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KAMs Reporting and Financial Performance: Empirical Evidence from Thai Listed Companies

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Abstract

This study seeks to investigate Key Audit Matters (KAMs) reporting of Thai listed companies in Thailand, and examines the influence of KAMs reporting on corporate financial performance. Data were collected from 180 companies listed in Thailand during 2016 to 2018, which accounted to 540 annual reports. KAMs reporting was quantified by content analysis from the audit reports, while financial performance and corporate characteristics were collected from the corporate annual reports. Descriptive analysis and multiple regressions were performed to analyze the data. The study results reveal that there was an increasing of KAMs reporting in audit report of listed companies in Thailand in terms of both number of issues and number of words across the observed period. The regression analysis indicates that was a significant and negative influence of words counted as KAMs reporting on financial performance, while there was no influence of KAMs reporting issue on the performance. Moreover, there was a negative relationship between corporate complexity and financial performance, while audit type had a positive correlation with financial performance. This study shows significant contribution on the implication of KAMs in an emerging economy and the role of KAMs as a communication device between auditor and stakeholders.

Keywords: Key Audit Matters, Financial Reporting, Agency Theory, Emerging Market, Thailand

JEL Classification Code: M42, L25, O16

1. Introduction

Financial reporting, among multiple factors cause, financial instability and is subjected to continual criticism over limitation on relevant information for decision-making. Financial reporting standards have been updated systematically. However, bridging expectation gap among auditors and stakeholders over information asymmetry on auditor's decision-making is now a center of attention. Furthermore, regulators facilitate transparency in support of the revolution in auditor communication in public interests. The alignment between the stakeholders and auditors in

providing new audit report should be considered a big step forward in financial reporting phenomenon. As traditional form of audit report involves standardization, KAMs was introduced in the hope to help financial statement user to better compare the auditors' message across the firms and industries (Tangruenrat, 2015; Tangruenrat, 2017). However, homogeneity in audit report has got criticized for lacking specific information on justification of assessment of a given specific audited firm (Datejarutsri, Sampet, & Kosaiyakanont, 2019; Backof, Bowlin, & Goodson, 2018; Bentley, Lambert, & Wang, 2018. Sirois, Bedard, and Bera (2017) mentioned that Key Audit Matters (KAMs) was introduced as a new audit standard to provides specific information on auditor's determination in areas of higher assessed risk of material misstatement, significant risks, and significant auditor's judgments relating to areas in the financial statement. Datejarutsri et al. (2019) added that is an effect of the audit of significant events or transactions that occurred during the period of the financial statement, made mandatory after December 31, 2017. The new audit standard provides opportunities for stakeholders to engage with new set of useful information provided by the auditor

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(Intagool, Sampet, & Suwanmongkol, 2020; Suttipun, 2020; Gunno & Penawuthikul, 2018; Bentley et al., 2018).

KAMs are considered a new research arena, all issue related and particularly consequences of implementing mandatory KAMs have been getting public attention. Velte and Issa (2019) reveal that the research arena on the impact of KAMs on stakeholders, shareholders, creditor, auditors, directors, and other stakeholders (e.g., suppliers and customers) are now addressed. It should be noted that the impact of KAMs on shareholders is the most common topic, which account for 45% of all publications in the area. Little research has been done on the impact of KAMs among external auditors, stakeholders, and debtholders. Furthermore, the findings on the impact of KAMS on a given stakeholder are still inconclusive. Boonyanet and Promsen (2018) first confirmed that KAMs have limited usefulness as regards information to investors. It also suggests that the KAMs relating to a provision for doubtful debt have a positive and significant relationship to stock prices. Limaporn et al. (2019), however, reveal that is a positively significant relationship between the number of KAMs disclosure and the stock price. KAMs and stock returns show that stock price reaction pre- and post-ISA 701 adoption are not different. Ittarat and Tangpinoyoputtikhun (2019) found no evidence that KAMs has significant impact on stock returns. Based on this limited literature on the influence of KAMs reporting on financial performance or firm value, the results were mixed. Moreover, there were less evidence in prior studies of KAMs reporting in emerging economic countries (Gunno & Penawuthikul, 2018; Detajarutsri, Sampet, & Kosaiyakanont, 2019) compared with the KAMs reporting's literature in developed countries (Bedard, Gonthier-Besacier, & Schatt, 2015; Prices & Scott, 2018; Velte, 2018; Velte & Issa, 2019).

Therefore, this research aims to investigate the KAMs reporting of listed companies in both the Stock Exchange of Thailand (SET) and the Market for Alternative Investment (MAI), and to explore the influence of KAMs reporting on corporate financial performance. There are two main research questions: (1) What are the extent and level of KAMs reporting of companies listed in the SET and the MAI? (2) Were there influences of KAMs reporting on corporate financial performance?

It is hoped that this research will provide actual evidence of the role of KAMs as a communication mechanism to indicate the severity of dispersion between the stakeholders and auditor, and consequences into the firm's performance. Agency-stakeholder theory can be used to explain the influence of KAMs reporting on corporate financial performance because KAMs may reduce the information asymmetries and the conflicts of interest between the corporations and their stakeholders.

The study begins with literature review, and then KAMs reporting, theory used, and hypothesis development

are explained. Population and sample, data collection, variable measurement, and data analysis are described in the method section. Next, findings and discussions of the study are presented following by objectives. Finally, there is a conclusion including contribution and implication, limitation, and suggestion for future study.

2. Literature Review

Financial reporting is a center of attention in every financial crisis, recently the financial crisis in 2008. Financial statements have been believed to provide signal and information content about financial position, performance, cash flow, but useful, informative, and transparency of financial reporting procedure are poorly understood. Another important element of financial reporting is audit report, enclosed in front of financial statements. Auditing is a complex procedure that requires the auditor's assessment of risk-related matters of material misstatement to those financial statements to drive the performance of the audit. The performance of auditing procedure is trustworthy, but poor for other parties. Thus, there was demand from financial statements user on relevant information on auditing (Mazumderand & Hossain (2018); International Federation Accountants, 2017).

In 2011, the International Auditing and Assurance Standards Board (IAASB) published a consultation paper *Enhancing the value of auditor reporting: Exploring options for change*. There was a tension to increased need for narrowing the gap in information asymmetry among users and the expectation gap. In 2013, the exposure draft *Reporting on Audited financial statements: Proposed new and revised international standards on auditing* was issued. In 2015, the new audit legislation was finalized, which took effect in the EU in 2016 to adopt measures necessary to respond to the compliance through an independent standard setter that serves the public by setting the high-quality international standard on auditing. Consequently, the IAASB issued new International Standard on Auditing number 701 (ISA701), *Communicating Key Audit Matters in the Independent Auditor's Report*, which intended to communicate judgment-based decision-making framework with which auditors decided to include KAMs in the audit. Thus, the standard requires auditors to reveal the significant auditor attention issues when performing audit.

For audits of listed entities, KAMs is a new section in the report, which highlights those issues that, in the auditor's professional judgment, were of most significance in the audit. According to the IAASB, the description of KAMs should be "clear, concise, understandable and entity-specific." It should explain why the matter was considered to be significant in the audit and how it was addressed. There should also be a reference to the related disclosure elsewhere

in the financial statements. The aims of the standards are to improve communications among auditor, analysts, regulators, creditor, and investors, with the consequence to increase the public's confidence, not only in the audit process, but also the financial statement of the companies. Financial Reporting Council (2017) confirms that different companies have different characteristics, while difference audits have their own unique features, thus, insightful, interesting, relevant, and useful source of information should be provided.

As new information on auditor's decision is supplemented, the introducing of KAMs is asymmetry information-related issue (Pinto & Morais, 2018). It plays a crucial role on the relationship between shareholders as agents and auditors as earlier research indicates that the shareholders are expected better information to narrow the principle-agent problem. Auditing mechanism was introduced and still plays a crucial role in the problem, however the gap between shareholders and auditors still exists. Thus, KAMs reporting is a new tool added to the audit mechanism to indicate the agency problem of shareholders-auditors and the impact on firm performance.

Information gap between auditor and financial statement users on the matters that are always in the auditor's mind should be disclose. ISA701 states that the Chartered Accountants Australia and New Zealand (2015) explains a three-step process for the identification of all KAMs that fulfill this definition: (1) identify matters that were observed, (2) choose the matters that required significant attention, and (3) select the significant matters that required resources and services in the audit. The IAASB stated in ISA701 the matters to be reported in a separate section of the auditor's report, so called KAMs (Federation of Accounting Professions, 2016). Each issue of KAMs should be highlighted with an appropriate headline and the auditor has to refer to the footnote in the financial statement that is affected by the KAMs. The reference is followed by an explanation of the underlying risks of misstatement for the respective KAMs. It is indicated that the description of KAMs in the auditor's report should include a reference to the related disclosure in the financial statements and should address the reason that the matter was considered to be one of the most significance in the audit and therefore determined to be a key audit matter, and indicates how the matter was addressed in the audit.

The Chartered Accountants Australia and New Zealand (2015) reveals impairment of assets, tax, and goodwill impairment are among the most reported. Accountancy Europe (2018) reports within the European banking sector an average of four KAMs. Impairment of loans and receivables, information systems, and financial instruments are among the top reported key audit matters. Deloitte (2018) studied the first year of implementation of KAMs in Italy. It reveals that an average of 2.2 issues of KAMs has been reported.

Among those, goodwill and intangible asset, revenue recognition, and accounts receivable were among the most commonly-reported issue. Srijunpetch (2017) explores early implementation of KAMs reporting in Thailand by revealing that an average of 1.89 issues of KAMs have been reported for each firm. Among those, revenue recognition, impairment, and inventory were most common issues reported. Pratoomsuwan and Yolrabil (2018) studies the first year of implementation of KAMs reporting in Thailand by confirmed that an average of 1.92 issues of KAMs have been reported. Revenue recognition, inventory, and receivable were among the most common matter reported. This paper further explores average word count in the KAMs section. It reveals that on average 594 words were disclosed.

A monitoring group of KAMs implementation was set up to gather feedback from a broad range of stakeholders. It is also planning to undertake a post-implementation review two years after the effective date, to see if the standards have achieved their intended effect. Additionally, there is a substantial and growing research on the effect of disclosure of KAMs in the auditor's reporting since the implementation of the audit standard. Gold and Heilmann (2019) identified four categories of KAMs' matters. The impacts of KAMs on investor behavior and market reaction (Srijunpetch, 2017; Lennox, Schmidt, & Thompson, 2018); the impact of KAMs on auditor judgment, audit fee and audit quality (Bedard et al., 2015; Reid, Carcello, Li, & Neal, 2019); the impact of KAMs on auditor liability (Backof et al., 2018), and the impact of KAMs on management reporting practice. Many experiments on benefits of disclosing KAMs on investor, auditor, and management have been added, however the limitation of these benefits is heavily focus on individual instead of institution. Srijunpetch (2017) explores the matters and reveals that rather than KAMs reporting, size and growth have positive impact on stock return. The paper confirms that the issue of KAMs has no relationship with stock return, however it reveals that issue of KAMs, leverage, and size, have significant impact on volume of stock traded. Kitiwong and Srijunpetch (2019) further explore a country's cultural characteristics on determining the disclosure of KAMs and have found that strong uncertainty-avoidance is more likely to disclose industry-common KAMs.

3. Methods

To investigate the extent, level, and pattern of KAMs reporting in annual reports, to compare the different level of KAMs reporting between groups of interest, and to examine the influence of KAMs reporting on corporate financial performance, the population in this study consisted of 549 companies listed on the Stock Exchange of Thailand (SET) and 161 firms on the Market Alternative for Investment (MAI) during 2016 to 2018 (SET, 2018). However, this study

did not include companies that (1) issued no annual reports between 2016 and 2018, (2) did not end their accounting year on December 31, (3) were registered as listed companies after 2016, (4) were registered in all sections of financial industries and property fund and REITs section of property and construction industry from the Stock Exchange of Thailand, and (5) were withdrawn from listing by the SET including companies under rehabilitation. Therefore, there were 495 listed companies adhering to conditions above. By simple random sampling, 180 firms were adopted as samples of this study. To study KAMs reporting in annual reports, this study relied on the 2016 to 2018 annual reports of the firms sampled, therefore, there were 540 corporate annual reports.

Annual reports during 2016 to 2018 were used to collect the data in this study. This is because the annual reports contained auditor reports. To investigate KAMs reporting, the study has focused on only key audit matters paragraph in the auditor reports. To measure variables used in the study, content analysis by checklist and word counting was employed to quantify the extent, level, and pattern of KAMs reporting in corporate annual reports during 2016 to 2018. The main reasons of content analysis used in the study were because it is an analysis technique allowing a replicable and valid inference to be drawn from data according to the context (Krippendorff, 1980). To test whether there was the influence of KAMs reporting in annual reports on corporate financial performance, there are two independent variables – issue of KAMs reporting and word count of KAMs reporting – while dependent variable is measured by corporate financial performance by return on asset (ROA). Moreover, there were four control variables from corporate characteristics consisting of business complexity, size of company (Srijunpetch, 2017; Bedard et al., 2015), corporate age (Datejarutsri et al., 2019), and audit change. Table 1 indicates the methods of measuring the variables used in this study.

To analyze the data, descriptive analysis was used to investigate the extent, level, and pattern of Key Audit Matters (KAMs) reporting in annual reports of companies listed on SET and MAI during 2016 to 2018, while independent sample *t*-test and paired sample *t*-test were used to compare the different level of KAMs reporting between groups of interest, and multiple regression was used to examine the influence of KAMs reporting on corporate financial performance. There was an equation used in this study.

$$\text{PERF} = \alpha + \beta_1 \text{ISSUE} + \beta_2 \text{WORD} + \beta_3 \text{SIZE} + \beta_4 \text{COMP} + \beta_5 \text{AGE} + \beta_6 \text{AUDIT} + \varepsilon$$

4. Results and Discussion

Based on the audit reports in the corporate annual reports during 2016 to 2018 by the samples of 180 companies listed on the SET and the MAI each year, this research found that the number of issue and word reported vary during the observation period. Moreover, the return on asset during the observation among the listed companies was also different, which is reported in Table 2.

Table 2 reveals characteristics of sample observed from 180 panel data from the Stock Exchange of Thailand. During 2016, firms report 180 KAMs issues, while the average number in 2017–2018 remained at 197 KAMs issues. The 2016 finding confirms early findings by Srijunpeth (2017). The number increases about 10% from the first year of implementing audit standard on KAMs to the second where it remains the same on the third year. The data also indicates that the minimum number of KAMs issues reported was zero. It increases in 2017 to one issue, while remained at one issue on 2018. The maximum number increased from five KAMs issues in 2016 to six issues in 2017–2018.

Table 1: Measurement of Variables

Variable	Notation	Measurement
Independent variables		
1. KAMs reporting (Issue)	ISSUE	Content analysis by checklist
2. KAMs reporting (Word)	WORD	Content analysis by word counting
Dependent variable		
1. Financial performance	PERF	Return on asset
Control variables		
1. Size of company	SIZE	Natural Logarithm of Sales
2. Business complexity	COMP	Dummy variable: 1 = the Stock Exchange of Thailand firms, 0 = Market for Alternative Investment firms
3. Corporate age	AGE	Year of companies
4. Audit change	AUDIT	Dummy variable: 1 = Audit change, 0 = Non-audit change

Table 2: Descriptive Statistics ($n = 180$)

Variable	Mean	Std Dev	Min	Max
Issue ₂₀₁₆	1.80	0.93	0.00	5.00
Issue ₂₀₁₇	1.97	0.97	1.00	6.00
Issue ₂₀₁₈	1.97	1.00	1.00	6.00
Words ₂₀₁₆	705.44	387.45	0.00	2,146.00
Words ₂₀₁₇	785.99	463.22	96.00	2,946.00
Words ₂₀₁₈	745.98	447.18	96.00	2,593.00
ROA ₂₀₁₆	7.54	10.12	−38.84	50.64
ROA ₂₀₁₇	6.68	10.01	−33.44	75.06
ROA ₂₀₁₈	6.08	9.69	−41.37	59.97

The table also reveals the number of KAMs words reported among 180 Thai listed companies during 2016–2018. On average, firms report 705.44 words in 2016, while the average number in 2017 dramatically increased to 785.99 words, and 745.95 words in 2018. Along with average, the minimum number of KAMs words reported was zero in 2016, while the minimum number in 2017 dramatically rose to remain at 96 words during 2017–2018. The maximum number of KAMs words increased from 2,146 words in 2016 to 2,946 words in 2017, and 2,593 words in 2018. The finding aligns with Deloitte (2018), which explored first year experience of implementation of KAMs in Italy by revealing that approximately two issues of KAMs have been reported by each firm. The finding is similar to early findings with the KAMs words reported in Thailand by Srijunpetch (2017) who found an average of 1.89 issues of KAMs have been reported, and Pratoomsuwan and Yolrabil (2018) confirmed that an average of 1.92 issues of KAMs has been reported by listed companies in Thailand. The paper also adds that the range of average number of KAMS reported was from 1.66 issues in industrials sector to 2.29 issues in the technology sector. The paper further reveals that on average 594 words were disclosed in the year, comparing to 745.80 words in the period of this study.

Furthermore, the table reveals return on asset reported by 180 Thai listed companies. On average, the firm reports return on asset at 7.54, 6.68, and 6.08 during 2016–2018, respectively. During 2016, the minimum number of return on asset reported was −38.84, −33.44, and −41.37 during 2016–2018. The maximum number of return on asset was reported increase from 50.64 in 2016 to 75.06 in 2017, then 59.97 in 2018.

This research aims to explore the relationship between KAMs and corporate performance using data from 2016–2018 average. Thus, using multiple regression between KAMS and corporate average performance, this research can construct an estimation that $\overline{\text{PERF}} = 22.63 + 0.17\text{ISSUE} + 0.00\text{WORD} + 0.13\text{SIZE} - 8.53\text{COMP} - 0.06\text{AGE} + 3.50\text{AUDIT}$.

Table 3: Regression Results of Influence of KAMs on Corporate Average Performance

	PERF _{AVE}		<i>t</i>	<i>P</i> -value
	<i>B</i>	Standard Error		
Constant	22.63	8.73	2.59	0.010**
ISSUE _{AVE}	0.17	1.04	0.16	0.869
WORD _{AVE}	0.00	0.00	−2.08	0.039**
SIZE _{AVE}	0.13	0.61	0.21	0.834
COMP	−8.53	2.79	−3.06	0.003***
AGE	−0.06	0.05	−1.23	0.222
AUDIT	3.50	1.49	2.35	0.020**

$F = 4.22^{**}$ Adjusted $R^2 = 0.10$.

*, ** Denotes the Statistical Significance at 10% and 5% Respectively.

Table 3 presents the impact of KAMS on corporate average performance, which is a significance level of 0.05 ($F = 4.22$) where adjusted R^2 is shown at 0.10. The finding indicates that the number of words has significant impact on corporate performance at significance level of 0.05. Also, COMP and AUDIT play an important role in corporate performance. The finding is new evidence that confirms the study by Limaporn et al. (2019) that found a negatively significant relationship between number of KAMs disclosure and company average performance. It is however contradicted neither Srijunpetch (2017), who reveals that KAMs reporting has positive impact on stock return, nor Ittarat and Tangpinyoputtikhun (2019), who found no evidence that KAMS has significant impact on stock returns. The main difference between this current study and those of Srijunpetch (2017) and Ittarat and Tangpinyoputtikhun (2019) is the measurement of corporate performance, which the two studies adopted stock return instead of accounting income.

Using multiple regression between KAMS and corporate performance in 2016, this research can construct an estimation that $\overline{\text{PERF}} = 13.43 + 0.31\text{ISSUE} - 0.01\text{WORD} + 0.91\text{SIZE} - 4.86\text{COMP} - 0.07\text{AGE} + 2.95\text{AUDIT}$.

Table 4 presents the impact of KAMS on corporate average performance, which has a significance estimation at level of 0.05 ($F = 3.58$) where adjusted R^2 is shown at 0.08. The finding indicates that words have significant impact on corporate performance at significant level of 0.01. The finding confirms early evidence that KAMS words have negative impact on corporate performance (Limaporn et al., 2019). The result is robust in early finding that the number of words has negatively significant impact on corporate average performance, shown in Table 3. The finding is still contradicting Srijunpetch (2017) who reveals that KAMs reporting has positive impact on stock

Table 4: Regression Results of Influence of KAMs on Corporate Performance in 2016

	PERF ₁₆		<i>t</i>	<i>P</i> -Value
	<i>B</i>	Standard Error		
Constant	13.43	10.06	1.33	0.184
ISSUE ₁₆	0.31	1.11	0.28	0.784
WORD ₁₆	−0.01	0.00	−2.83	0.005***
SIZE ₁₆	0.91	0.71	1.29	0.200
COMP	−4.86	3.22	−1.51	0.133
AGE	−0.07	0.06	−1.20	0.231
AUDIT	2.95	1.74	1.70	0.092*

$F = 3.58^{**}$ Adjusted $R^2 = 0.08$.

*, ** Denotes the Statistical Significance at 10%, and 1% Respectively.

Table 5: Regression Results of Influence of KAMs on Corporate Performance in 2017

	PERF ₁₇		<i>t</i>	<i>P</i> -value
	<i>B</i>	Standard Error		
Constant	22.09	10.08	2.19	0.030**
ISSUE ₁₆	−2.66	1.90	−1.40	0.163
ISSUE ₁₇	2.30	1.86	1.24	0.218
WORD ₁₆	0.00	0.01	0.84	0.401
WORD ₁₇	−0.01	0.00	−1.83	0.069*
SIZE ₁₇	0.22	0.71	0.31	0.755
COMP	−7.91	3.23	−2.45	0.015**
AGE	−0.06	0.06	−1.14	0.256
AUDIT	2.50	1.75	1.43	0.155

$F = 2.29^{**}$ Adjusted R Square = 0.05.

*, ** Denotes the Statistical Significance at 10% and 5% Respectively.

return; Ittarat and Tangpinyoputtikhun (2019) found no evidence that KAMs has significant impact on stock returns as reported in Table 3.

Using multiple regression between KAMS and corporate performance in 2017, this research can construct an estimation that $PERF_t = 22.09 - 2.66ISSUE_{t-1} + 2.30ISSUE_t + 0.00ISSUE_{t-1} - 0.01WORD_t + 0.13SIZE_t - 8.53COMP_t - 0.06AGE_t + 3.50AUDIT_t$.

Table 5 presents the impact of KAMS on corporate average performance, which has a significance estimation at level of 0.05 ($F = 2.29$) where adjusted R^2 is shown at 0.05.

Table 6: Regression Results of Influence of KAMs on Corporate Performance in 2018

	PERF ₁₈		<i>t</i>	<i>P</i> -value
	<i>B</i>	Standard Error		
Constant	15.01	9.46	1.59	0.114
ISSUE ₁₆	2.31	1.79	1.29	0.200
ISSUE ₁₇	1.12	2.00	0.56	0.575
ISSUE ₁₈	−3.67	1.51	−2.43	0.016**
WORD ₁₆	−0.01	0.00	−2.69	0.008***
WORD ₁₇	0.00	0.01	0.29	0.776
WORD ₁₈	0.01	0.00	1.51	0.133
SIZE ₁₈	0.62	0.65	0.95	0.345
COMP	−6.03	3.03	−1.99	0.048**
AGE	−0.07	0.05	−1.35	0.178
AUDIT	4.38	1.66	2.64	0.009***

$F = 3.56^{**}$ Adjusted $R^2 = 0.13$.

, * Denotes the Statistical Significance at 5%, and 1% Respectively.

The finding indicates that current KAMs Word has a significant impact on corporate performance at significance level of 0.10. The finding confirms Limaporn et al. (2019) that KAMs words have negative impact on corporate performance. The result is robust in early finding that the number of words has negatively significant impact on corporate average performance as shown in Tables 3 and 4. Thus, it still contradicts neither Srijunpetch (2017), who reveal that KAMs reporting has positive impact on stock return, nor Ittarat and Tangpinyoputtikhun (2019), which found no evidence that KAMs has significant impact on stock returns.

Using multiple regression between KAMS and corporate performance in 2018, this research can construct an estimation that $PERF_t = 15.01 + 2.31ISSUE_{t-2} + 1.12ISSUE_{t-1} - 3.67ISSUE_t - 0.01WORD_{t-2} + 0.00WORD_{t-1} + 0.01WORD_t + 0.62SIZE_t - 6.03COMP_t - 0.07AGE_t + 4.38AUDIT_t$.

Table 6 presents the impact of KAMS on corporate average performance, which has a significance estimation at level of 0.05 ($F = 3.56$) where adjusted R^2 is shown at 0.13. The finding indicates that current KAMs issue has negative significant impact on corporate performance at significance level of 0.05, while lagged word has negative significant impact on corporate performance at significance level of 0.01. The finding is consistent with Limaporn et al. (2019) that found a negatively significant relationship between the number of KAMs disclosure and company performance. The finding aligns with Altawalbech and Alhajaya (2019) who detect positive impact of KAMS on abnormal

trading activities. It also confirms Ngo and Le (2021) that transparency has a positive consequence on the firm. The result is robust in early finding that the number of words has a negatively significant impact on corporate average performance as shown in Tables 3, 4, and 5. The result also confirmed Lee and Chae (2018) that high quality disclosure has negative consequences on the firm performance.

5. Conclusion

This study investigates the extent and level of Key Audit Matters (KAMs) reporting of listed companies in both the Stock Exchange of Thailand (SET) and the Market for Alternative Investment (MAI) during first three years of mandatory disclosure of KAMs made by the Federation of Accounting Professions of Thailand. The result confirms early findings by Pratoomsuwan and Yolrabil (2018) that approximately two issues were reported while 745 were disclosure. This evidence makes further progress on empirical evidence of KAMs in Thai listed companies. This study also reported that there was an increase of KAMs reporting in audit report of listed companies in Thailand in terms of number of issues and number of words. Furthermore, it examines the influence of KAMs reporting on corporate financial performance. The results indicated that there was a significant and negative influence of KAMs reporting by the number of words on corporate financial performance, while no influence of the number of issues of KAMs reporting contributed to the performance. In addition, there was a negative relationship between corporate complex and financial performance, while audit type had a positive correlation with corporate financial performance, as early evidences indicated.

This study, not only makes a direct contribution to the implementation of KAMs in emerging country, but also reveals the persistence of Agency-stakeholder theory in less well-known perspective of the relationship between stakeholders and auditor. The finding has a power of implementation on the risk level of the firm through the eyes of auditor that investor/shareholder should take into consideration. The study findings show KAMs reporting as the new audit reporting in the main capital market as well as the alternative capital market in Thailand.

As KAMs is considered a new issue, there is limited access on richness data. Cross-section data is common in the current arena, however panel data might be a better form of data to reveal the trend of this given issue. This study also points to future study to deal with, not only words and issues, but also given issues that might have difference impact on the implementation of KAMs.

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