

Impact of Impairment of Assets of Stock Exchange Issuers in the Condition of Economic Crisis

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One of the sources of information affecting on securities prices are reporting changes in the value of their assets. In this article author wants to verify how information about change the value of assets affects market valuation of selected issuers listed on the Warsaw Stock Exchange in the economic crisis condition (caused by COVID-19).

To this purpose is necessary to examine the capital market reaction to information relating to reporting of assets impairment by companies listed in the WSE in the form of a current report. Similar topics were the subject of research by few authors [i.a. Strong, Meyer, 1987; Ghicas, Hevas, Papadaki, 1996; Gu, Lev, 2011; Knauer, Wohrmann, 2016; Cheng, Peterson, Sherrill, 2017], but this article will present a new comparative approach. Earlier studies in this field indicate the topicality of the write-offs topic in the context of research of modern capital markets.

Despite research on the impairment of assets undertaken i.a. by Polish authors in various cross-sections of this event such discussion on the regulations being introduced regarding impairment of assets [Ryba 2012], determinants of impairment the value of assets [Piosik, Rówińska 2012; Chraścina, 2015], the scope of creating write-offs [Czajor, Michalak, 2017], the impact of impairment of assets on shaping the financial result [Kumor, Poniadowska, 2016] or including them as part of business risk management [Gierusz, Mazurowska, 2016] only few of them specified the assessment of the impact of their reporting on the market valuation of public companies [Grabiński, 2011, Lisicki 2020]. However, none of the previous researchers, undertook to verify the link of impairment of assets to the market valuation of stock exchange issuers in the case of economic downturn. Such studies will be undertaken in this article to supplement information in this area.

The author's research on the impact of assets impairment on market valuation will allow to deepen the knowledge of capital market participants in the field of short-term determinants of shaping the share price. This research will allow the comparison how impairment of assets affects short-term return of issuers shares under "normal conditions" operating of the economy (period 2013-2018) and "abnormal conditions", which are the spreading negative economic consequences caused by the Covid-19 pandemic (year 2020).

The main task of the article is to examine the impact of the reported impairment of assets on the market valuation of issuers in crisis condition caused by Covid-19 pandemic. The Author wants to verify whether the disclosure those information in the later period of research will cause similar reaction as in previous topic in this area.

To this purpose, was adopted a research hypothesis indicating that disclosure of information about the impairment of the company's assets results in negative abnormal return of their share prices, which was dominant position in the research of previous authors. The research undertaken in the article is to help identify the rules of behaviour (in the short term) whether the reaction of investors on updating the company's assets in crisis conditions is different than in times of prosperity.

The main hypothesis will be verified using the event study methodology [Ball, Brown, 1968; Fama et al., 1969]. Author intends to verify whether the level of achieved returns occurring on the days adjacent to the announcement regarding impairment of assets is significantly different from the average level. The subject of the article will be all reports on impairment of assets submitted by selected entities of the main stock exchange trading floor in Poland in times of the Covid-19 pandemic (year 2020). Results will be compared with investors reaction on impairment of assets proven in earlier studies.

The conclusions obtained from the statistical verification will allow to arrive at general formulations characterizing the occurrence of impairment of assets in the context of market capitalization of their companies in the "normal" and "abnormal" conditions of economy functioning.

The effect of the article will be interpretation of certain relationships that characterize the stock exchange in Poland as well as an indication of the importance of the occurrence of impairment of issuers' assets for their share prices in economic crisis situation. The verified hypotheses can be used for development by scientists dealing with methodology of event study and the value of assets.

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