

# The relationship between key audit matters (KAM) disclosure and stock reaction: Cross-sectional study of Thailand, Malaysia, and Singapore

Phattarawade Sawangjan <sup>a</sup>, Muttanachai Suttipun <sup>b</sup>

<sup>a</sup> Master of Accounting Program, Faculty of Management Sciences, Prince of Songkla University, HatYai City, Songkhla Province, Thailand, 90110

<sup>b</sup> Department of Accountancy, Faculty of Management Sciences, Prince of Songkla University, HatYai City, Songkhla Province, Thailand, 90110

[https://doi.org/10.35609/gcbssproceeding.2020.11\(69\)](https://doi.org/10.35609/gcbssproceeding.2020.11(69))

## ABSTRACT

---

In 2015, the International Standard on Auditing has been revised by the International Auditing and Assurance Standards Board (IAASB) which aims to increase communication quality and information value on the audit reports by using key audit matters (KAM) disclosure. This is because the traditional audit reports provided information asymmetry between corporations and users of financial statement especially investors as well as poor communication quality. Therefore, to reduce information asymmetry between the corporations and investors, this study mainly aims to test whether there is any relationship between KAM disclosure and stock reaction in ASEAN countries represented by Thailand, Malaysia, and Singapore. However, the results of relationship between KAM disclosures and stock reaction from the previous related studies were mixed. For example, Fellnäs et. al. (2015) and Srijunpetch (2017) found that the new audit reports increased firm value and stock reaction. It is because the new audit reports provide quality of communication from auditor's work on the confidence of financial statement users. Moreover, it also helps to reduce the audit expectation gap. On the other hand, Altawalbeh and Alhajaya (2019) found no relationship between KAM disclosure and stock price because the auditors do not report KAM for improving communication quality, but they do because of the regulation.

**Keywords:** Auditor Report's, Key Audit Matters Disclosure, Stock Reaction, Stock Price, Stock Volume