Then, this credit results in a fiscal asset that can be recoverable by the company, but only if the firm is capable to meet government requirements.

Nevertheless, it is very common for companies to be unable to recover, at least, part of this credit, either due to the difficulty in proving the origin of the entire accumulated amount or even for not making the request for reimbursement of this credit with the government and also not being able to compensate the accumulated amount with ICMS debts that may arise from its normal operation. On the other hand, if government authorizes the credit recovery, there are many uses that the company can attribute to the accumulated fiscal amount, including: sale at a discount to another company, acquisition of fixed assets and suppliers' payment.

In a first moment, the initial recognition for this asset is in current period. However, there is no specific accounting standard to provide adequate treatment for this fiscal asset, which means that managers need to use the principles presented by the Conceptual Framework or make an analogy with other accounting standard (IFRS) in their next choices involving classification, measurement and derecognition of the amount. Then, considering the uncertainty behind this asset after the initial recognition, it is not known whether the amount recognized will be able to be effectively recovered or not. Furthermore, in relation to measurement, the difficulty lies in defining the appropriate event to do impairment tests.

Therefore, we opted to use this asset to support my analysis, especially because of the wide range of possible choices, the higher uncertainty involving the accumulated amount and the lower accounting enforcement (recognition, derecognition, classification, measurement), which allow managers more flexibility to make their choices. Moreover, we believe that this specific case in Brazilian context may help to highlight the status quo bias, making managers' non-rational behavior possibly more evident.

The idea embedded behind this methodology is to capture manager's motivation for recognition, measurement and disclosure of the ICMS Accumulated Credit, and not only the output of the decisions taken at institutional level. In this context, we also intend to verify if managers of private firms present a different behavior compared to a public firm, when disclosing information about this specific fiscal asset, because of the probably lower level of enforcement presented in these companies. Additionally, this analysis will allow the identification of variables that can be used to develop a theoretical model which considers behavioral biases in decision-making context. More specifically, it can enable future studies to consider the influence of status quo bias in accounting choices in their econometric models.

The cases' choice was intentional, because we needed to find private firms that presents (or have already presented) ICMS Accumulated Credit in their financial statements. Even that, we chose to focus on the depth of the interview contents, much more than the number of interviews, once the objective is to identify strong empirical evidence of non-rational behavior in manager's decision-making. This analysis requires a deeper observation of each case study, since we need to observe and make the link between managers' answers and their observed behavior during the interviews.

In order to control more precisely enforcement issues related to manager's decision-making, I opted to analyze companies with different realities, which makes me to choose three firms to develop the case studies: two private firms and one public firm (control case). It is important to emphasize that all the interviewees had a similar occupation in the companies, presenting the necessary knowledge to answer the questions.

The public firm will be used as a control case in my analysis, once it makes possible to observe different levels of enforcement and incentives between public and private firms, which may interfere in the decision-making and must be captured. In a first moment, we expect that the Agency Theory has a greater influence on public companies rather than on private ones, due to the high enforcement applied by investors, even in a scenario of low accounting enforcement.

So, this study focusses on semi-structured interviews with managers of companies that present different characteristics and incentives. we used the guiding questions presented in protocol to direct the interviews, but other questions were asked as we realized that it was important based on interviewees' answers. The interviews were recorded using a voice recorder. In addition, we hold a consent form and deliver it to each manager, asking for interviewees' permission to record the conversation, making it clear that the interview and the firms' identification would not be disclosed for public.

To develop the guiding questions, we have observed the practical characteristics involving the fiscal asset, as well as the recognition and measurement requirements presented by the IASB Framework. Because of investors' enforcement, we expect that managers of private companies will likely present a higher level of status quo bias when compared to managers of public ones. However, we believe both theories will also complement each other in some moments. The questionnaire was constructed with the purpose of capturing and explaining the behavior presented by managers according to Agency Theory and Behavioral Finance principles. In addition, the results were analyzed based on the adherence of the managers answers to the theories presented above.

Validation techniques are very important to show internal and external research validity and also to confirm the proposed constructs. In this paper, the triangulation will be based on auditor and credit analyst's perspectives. First, we did another research protocol to capture auditor's perception about the phenomenon. This another protocol is composed of semi-structured questions and was divided into two parts. In the first part of the interview, the questions sought to identify the auditor's perception about manager's behavior under a lack of parameters for analyze the ICMS Accumulated Credit amount. In sequence, the questions embedded in the second block of the interview sought to capture the auditor's perception about the audit process of this asset and about the auditor's behavior in the absence of clear accounting parameters. The findings of this step are presented in the next topic.

In a second moment, we performed the same procedure for the interview with a credit analyst, developing another research protocol. We also segregated the creditor interview's protocol into two parts. In the first one we focused on credit analyst's perception about managers' behavior. Then, in the second part of the protocol, we developed questions about the credit analyst's perspective in relation to the financial risk linked to this asset. These findings are also presented in the next topic.

4. RESULTS AND DISCUSSION

4.1 Status quo evidence from managers' interviews

In this topic, we brought some evidence of the status quo behavior based on managers' answers. Table 1 reports some excerpts from manager's speeches during the interview with a public company manager, that was treated as a control case in this research, representing an environment with high enforcement provided, specially, by investors.

In relation to classification criteria, Manager 3 justifies the non-current classification of the fiscal asset by the expectation that the credit would be recoverable on long-term, presenting a rational and expected answer for the question. He complements affirming that company did not claim for government certification for all the credit in balance sheet, because of the difficulty of the process, but he has changed firms' operation aiming to compensate the credit with possible new future debits. Then, managers' attitude can be easily explained by Agency Theory, once there is investors' enforcement that avoids the classification of ICMS Accumulated Credit in current assets, i.e., the investor's figure enforces him to change the initial classification to non-current asset.

Moreover, we could realize during the interview that, besides the uncertainty around the moment of the credit recoverability, investors' demand for quality information directs managers behavior to a more conservative position. This behavior can be explained by a rational assumption brought by Agency Theory literature, which implies that investors' demand for information acts like a control mechanism for agent's behavior.

Then, the initial recognition has not directly affected the asset classification. The credit was recognized in short-term and derecognized, when manager transferred the credit to non-current assets. This behavior exhibits the influence of enforcement on manager's behavior, even though it is more interesting for company's performance to keep all the credit's amount in current assets. Thus, contrary to what would be expected by a status quo behavior, manager gets away from his initial accounting choice.

In relation to measurement, Manager 3 states that he did not do any write-off because there were projections to justify its recoverability by future generated debts. In addition, he claimed that in this situation he would be very conservative, and, because of it, he would recognize a write-off in the asset if there was some minimal uncertainty involving its recoverability. However, in a second moment of the interview, he affirms not being so sure about the recoverability of firm's asset and said that "it was a relief" when the change in companies' strategy worked well, four years after the projections had been realized.

We also observed that a small part of the credit was recoverable by government certification and manager said that there was reasonable uncertainty regarding the use of the rest of the credit presented on the balance sheet. Even though, manager had sustained the arguments to keep all the amount in non-current assets. Moreover, the company was only able to recover the credit after 4 years since the first projections. However, no impairment loss or write-off was presented in this period.

This contradiction between his speech and actions suggests that manager acts rationally by not carrying out any type of write-off or impairment in that asset during the period (even with some doubts about assets' fully recoverability), once it could affect his performance, probably. Therefore, the behavior presented by him can also be explained by the Agency Theory, suggesting that manager wants to maximize their utility, but have to present a rational and strong justification about his decisions to the market (shareholders). Moreover, Manager 3 said the company did impairment tests according to future projections, but the firm did not recognize any loss or write-off.

Additionally, Manager 3 told me that, in the past, the company sold part of the amount of ICMS Accumulated Credit to another company. There was a revisable discount in this kind of sale's operation, but there was no change in asset's measurement. This is another expected rational behavior, once manager probably does not want to recognize a loss until he has no choice or high enforcement for doing that, according to Agency Theory. However, there is no accounting principle that forces him to measure the asset by its fair value, implying that manager does not have an accounting enforcement to recognize any loss. On the other hand, according to Behavioral Finance literature, this can be analyzed as an evidence of aversion loss and status quo bias either, once manager prefers to keep the same accounting choice presented before, avoiding any possible loss, i.e., measuring the asset by its cost.

In relation to the need for an accounting standard, Manager 3 said it is not necessary. According to him, IFRS 9 brings enough principles to lead with this situation, making not relevant a new standard about something so specific like the ICMS Accumulated Credit. Then, it was expected that a manager of a public firm does not have interest in more accounting standards, because it minimizes his discretion and limits his decision-making, as predicted by Agency Theory.

In the same perspective, Table 2 reports evidence we got through the interviews with two managers of private companies, which represents an environment with less enforcement. For didactic purposes, again, we will appoint these managers as Manager 1 and Manager 2.

In relation to classification criteria, diverging from the public company reality, Managers 1 and 2 classified all the amount of ICMS Accumulated Credit on current assets. However, this behavior cannot be explained by Agency Theory assumptions, once managers do not try to justify the classification in current assets presenting a rational explanation (i.e., short-term recoverability expectation), but the opposite: exhibiting evidence that would justify a classification of the amount in non-current assets.

Then, all the amount was classified on current assets, even the managers have affirmed that the recoverability expectation would be on long-term. Moreover, Manager 1 tried to blame the government for the lack of parameters to analyze assets' recoverability. Thus, I have observed that the decision to classify the credit in short-term was very related to the lack of objective parameters to guide manager's accounting choice and, possible, it can be explained by an inertial behavior of the manager (status quo bias).

Although the outputs of the decision to keep non-recoverable fiscal assets classified in current period (i.e., improving financial performance) can be explained by the traditional theory as an opportunism, the motivation embedded in agent's decision-making cannot be explained by Agency Theory. According to the speeches of Manager 1 and Manager 2, we realized that all the amount was classified in current assets because they could not find strong parameters to change the initial classification. Both managers have not tried to explain the classification based on the short-term recoverability expectation, but tried to explain that the recoverability depends on government's positioning and they cannot know if it will take so much time or not.

So, both managers presented rational arguments about the adequate accounting treatment for the asset (which differs from the accounting choice adopted by them), but emphasizing the dependence of a government feedback and the lack of accounting parameters. In addition, managers seem to use the initial moment of recognition (purchase) to keep the latter recognition of the credit in balance sheet, suggesting a certain inertia behavior.

More precisely, although they can point out inconsistencies in the recognition of the asset and identify the divergent attitudes practiced in the company, managers still keep their decision to leave the asset in the current asset- classification that have been done at the initial moment of recognition. This can be a strong evidence of status quo bias (inertia), considering that managers opt to keep the same accounting choice they have chosen before.

In relation to measurement, managers had difficulty to explain the parameters used to guide their decisions, which implies that their behavior and arguments were not totally rational and intentional. So, Agency Theory assumptions seem not to be enough to explain managers' behavior in this situation, either.

Manager 1 realized the write-off of an unrecoverable asset in a specific situation of non-certification, because, in that moment, he had a strong parameter to consider (government positioning). So, Manager 1 demonstrated that he was waiting for a strong evidence or parameter suggesting that a part of the credit was not recoverable. He decided to do nothing until the position of the government and kept the fiscal asset in the same classification and amount as it was in the beginning, without bringing a rational justification for this behavior.

According to Agency Theory assumptions, we expected that managers would explain rationally why it is not necessary to do an impairment test. However, firms do not perform impairment tests on this asset, even though the uncertainty involved. Regardless of any expectation, Manager 1 suggested that this amount represents an asset of the company anyway and, because of it, it needs to appear in the balance sheet.

Then, boundedly rationality or Agency Theory is not enough to explain this behavior, once manager does not assume a position of a decision-maker, using all the information available to make choices, but he chose to do nothing under uncertainty (i.e., he kept his inertial position). So, when he had evidence to do an impairment, he did it and justified rationally his decision, which suggests that, apparently, Manager 1 needed a government position about credit's recoverability to stimulate himself to do a write-off. It implies that an external enforcement was necessary to get the manager away from his supposed state of inertia. This evidence seems to be strongly related to status quo bias and it can be explained by the Prospect Theory and Behavioral Finance literature.

On the other hand, the lack of derecognition of expired credit suggests an opportunistic behavior of the Manager 2, that can possible be explained by Agency Theory. In this moment, Manager 2 had a strong parameter to do an impairment test. However, Manager 2 opted not to change the initial accounting choice. One of the explanations for this behavior can be the lower enforcement presented in a private company when compared to a public one.

In relation to the available parameters to perform impairment tests, both managers staid under contradiction over time, trying to justify the difficulty to analyze parameters for this asset and presenting inconsistences on their own decision-making. But, during the interview, it was very notable that managers were uncomfortable to point parameters that could be used in this situation to analyze recoverability. They exhibit uncertainty and difficulty to choose variables, which can justify their possible inertial behavior. Then, the lack of accounting parameters also seems to stimulate the status quo behavior on managers' accounting choices.

When asked about changing the measurement according to the intended use of the asset, Manager 1 told me that a great possibility considered by the company would be to sell part of the ICMS Accumulated Credit with a discount to another company (they even had a 7% discount offer recently). However, he did not verify and recognize the asset by its fair value in this situation, even he had a reliable parameter for the discount rate related to the future sale.

This behavior can be explained by Agency Theory, once it is not interesting for the manager to exhibit lower assets or profits, based on estimation of assets' fair value, since there is no external enforcement for this measurement. On the other hand, this can also be analyzed as evidence of loss aversion and status quo bias, once manager would prefer to keep the same accounting choice presented before and avoid any possible loss: measuring the asset by its cost (initial recognition).

Concerning to the need of a specific accounting standard, private firms' managers agreed that accounting parameters can help them to recognize and measure the asset (public company's manager affirms the opposite), which cannot be explained by Agency Theory, as it may reduce their discretionary decision-making in relation to this asset. However, they do not believe it might be something easy to be done, neither that the regulators will develop some standard to lead with this kind of asset in Brazilian context, due to the high subjectivity that involves the fiscal issues in Brazil.

4.2 Triangulation techniques

Additionally, to support managers' evidence and provide a triangulation of stakeholders' perception, we interviewed an ex-auditor and a credit analyst of a bank, questioning their perception about managers behavior in this situation. This last analysis is very important to increase the external validity of this study and will be presented in this topic.

In relation to asset's classification criteria, according to auditor's experience, it is possible to infer that companies tend to leave the ICMS Accumulated Credit in current period, due to a question of performance, but also because of the company's usual practice. The last explanation suggests a status quo behavior presented by the manager, who chooses the same accounting choice and do not want to change asset's classification, which it a possible and reasonable explanation. Moreover, auditor's opinion corroborates managers' attitude in blaming the government for the delay in analyzing their request to use the credit. Then, it was possible to confirm that managers probably do nothing different as they used to do waiting for a government's position, which is another evidence that corroborates the presence of status quo bias.

In relation to measurement criteria, based on auditor answers, we could realize that manager is likely to use past experiences to justify the procedure adopted and often opt not to choose any accounting parameter to analyze asset's recoverability, because they probably do not want to stay away from their initial choice.

Moreover, as observed in managers' interviews, auditor affirms that managers opt to continue measuring the credit by its cost, even if they intend to sell the asset with discount, according to his experience. Managers, however, opt to blame government for the lack of accounting parameters, outsourcing the responsibility for the adequate assessment of assets' recoverability.

The lack of clear recoverability parameters makes more difficult for auditors to validate the data presented by the companies and to attest asset's reliability, suggesting that the audit plays a weak role in providing enforcement to firm's disclosure in this scenario. Probably, the difficulty in obtaining parameters to validate the asset is due to the lack of an accounting standard to assist the auditor in the analysis process. Moreover, the auditor explained that the analysis in this asset is done by sampling and, normally, the audit firm hires a tax adviser (lawyer) for this job. The main problem is that a lawyer probably does not have appropriate accounting knowledge to assess recognition, measurement and disclosure criteria.

Thus, the audit company (that was expected to question more rigorously this process of classification and measurement) seems not to be strong enough to require a change in managers' behavior and force managers to move away from the status quo predicted in their accounting choices. We could observe a lack of enforcement by audit's firm and it does not contribute to provide a stimulus that would make manager leaves his expected status quo behavior, considering a range of accounting choices available for this asset.

In this context, we observed that managers choose to keep all the credit classified in balance sheet (status quo bias), most of the time in current assets, but it does not represent always a reliable information, according to auditor's answers, because this amount is often not fully recoverable. Finally, auditor also suggested that managers do not desire a specific accounting standard to standardize this asset, despite the difficulty they have to present plausible justifications for the classification and measurement criteria related to this asset. So, possibly, they might want to keep the status quo or to have more flexibility in their choices, which can be explained both by Agency Theory or Behavioral Finance literature.

Table 1- Public company's analysis.

CRITERIA	ASPECT	MANAGER'S ATTITUDE	MANAGER'S SPEECH AS EVIDENCE
Classification	**Current classification**	Manager 3 has classified the amount in non-current assets during 4 years before the credit being used by the firm.	*"All (the amount) was classified in non-current assets, because I do not expect to recover the amount on short-term. There was no segregation [...]".*
	Asset segregation	All the amount was classified on non-current assets, because the firm does not expect to use the amount in short-term.	*"All (the amount) was classified in non-current assets, there was no segregation".*
Recognition and Derecognition	**Recognition**	The credit was recognized at the raw material purchase's moment in current assets and, then, it was transferred to non-current assets.	
	Derecognition of the non-recoverable amount	Manager did not claim for government certification, but kept the amount in non-current assets because firm have tried to change the operation to consume it in long-term and not to accumulate ICMS credit anymore.	*SPEECH 1: "In this scenario I would make an analogy with a contingent asset ... it becomes an asset only when it is certain that I am entitled to receive this amount.... So, being conservative, I would not keep anything in the asset until a government position or I would keep only a little part of the amount on current assets". "I would be very conservative...keep the balance clean".SPEECH 2: "The moment we became able to monetize the credit it was a relief, because I could not take it any longer [...] I had no arguments anymore. [...] we had to justify the projections, even though we knew that, deep down, those projections were at risk of not being realized. [...] the credit's compensation was something unexpected".SPEECH 3: "I only do the write-off when the money was deposited in the account".*
	Types of credit and amounts	Small part of the credit was recoverable by government certification. The remaining part stayed in firm's assets until be recovered by ICMS debits, 4 years later. R$ 800 thousand were required to government's certification; R$ 20 million were not required and stayed in balance sheet.	*"We asked only for R$ 800,000 relative to a simple operation of diesel oil" (*firm presented more than 20 million in balance sheet).*"Luckily, we were able to change the operation and use the asset's credit* (20 million) *to compensate ICMS debits* (after 4 years)*".*
Measurement	**Impairment test frequency**	Manager had performed an impairment test based on future sales projections, but no more parameters were used. However, no write-offs or impairment loss was recognized.	*SPEECH 1:" We have to justify the credit in our balance sheet with projections, otherwise we have to do an impairment of the amount". SPEECH 2: "Luckily, we were able to change the operation and use the asset's credit* (20 million) *to compensate future ICMS debits* (4 years)*".*
	Destination and credit's use	The few certified parts of the credit were sold by the firm to another firm. There was a revisable discount in this kind of sale operation, but there was no change in asset's measurement.	*"We sold the credit and the consulting firm found another one interested to buy our certified credit"*
	Need for an accounting standard	Manager affirms that a specific accounting standard is not necessary. He believes that IFRS 9 is enough to get parameters about accounting treatment for this asset.	*"We could make an analogy with IFRS 9, because it* (the ICMS Accumulated Credit) *is a financial asset in its essence. So, I can verify asset's recoverability through the parameters brought by the standard. I do not think that is necessary a standard about something so specific".*

Table 2 - Private companies' analysis.

CRITERIA	ASPECT	MANAGER'S ATTITUDE	MANAGER'S SPEECH AS EVIDENCE
Classification	**Current classification**	Managers 1 and 2 classify all the amount on current assets.	*Manager 1: "In raw material purchase's moment, I already have to recognize the credit separately in balance sheet (short-time)" "[...] So, I keep all the credit in balance sheet, regardless of the fiscal liberation or not, because I believe it is an asset to the firm". Manager 1: "It's very complex. For example, I am classifying the credit in current assets, but it has been unemployed for 3, 4 years. It should not be there; it should be in my non-current asset". […] Oh, but I expect to recover it in the short-term, right?! Do I have evidence that I will recover in the short-term? Not really! I have a request that can quit at any time". Manager 2: "[…] That is why the amount is in current assets and no impairment test was performed".*
	Asset segregation	Managers 1 and 2 do not separate the amount in short and long-term.	
Recognition and Derecognition	**Recognition**	Managers 1 and 2 recognize the asset in raw material purchases' moment.	*Manager 1: "At the time of purchase, it is already in current assets". Manager 2: "We treat the asset as it was a normal amount of ICMS credit balance* (current asset), *as if it was going to be used at some point. That is why the amount is in the current assets and no impairment test was performed".*
	Derecognition of the non-recoverable amount	Manager 1 performed a write-off on unrecoverable asset when government said that part of the amount was not possible to be certified. Manager 2 said that the credit was not approved by government, but firm did not do an impairment, because it can be used if the company changes its operation.	*Manager 1: "What happens is that, for example, I have requested 1 million for government, but, because a difference of IVA calculation, tax authorities released only 800 thousand to firm's use. Then, I have to do a write-off in this amount". Manager 2: "We did not do a write-off. All the amount is accumulated in the asset".*
	Types of credit and amounts	Manager 1 claimed for the government certification to all the amount available in the balance sheet. However, only a part of this credit was approved, the rest is still under analysis by the government. Manager 2 claimed for all the amount presented in firm's balance sheet, but the government have denied all the credit required. Manager 1 got approved R$ 800 thousand and have R$ 1 million of credit under government analysis.	*Manager 1: "The accumulation of credit is recurrent (about R $ 40,000 / month). The company has 2,000,000 of accumulated credit currently recovering, of which R $ 1,000,000 is still under government's analysis". Manager 2: "We have approximately 18 million of ICMS accumulated in São Paulo". Manager 2: "There are credits recognized in current assets that have already prescribed, there must be a change in our operation to consume this amount".*
Measurement	**Impairment**	Managers 1 and 2 do not execute impairment tests.	*Manager 1: "So, I keep all the credit in balance sheet, regardless of the fiscal liberation or not, because I recognize that it is an asset to the firm.*
	Asset recoverability parameters	Managers 1 and 2 do not have parameters to test asset's recoverability	*Manager 1: "Without the confirmation of the government, it is difficult to think about parameters to test the recoverability of the asset". Manager 1: "It's very complex. For example, I am classifying the credit in current assets, but it has been unemployed for 3, 4 years. It should not be there, it should be in the non-current. Oh, but I expect to catch up in the short term, right?! Do I have evidence that I will recover it in the short term? Not really! I have a request that can quit at any time".*
	Destination	There was a predicable discount in this kind of sale operation, but there was no change in asset measurement.	*Manager 1: "They offered a discount of 7% to buy our credit, but we are trying to get a lower one".*
	Need for an accounting standard	Manager 1 believes that an accounting standard may help, but it is improbable that it will be developed, because of the tax complexity in Brazil. Manager 2 affirms that a specific accounting standard is necessary.	*Manager 1: "An accounting standard would help, but I think that is improbable". Manager 2: "Yes, if there was an accounting standard, clearer, it would help, for sure".*

In relation to asset's classification criteria, according to credit analyst's experience, he suggests that it depends on the audit's firm quality and the company's governance level. In addition, he stated that size can also influence the creditability of this asset. According to him: bigger the company, better the justification for the asset's allocation, whether in current or non-current period.

Then, according to him, the audit firm and the governance level play an important role in making accounting information more reliable, which favors his analysis. The analyst also believes that governance level can mitigate manipulation, because of the enforcement, especially in public companies. Based on his answers, we could realize that creditor pay less attention at this asset when analyzing public companies, for example, once the analyst assumes there is a higher level of creditability in these companies.

In relation to measurement criteria, the analyst assured that he had never seen any company doing impairment on this asset by its own initiative. Otherwise, in low-governance companies, he witnessed value-added taxes assets that were overvalued, but it was captured and pointed out by an audit firm, causing a change in audit's opinion.

According to him, if the company was submitted to a rigorous process of supervision, either by other stakeholders or by the audit firm, the possibility of some manipulation decreases. Thus, the analyst is convinced that companies would not do an impairment in this asset willingly, but only if it is submitted to an enforcement scenario that requires this positioning of the company (i.e., audit requisition or shareholders' monitoring).

Usually, if the analyst is dealing with a company audited by a Big Four and with a high level of governance, he believes that the asset's classification presents greater credibility, which makes him do not doubt about asset's allocation criteria. Otherwise, there will be greater rigor in the process of analysis and the analyst will seek more information from the company, aiming to verify whether the amount presented in current assets is justifiable and can be recoverable, indeed.

The analyst also believes that auditors parameterize the information, which represents something essential for his job. Then, he seems to believe that the auditing of a Big Four is sufficient to guarantee the reliability of the information disclosed. Otherwise, if the audit was carried out by a non-Big Four firm, the concern with information quality may increase and a careful analysis will be carried out by the credit analyst.

Regarding to the credibility of the ICMS Accumulated Credit presented by companies, the analyst affirmed that he demands more information from managers, as well detailed explanations about assets' recoverability, only if he is analyzing a company which is audited by a non-Big Four firm or presents a low level of governance and high amount of this asset classified in current assets, for example. After requesting more information, if the doubt still persists, he reclassifies the amount to long-term before performing any indicator calculations. Another important point is that he affirms that analyze PIS / COFINS credits in the same way, which suggests that the analysis of the ICMS Accumulated Credit can be extended for other value-added taxes.

However, it is worth mentioning that he appeared to outsource a part of the risk involved in his analysis to the audit firm and to the company's governance structure, getting himself involved only when he feels that these aspects are fragile or may allow some manipulation.

Finally, the analyst affirmed that a specific accounting standard would be desirable to obtain a more specific treatment for value-added taxes. He compared this situation with the usefulness of IFRS 16. According to him, now, every company presents the same accounting treatment for leasing and the analyst is who decides what to do with the asset / liability in his analysis. Then, he misses clear parameters that can help analysts' job, which is very subjective by nature, according to him.

As expected, a higher degree of standardization is desirable by creditor, once it can benefit the analysis process, making it more precise and rigorous. Moreover, the analyst highlighted the relevance of IFRS 16 as an example of improvement in the disclosure of accounting information, demonstrating his desire for standardization whenever possible. However, we also realized that he seeks a standard that presents clear rules and not just guiding principles, avoiding his analysis to be even more subjective, according to his perspective.

4.3 Discussion

During the interviews’ content analysis, we identified a probably non-rational and emotional behavior in managers’ speeches and attitudes, which may suggest the influence of status quo bias in their decision-making. Through the interviews, we could identify evidence that support a passive behavior of the manager related to the accounting treatment of ICMS Accumulated Credit and that cannot be explained by Agency Theory arguments.

We can list, at least, three evidence that represent outputs of a possible status quo bias presented in relation to the accounting choices involving the ICMS Accumulated Credit. The status quo evidence is supported empirically by the non-realization of current assets in the short-term, the lack of write-off or impairment tests and the dependence on tax authorities and auditors’ positioning to provide adequate accounting treatment. These outputs, when faced with managers’ speeches and explanations for their accounting choices, suggested the presence of status quo bias in managers’ decision-making.

Managers recognize the fiscal asset at cost, in the short-term, at the time of raw material’s purchase, and do not change its classification or measurement anymore, exhibiting a kind of inertia that can corroborate the presence of status quo bias, which is explained by Behavioral Finance literature.

There is evidence that question the recoverability of the amount of ICMS Accumulated Credit in companies’ assets, whether in the short-term or in the long-term allocation, indicating the need to change the initial accounting choice of keeping the asset at cost and classified in current assets, but it does not happen, apparently. In addition, managers of private companies do not try to explain their accounting choices rationally (contradicting themselves) and their remuneration is not normally tied to companies’ economic performance, which implies that their decision to keep non-recoverable amounts recognized in firms’ assets cannot be explained by a possible opportunistic decision-making, as Agency Theory proposes.

So, the first evidence identified through the interviews is the contradiction between managers’ speeches and their accounting choices, which is supported by the non-realization of the ICMS Accumulated Credit in the short-term. Although the private companies keep the amount related to this fiscal asset in current assets, there are reasons, according to managers’ answers and behaviors, to believe that its realization (if it happens) will be in the long-term. Manager 1 and Manager 2 have affirmed that all the amount related to ICMS Accumulated Credit is classified in current assets. However, both reported that the amount is probably not expected to be recovered in the short-term, clearly contradicting themselves.

Besides this, during the interview, Manager 1 and Manager 2 did not try to rationally justify the asset’s classification in current assets, which suggests that they are not rationally using short-term classification as earnings management’ purpose. Based on this evidence, we can suspect that these managers are being taken by an inertial behavior, once they, apparently, do not want to change their prior accounting choice. This first result was already expected, according to the definition of status quo bias, once we predicted that keeping asset’s classification in short-term follows the initial recognition that was also in current assets, regardless of its recoverability.

The second evidence captured through the interviews is related to the intention to keep the same practice, probably, aiming to avoid any loss that may arise from different accounting choices. This evidence is supported by the lack of any write-off or impairment tests in situations that is possible to presume a probable non-recoverability of the asset, either through the approval of the amount by the government or by the credit's use after changes in company's operation. This behavior can possible be explained by their passive position in relation to this asset, but also by their aversion to loss, which seems to be similar to the explanation presented by Tversky and Kahneman (1971) when describing the status quo bias and its implications. Additionally, this result was also expected, since the status quo bias represents a passive behavior of individuals, which means that managers do not seek to change asset's measurement, but keep the initial choice.

The third evidence is related to managers' passive behavior in their decision-making regarding to this asset. This was identified through managers' justification about the recognition and measurement of the asset, since they used the audit firm and tax authorities' positioning as support for their accounting decisions. This passive behavior can be interpreted as a need for external enforcement to motivate managers to get out of their supposed state of inertia and make an accounting choice different from the previous one. Unlike the others evidence, this last one had not been foreseen. However, the attribution of responsibility for managers' accounting choices to other individuals further reinforces the argument of managers' passive behavior when comparing their relationship with other stakeholders.

However, it is important to highlight that, in relation to the speeches of Manager 3 (public company), we could realize a little different behavior. He exhibited a higher concern about his answers and tried to justify their choices explaining all of them rationally, which can be supported by Agency Theory. It was previously expected because of the presence of investors' figure, that develops a higher enforcement in managers behavior and forces managers to present a better information to the market. Because of it, this kind of company was used as a control case in this study.

It was possible to observe that the public firm's manager does not present an apparently and significative status quo bias in his behavior, since he changed his initial accounting choice of classification and performed impairment tests on the asset, even if no loss has been recognized. According to Pompian (2006) and Tversky and Kahneman (1971), there must be a stimulus for an individual leaves his expected inertial behavior. So, in public companies, we believe that investors' enforcement directs managers' decision-making, forcing them to make a more appropriate accounting choice, even under an environment with lack of accounting reporting enforcement.

In addition, the purpose of applying triangulation techniques was to verify previous findings' consistence, which might improve the validation of a qualitative analysis and bring other important information that can contribute to understanding the big picture of managers' behavior. Then, the interviews with an ex-auditor and a credit analyst contributed to validate the results obtained by managers' interviews and, consequently, the presence of status quo bias in managers' behavior.

The auditor's speeches suggested that the audit enforcement is not strong enough to make managers to change their initial accounting choice. According to the auditor's opinion, it can be verified by the difficulty to find objective parameters of recoverability for this asset, even by auditors. Therefore, we realized that there is often no strong questioning of the audit firms about accounting choices related to this asset, which may favor managers to remain in their supposed status quo position, or even the manipulation of classification and measurement's criteria.

Another important information obtained was about the perception of the auditor about managers' behavior. According to him, mostly, managers are afraid of market and government's opinion, so, they can make decisions thinking about the possible impact on firm's image (specially on public companies). For example, Manager 3 (public company) told me that his firm did not claim for government certification because he was afraid to be fined, but he did not present a specific reason to get afraid of tax authorities. This is another typical non-rational behavior of managers that can interfere in their decision-making, according to the auditor. In this scenario, we believe it also might favor the status quo bias in managers accounting choice.

In another perspective, analyst's speeches contributed to confirm the lack of objective parameters for asset's recoverability, which makes possible for managers opting to keep non-recoverable amounts in currents assets, for example. However, the main contribution brought by this interview was the perception of the analyst about the audit firm and firms' corporate governance. The confidence that the analyst demonstrated in the audit process and in governance structure was remarkable. We realized that most part of the risk in the process of financial analysis was delegated to other stakeholders (i.e., the audit firm), suggesting that creditor believes in auditor to identify any manipulation or lack of quality information. However, the analyst also empathizes the relevance of a Big Four audit company in this process, suggesting that he believes there is a significative difference in the reliability of the audit process carried out by smaller companies, if compared to Big Four ones.

Comparing both interviews (auditor and credit analyst), we observed that the perception about managers' behavior in relation to classification and measurement criteria are similar between them.

Moreover, comparing the answers, we could establish one important relation that links the perception about the reliability demonstrated by the auditor, credit analyst and managers. We observed that the credit analyst trusts a lot in the opinion of the audit firm (if it is a Big Four), as he assumes that the supervision process was rigorously carried out by the audit company. On the other hand, the ex-auditor of a Big Four company emphasized the difficulty to analyze the recoverability of the ICMS Accumulated Credit, mainly due to the lack of clearly accounting parameters of recoverability and the high subjectivity involving this asset (i.e., it depends a lot of tax authorities' positioning and analysis). This makes the auditor trusts, many times, in the projections presented by the managers as a way to justify the classification or the measurement of this asset presented in the companies' balance sheet.

Additionally, we could identify a similar behavior in managers' answers, because they, on several moments, demonstrated to outsource the justification for ICMS Accumulated Credit classification to the government, based on vague expectations of recoverability created by the tax authorities during this process. It occurs even without other strong evidence that would make company to be able to recover this amount in the short-term, or worst, even with managers' past experiences that suggested the opposite. Then, we could identify a kind of chain reaction, which outsources the responsibility for the recoverability expectation of this asset to other stakeholders and possible affects the credibility of the information disclosed to the market.

Furthermore, the evidence presented by this research complements the literature on accounting choices, proposing that not only rational aspects may influence in managers' decision making, as pointed by other papers (e.g., Watts & Zimmerman, 1986; 1990; Missonier-Piera, 2004; Astami &Tower, 2006) but also non-rational motivations can interfere in their choices.

5. CONCLUSIONS

The purpose of this study is to analyze if the low accounting enforcement can stimulate status quo bias in managers' accounting choices, considering the existence of changes in asset's condition. To achieve the objective of the research, we analyzed the accounting choices related to ICMS Accumulated Credit: an asset that is not covered by a specific accounting standard. So, following a detailed research protocol, we interviewed managers of private and public companies, as well an ex-auditor of a Big Four audit company and a credit analyst.

The content analysis suggested the following evidence of status quo bias in managers' accounting choices related to ICMS Accumulated Credit: contradiction between managers' speeches and their effective accounting choices, once they did not try to explain rationally their decision of keeping the initial recognition/classification; intention to keep the same practice, possible aiming to avoid any loss that may arise from a different accounting choice and managers' passive behavior when making an accounting choice, outsourcing and justifying their decision based on other stakeholders' opinion, like tax authorities and auditors, rather than presenting a rational justification. This evidence cannot be explained by Agency Theory and corroborate the need to analyze accounting choices in a wider perspective, considering both rational and behavioral variables that can affect managers' decision-making.

We also noticed that the status quo was more evident in the context of private companies. So, we can assume that the investor's monitoring may encourage managers to make an accounting choice different from the status quo one, pushing them away from the expected state of inertia.

Additionally, this study has also relevant practical implications for stakeholders, once they need to understand and identify variables that can interfere in their decision-making. In the case of auditors, knowing that the status quo bias can affect managers' accounting choices in relation to ICMS Accumulated Credit, they can intensify the analysis of this asset, seeking to improve the quality of information for the market. We also believe that findings may help regulators to improve their understanding about managers' behavior under a lack of specific accounting standard and assess the cost and benefits of the standardization. In a scenario of a wide range of options involving an asset without specific regulation, the standardization seems to be important to try to mitigate managers' inertial behavior (status quo bias). So, the research provide evidence to support the need of developing a specific accounting standard for value-added taxes, especially in Brazilian context.

It is also important to mention that this study present some limitations. Considering that this is a qualitative study, the findings cannot be generalized, but it opens opportunities for future research to apply a quantitative technique and examine the influence of status quo bias on accounting choices in a large sample. Moreover, there might be other behavioral biases interfering in manager's decision-making, which was not in the scope of this research. So, it would be interesting if future research also opts to analyze the influence of other possible behavioral biases on accounting choices, by analyzing different contexts and applying different approaches and techniques to achieve this goal, like developing an experiment to test the status quo hypothesis or other behavioral biases' implications.

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