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Determinant Analysis of Going Concern Audit Opinion (Empirical Study of Manufacturing Companies in the Consumer Good Industry Sub-Sector on the IDX in 2017-2021)

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Abstract

This study aims to examine and analyze the determinants of going concern audit opinion (an empirical study of consumer good industry sub-sector manufacturing companies on the IDX in 2017-2021). The population in this study is that there are 37 Consumer Good Industry Companies listed on the Indonesia Stock Exchange issued financial reports for 2017-2021. This research approach is positivist by testing the research variables. Also, purposive sampling was chosen to determine the unit of analysis. Data analysis used logistic regression with the help of the SPSS software program. SPSS output shows the result that going concern audit opinion is influenced by debt ratio, company size, audit lag. Meanwhile, audit quality and financial distress do not affect the going concern audit opinion given by the auditor.

Keywords: Audit lag, going concern audit, debt ratio, financial distress, and company size

INTRODUCTION

Financial statements are the main information for stakeholders in making business decisions, so the information reported must provide assurance. The auditor is a party that provides assurance to stakeholders on the company's performance, so that financial reports become a signal to management for mistakes in decision making because they will affect business continuity. Investors will withdraw their funds if the company is indicated to be bankrupt and obtains a going concern audit opinion. A business entity in carrying out its business activities always strives to maintain its going concern, in addition to achieving its main goal, which is to increase profitability (Utama and Verdiana, 2013). A healthy company condition will gain more trust from the wider community and investors, especially if it is supported by an independent audit (Nursari and Maria, 2015).

The independent auditor as the examiner of the financial statements is responsible for giving an opinion on the fairness of the presentation of the financial statements. Giving an audit opinion is used as a signal to management in the form of an early warning to avoid mistakes in making decisions (Utami & Rufaedah, 2021). There are 5 types of audit opinions, namely Unqualified Opinion, Qualified Opinion, Modified Unqualified Opinion, Adverse Opinion and disclaimer opinion. Giving an audit opinion is a benchmark for a company's ability to build its business continuity (Al�adawiah et al., 2020). According to SPAP SA No.

(Kartika, 2012) states that problems arise when there are many audit failures made by the auditor regarding going concern opinions. Some of the causes include, the first is the problem of self-fulfilling prophecy which results in auditors being reluctant to reveal the going concern status that arises when the auditor is concerned that the going concern opinion issued can accelerate the failure of troubled companies (Khaddafi & others, 2015; Krissindiastuti & Rasmini, 2016) . Even so, a going concern opinion must be disclosed in the hope that it can accelerate efforts to rescue a troubled company. The second problem that causes audit failures (Audit Failures) is the absence of a structured going concern status determination procedure (Tandungan & Mertha, 2016).

Going Concern companies are a consideration for investors in investing their capital, companies that have good prospects and healthy financial statements will attract the attention of investors. Conversely, if the company is indicated to be bankrupt or gets a going concern audit opinion, this will make investors disappointed and withdraw their capital (Grove & Clouse, 2016). The condition of business continuity (going concern) can be seen from the various problems faced by PT FKS Food Sejahtera Tbk (AISA) www.kontan.co.id in 2019 obtaining a going concern audit opinion by KAP Amir AJ, Aryanto, Mawar & Rekan because it was known the company experienced a deficit and capital deficiency so that in that year it was included in the list of companies that would be delisted from the Indonesia Stock Exchange. However, in 2020 the company is trying to improve its performance so that the company is able to maintain business continuity and is no longer on the list of companies that have the potential to be delisted. Another issuer according to www.cnbcindonesia.com that was delisted from the stock exchange, namely PT Sigmagold Inti Perkasa Tbk (TPMI) on November 11 2019, because the company's conditions for operational sustainability both financially and legally were negative and did not provide a company sustainability plan for the future.

(Verdiana & Utama, 2013) state that issuing a going concern audit opinion will have a negative impact on the company because it will reduce the trust of shareholders and investors in the company so that managers will tend to pressure the auditor to issue an unqualified opinion. Opinion Shopping is defined by the SEC, as an activity to find auditors who are willing to support the accounting treatment proposed by management to achieve the company's reporting objectives. (Chen et al., 2005) in their research results stated that when a company changes auditors (switching auditors), it will reduce the possibility of getting an unwanted audit opinion, compared to companies that do not change their auditors for several periods. So a company that has successfully conducted opinion shopping hopes to get an unqualified opinion from the new auditor. Going concern opinion received by a company indicates that there are conditions and events that raise auditor doubts about the company's survival (Byusi & Achyani, 2018). One of the things that needs to be considered by an auditor in evaluating an entity's financial statements to determine whether there is a going concern is the company's growth. Auditees who have a positive sales growth ratio indicate that auditees can maintain their economic position and are more able to maintain their survival (Kartika, 2012). Going concern opinion received by a company indicates that there are conditions and events that raise auditor doubts about the company's survival (Byusi & Achyani, 2018). One of the things that needs to be considered by an auditor in evaluating an entity's financial statements to determine whether there is a going concern is the company's growth. Auditees who have a positive sales growth ratio indicate that auditees can maintain their economic position and are more able to maintain their survival (Kartika, 2012). Going concern opinion received by a company indicates that there are conditions and events that raise auditor doubts about the company's survival (Byusi & Achyani, 2018). One of the things that needs to be considered by an auditor in evaluating an entity's financial statements to determine whether there is a going concern is the company's growth. Auditees who have a positive sales growth ratio indicate that auditees can maintain their economic position and are more able to maintain their survival (Kartika, 2012). One of the things that needs to be considered by an auditor in evaluating an entity's financial statements to determine whether there is a going concern is the company's growth. Auditees who have a positive sales growth ratio indicate that auditees can maintain their economic position and are more able to maintain their survival (Kartika, 2012). One of the things that needs to be considered by an auditor in evaluating an entity's financial statements to determine whether there is a going concern is the company's growth. Auditees who have a positive sales growth ratio indicate that auditees can maintain their economic position and are more able to maintain their survival (Kartika, 2012)

Companies that have good growth can be seen by increasing revenue or revenue per year. Sales that continue to increase from year to year will provide an opportunity for the auditee to obtain increased profits. The higher the auditee sales growth ratio, the less likely the auditor is to issue a going concern audit opinion (Krissindiastuti & Rasmini, 2016). Companies that have high growth will not experience bankruptcy, while companies with negative growth indicate a tendency for companies to experience bankruptcy to become large (Astuti & Yadnya, 2019) in (Darmawan & Sukartha, 2014). Because bankruptcy is one of the grounds for the auditor to provide a going concern audit opinion, then companies that experience negative company growth will have a higher tendency to receive going concern opinions (Kartika, 2012). One way for companies to maintain their future viability is to pay attention to the liquidity ratio. Liquidity is the company's ability to pay its short-term obligations. Liquidity refers to the company's ability to finance its obligations in terms of overall financial position and can provide an early sign of cash flow problems and business failures that the company will face in the future because the first sign of financial distress and bankruptcy is a low or declining liquidity value. In relation to liquidity, the smaller the liquidity,

Research that raises going concern audit opinions has been carried out by many previous researchers with various predictors. Of course, this research also refers to research that has been done with novelty in the form of adding financial distress variables. The first variable used as a predictor is audit quality, based on research by (Kristiani & Lusmeida, 2018), (Minerva et al., 2020), (Haalisa & Inayati, 2021) stating that audit quality affects going concern audit opinion. The effect in question is audit quality seen from the size of the auditors who enter the big four KAPs, because they are considered to have a superior work ethic than non-big four KAPs, while (Sari & Triyani, 2018; Subarkah & Ma�ruf, 2020), in their research stated that auditing quality has no effect on business continuity audit opinion.

The existence of inconsistencies in previous research has prompted researchers to test the Determinant Analysis of Going Concern Audit Opinion (Empirical Study of Manufacturing Companies in the Consumer Good Industry Sub Sector on the IDX in 2017-2021). This study aims to obtain evidence of the factors that influence going-concern audit opinions. It is hoped that the results of the research can contribute theoretically, can confirm the signal theory and are able to enrich the literature related to going concern audit opinions. Practically this research is useful in providing recommendations to stakeholders in order to be able to detect early risk companies going bankrupt so that they will not experience losses in investing. In addition, this research is a synthesis of the research of (Minerva et al., 2020).

METHODS

This research is a type of quantitative research by testing the hypotheses that have been compiled on secondary research variables, because it is done by taking samples from a population that publishes publications on the data needed in this study. The research approach used is positivist by finding relationships between variables. This study uses a population in manufacturing companies in the Consumer Good Industry sub-sector on the IDX in 2017-2021, namely in the form of quantitative data taken from the company's financial reports. The technique used to collect data in this study is documentation, namely by collecting, recording, and reviewing secondary data in the form of company audited financial reports published by the IDX through www.idx.co.id. Purposive sampling technique is used as a sample determination, namely on a certain assessment. The analytical method uses logistic regression analysis to test any possibilities with the dependent variable and the independent variable (Ghozali, 2019). The analysis technique uses the help of the SPSS data processing program. The research variables used are going concern audit opinion, audit quality, debt ratio, firm size, audit lag, and financial distress.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics provide an overview or description of a data that can be seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis and skewness (distribution skewedness). The output results of descriptive statistics are presented in the following table:

Variable	N	Minimum	Maximum	Means	std. Deviation
Audit Quality	135	11.8043	18.3819	15.34317	1.5381141
Debt ratio	135	-0.9989	0.6258	0.062987	0.1761887
Company Size	135	0.0008	0.8999	0.563822	0.1779053
Lag audits	135	-2.085	1,580,000	2.531705	13.7610153
Financial Distress	135	0.06	5.02	0.923852	0.7948275

Classic assumption test

In this study, before carrying out the regression analysis, the classical assumption test must be carried out first. This is done to ensure that the model does not have problems with Normality, Heteroscedasticity, Multicollinearity and Autocorrelation. If all of these tests are met, then the analytical model is feasible to use. The results of the analysis prerequisite testing are as follows:

Normality test

Testing the normality of the data in this study uses the Kolmogorov-Smirnov test on the basis of decision making, namely if the probability ≥ the specified alpha value is 5% (0.05) then it can be said that the data is normally distributed, and vice versa if the probability<than 5% (0.05) then the data is not normally distributed. The normality test results in this study can be seen in the following table:

One-Sample Kolmogorov-Smirnov Test Step 1

		Audit Quality	Debt Ratio	Company Size	Financial Distress
N		135	135	135	135
Normal Parameters, b	Means	15.3432	,0629867	,56382246	,8491111
	std. Deviation	1.53811	,17618873	,177905342	,87469523
Most Extreme Differences	absolute	0.085	,160	,109	, 176
	Positive	0.085	,160	0.048	,150
	Negative	-0.063	-,156	-,109	-,176
Test Statistics		0.085	,160	,109	, 176
asymp. Sig. (2-tailed)		,019c	,000c	,001c	,000c

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

One-Sample Kolmogorov-Smirnov Test Step 2

		Audit Quality	Debt Ratio	Company Size	Lag audits
N		135	135	135	135
Normal Parameters, b	Means	15.3432	,0629867	,56382246	1.3614929
	std. Deviation	1.53811	,17618873	,177905342	2.7671108
Most Extreme Differences	absolute	0.085	,160	,109	,331
	Positive	0.085	,160	0.048	,331
	Negative	-0.063	-,156	-,109	-,266
Test Statistics		0.085	,160	,109	,331
asymp. Sig. (2-tailed)		,019c	,000c	,001c	,000c

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Based on the results of the normality test using the Kolmogorov-Smirnov test, it can be concluded that the data is normally distributed. This can be seen from the results of the Kolmogorov-Smirnov test which shows the statistical test value for each variable is > 0.05, which is 0.085. Thus it can be concluded that the data is normally distributed.

Multicollinearity Test

The multicollinearity test is carried out by looking at the tolerance value and the Variance Inflation Factor (VIF). The value used to indicate the presence of multicollinearity is the tolerance value<0.10 or the same as the VIF value>10. Based on the results of the Variance Inflation Factor (VIF) test on the output results of the SPSS table of coefficients, each independent variable has a VIF value of Audit Quality = 1.028; Debt Ratio = 1.005 ; Company Size = 1.031. Audit Quality tolerance value = 0.972; Debt Ratio = 0.995 ; Company Size = 0.970. Thus each of these independent variables has VIF < 10, while the Tolerance value of each independent variable is > 0.01. This means that there is no multicollinearity between the independent variables and the dependent variable Audit Lag.

Heteroscedasticity Test

The Glejser test is carried out by regressing each independent variable with an absolute residual as the dependent variable. The residual is the difference between the observed value and the predicted value, while the absolute residual is for the independent variable. If the results of the Glejser test confidence level>0.05, there is no heteroscedasticity problem, otherwise if the Glejser test results<0.05 then there is a problem of heteroscedasticity. The results of the heteroscedasticity test showed that the significance value of the independent variable was greater than 0.05. Therefore it can be concluded that the regression model does not contain symptoms of heteroscedasticity.

Autocorrelation Test

The autocorrelation test aims to determine whether there is a correlation between members of a set of observational data that are described according to time (time-series) or space (cross section). One measure in determining whether there is an autocorrelation problem is the Durbin-Watson test (DW). Based on the output, the Durbin-Watson (DW) value is 0.456, so it can be concluded that there is no autocorrelation. And the only Durbin-Watson (DW) value is 1.296, so it can be concluded that there is no autocorrelation. Where both are between -2 to 2, which means there is no autocorrelation (Ayunda 2016).

The Influence of Audit Quality on Going Concern Audit Opinion

The results of the hypothesis test prove that audit quality has no effect on going-concern audit opinion. Both big 4 KAPs and non-big 4 KAPs will provide direct opinions if there are indications of going concern and be objective about the financial reports they examine, thus proving that all KAPs maintain credibility and professionalism based on auditing standards (Suantini et al, 2021). On signal theory, quality an audit is a sign because the audited financial reports produced can be accounted for so that any KAP will definitely provide the best results and opinions that are in accordance with the company's circumstances (Effendi, 2019). This research is in line with Sari and Triyani (2018), Sakti (2022), Rahmawati and Darsono (2022) while the difference in results by Minerva et al (2020) and Kristiani and Lusmeida (2018) that audit quality affects going concern audit opinion

The Effect of Debt Ratio on Going Concern Audit Opinion

In the results of testing the hypothesis, it shows that the debt ratio has an effect on the audit opinion of business continuity, a good and healthy company condition is able to maintain its business continuity by paying off its obligations. Signal theory reveals company debt as a picture of real conditions, so that the company's ability in the future is guaranteed if the company is able to bear its obligations in paying debts (Nadzif & Durya, 2022). This research is consistent with Febrianti and Suhartini (2022), Afnan et al (2020) and contradicts the research of Suantini et al (2021) that the debt ratio has no effect on going concern audit opinion.

The Effect of Company Size on Going Concern Audit Opinion

The results of the hypothesis test prove that company size has an effect on going-concern audit opinion. Companies that are classified as big companies have dominantly good performance and have the ability to overcome existing problems so that they are able to continue to maintain business continuity and future prospects (Napitupulu & Latrini, 2022). According to signal theory, company size is a sign, namely companies that have large assets, the ability to manage operations will also be better and will minimize the giving of going concern audit opinions and auditors tend to give going concern audit opinions to small companies (Rahmawati & Darsono, 2022). The results of this study are in line with the research of Subarkah and Ma'ruf (2020), Kurniawati and Murti (2017), Napitupulu and Latrini (2022), different from the results of Haalisa and Inayati (2021),

The Effect of Audit Lag on Going Concern Audit Opinion

The results of the hypothesis test show that audit lag has an effect on going-concern audit opinion. According to signal theory, whether there is a problem can be observed from the time accuracy and correctness of financial reporting as an indication of a signal for users of financial statements. When it takes a long time to audit, an auditor will be more detailed and detailed in looking at each part of the financial statements and if there is a problem, the auditor gives the opportunity to solve it before the audit opinion is given, this indicates an indication of a going concern problem (Ritaro, 2019). This research is in accordance with Saraswati and Parasetya (2022), Rahmawati and Darsono (2022), Putri and Yuyetta (2021), different from the research results of Berkahi et al (2021) and Minerva et al (2020) that audit lag does not affect going concern audit opinion .

Effect of Financial Distress on Going Concern Audit Opinion

The test shows that financial distress has no effect on the going concern audit opinion, that deteriorating finances do not always affect the giving of a going concern audit opinion, the auditor can consider other factors when giving an opinion such as business expansion, economic growth to the environment. According to signal theory, poor company finances can be a signal in giving an opinion from an auditor, so that managers of course already have a plan to deal with bad finances as a way to recover their business activities (Berkahi et al, 2021). The research results are in line with Napitupulu and Latrini (2022), Effendi (2019) are not in line with the research by Santoso et al (2021) and Damanhuri and

Putra (2020) that financial distress has an effect on going concern audit opinion.

CONCLUSION

Based on the analysis that has been done and the conclusions in this study, debt ratio, company size, audit lag have an effect on going concern audit opinion. Meanwhile, audit quality and financial distress have no effect on going-concern audit opinion. This research is limited to manufacturing companies in the Consumer Good Industry sub-sector on the IDX in 2017-2021 so that the research results cannot be generalized to all types of companies. For further research, it is hoped that it can use moderation or intervening as additional variables and companies in other sectors, for example the real estate sector, mining sector, banking sector, or others. And, the limited data collection year scale from 2017-2021, so that it does not reflect absolute research results in all financial reporting periods. In addition, in this study the value of R Square still tends to be low, so it is necessary to add other variables outside of this study, for example audit tenure, previous year's audit opinion, managerial ownership, opinion shopping, to auditor rotation.

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