

ABSTRACT

This study aims to examine the impact of Key Audit Matters (KAM) disclosure on market reactions in companies listed on the S&P/TSX Composite Index from 2020 to 2022. This study has dependent variables, namely market reaction with independent variables that is the disclosure of KAM.

KAM disclosures are significant issues identified during audits and have become an essential part of enhanced audit reports under the revised International Standards on Auditing (ISA) 701. Using event study methodology, this research investigates the market's response to KAM disclosures, particularly focusing on topics such as asset impairment, fair value measurement, revenue recognition, and business combinations.

The study evaluates the significance of these disclosures on stock prices by comparing market reactions before, after, and surrounding days of the disclosure of KAM audited annual financial statements. This study used T-test and multiple linear regression analysis

The analysis reveals significant market reactions surrounding the dates of KAM disclosure, indicating that investors respond to the release of this information. Additionally, there is a significant difference in market reaction when comparing the periods before and after the KAM disclosure. Notably, the topic of Fair Value Measurement demonstrates particular significance, suggesting that this area of KAM disclosure has a more pronounced impact on market behaviour compared to other topics.

Keywords: Key Audit Matters, Market Reaction, Event Study