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## STOCK MARKET REACTION TO IMPAIRMENT ANNOUNCEMENT OF LISTED MANUFACTURING COMPANIES IN SRI LANKA

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### ABSTRACT

This study investigates the market efficiency and market reaction to announcement of impairment loss write down in Colombo Stock Exchange (CSE) from 2008 to 2014. Sixty-two events of twenty listed manufacturing companies in CSEs' have identified in this research. The existent study used the standard event study approach to find the results. The operational hypotheses were formulated and results discovered that 55% of Average Abnormal Return (AAR) are positive and 45% of AARs are negative on the occasion day "0" (event day). The results revealed negative AARs of -0.37% and negative significant impact on Share Price (SP) ( $t = -1.6682$ ) at 10% level which were incurred on the impairment loss announcement date. This results show that impairment loss write down events indicate significant negative information to the CSE. End of the window period abnormal returns have gained by market as positive return of Cumulative Average Abnormal Return (CAAR) of 9.15% during the window period of 61 days. It reveals that CSE has not supported to the semi strong form market efficiency, which has run on publicly available information on CSE. Study focused that the CSE was not semi strong efficient market. The outcome of the research will help identify the market efficiency of CSE and do the necessary action by the Sri Lankan government and CSE to protect the investors and support economic growth of the country.

**Keywords:** Colombo Stock Exchange (CSE), Impairment of non-current assets, Impairment Loss, Semi strong form market and Share Prices