Fair Value : Jurnal Ilmiah Akuntansi dan Keuangan
Volume 4, Number 8, 2022
P-ISSN: 2622-2191 E-ISSN : 2622-2205
Open Access: https://journal.ikopin.ac.id/index.php/fairvalue

Determinants of going concern audit opinion acceptance on financial service companies in the IDX

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Article Info
Article history:
Received March 12th, 2022
Revised March 20th, 2022
Accepted March 25th, 2022

Keyword:
Going Concern Audit Opinion, Previous Year's Audit Opinion, Debt Default, Company Size, and Company Growth

ABSTRACT
Going concern describes the company's ability to maintain its business continuity in the future. The auditor can issue a going concern audit opinion if the company's condition is doubtful in its business continuity. This study analyzes the effect of the previous year's audit opinion, debt default, company size, company growth on the acceptance of going concern audit opinions on financial services companies listed on the Indonesia Stock Exchange. A total of 60 companies were obtained using purposive sampling within three years so that the data produced were 180 observations. Based on logistic regression with SPSS 24 analysis tool, it is proven that the previous year's audit opinion positively affects the acceptance of the business continuity audit opinion. While the defaulted debt, company size, company growth did not affect the acceptance of going concern audit opinion.

INTRODUCTION

The financial statements describe the results of management's performance in the current year, which help evaluate the progress or decline of the company. The stakeholders can trust this report made by the accountant if the auditor has audited the report. Auditors must be neutral and independent in facilitating the interests of all stakeholders. There is frequently a conflict of interest between the company and its stakeholders. Many companies improve the appearance of their financial statement to make their company look good, whereas investors and others want factual information about what is happening in the company.

Auditors are responsible for detecting errors and ascertaining whether there has been fraud or manipulation of data in the reports. The auditor evaluates how the company can survive in its operations in the next few years. If the auditor has finished the investigation, the auditor will prepare a reasonable opinion of the company's position. The auditor considers the audit stages to provide conclusions on the reports that have been audited and issue a going concern audit opinion if something doubtful is found on the company's sustainability.

Going concern is a term used to describe the conditions under which a business can sustain its operations continuously. The goal of the company's establishment is to maximize profit and ensure the company's survival. The going concern audit opinion is a bad sign for stakeholders if the auditor doubts the company's ability to continue its operations. The auditor reports the going concern audit opinion in the report, either in the explanatory paragraph or after the opinion paragraph. The negative opinion is highly unfavorable to the company because it will lead to a loss of confidence among investors, creditors, and other stakeholders, causing the stock price to decrease. It will be highly damaging to the company.

Many factors determine the company is going concern with audit opinion. Cases of fraudulent financial statements and unexpected bankruptcy are often encountered. Most of it is influenced by internal factors such as the decline in company profits and others. Numerous companies are considered significant and capable of making profits but have suffered enormous losses. Previous studies have widely carried out research regarding going concern audit opinions with various calculation methods and samples. However, the findings of these several research differ. Krissindiastuti and Rasmini (2016) show that the variables that have a negative effect on going concern audit opinions are tenure audits and company growth, while those that have a positive effect are KAP reputation and opinion shopping and variables that do not affect going concern audit opinions are previous audit opinions and company size.

Several studies demonstrate that the previous year's audit opinion (Wulandari, 2014), company growth (Ginting & Tarihoran, 2017), profitability and company size (Pradika, 2017), debt ratio (Wibisono and Purwanto, 2015) affect acceptance of going concern statements. Variables that have no effect include the company's financial condition, company size, company growth (Wulandari, 2014; Wibisono and Purwanto (2015), and liquidity (Pradika, 2017). The difference between this research and previous studies is that this research uses four independent variables: audit opinion, debt default, company size, and company growth. In addition, many researchers conducted previous studies in the manufacturing and industrial sectors regarding the going concern audit opinions acceptance. Nevertheless, in this study, the authors chose the financial service sector on the IDX because considering the number of service companies proliferating, especially in finance, and increasing the competitiveness of the national economy.

This research focuses on analyzing the determinants of audit opinion acceptance in financial service companies listed on the IDX. It is expected that this research may broaden the knowledge regarding going concern audit opinions and be used as a source of reference and additional data for further researchers, especially in auditing. For companies, it provides information on the importance of business continuity and is one of the materials for analysis and reference in making and implementing policies.

The Effect of Previous Year's Audit Opinion on Going Concern Audit Opinion Acceptance

After analyzing financial statements, the auditor will publish an audit opinion. Stakeholders rely on this audit opinion to decide the validity of the statements. Companies that obtain a going concern audit opinion statement tend to generate a negative response from the public since they are seen as unable to sustain and continue their business in the future and are more likely to receive a going concern audit opinion in the following year.

H1: Audit opinion positively affects the going concern audit opinion acceptance.

The Effect of Company Debt Default on Going Concern Audit Opinion Acceptance

Debt default shows the level of debt in a company. Investors will not respond positively if they employ extra debt in their operating activities. Investors tend to have less trust in companies that use debt in asset management and operational activities. Its high amount of debt will influence a company's debt ratio. Failure to pay its obligations is also an issue for others. Companies that experience a debt default will tend to receive a going concern audit opinion. If a firm cannot pay for its debt, the business will not continue in the long run.

H2: Debt default positively affects the going concern audit opinion acceptance.

The Effect of Company Size on the Going Concern Audit Opinion Acceptance

The number of assets owned by the firm indicates the company's size. The logarithm of total assets can be used to determine company assets. The auditor usually gives a going concern statement to companies with small business sizes. Companies classified as large will be considered more stable in carrying out their operational activities so that they will be considered to solve problems that occur in the company.

H3: Company size positively affects the going concern audit opinion acceptance.

The Effect of Company Growth on the Going Concern Audit Opinion Acceptance

One indicator of the company's growth is sales or profits earned by the business. The company's profit can be calculated by subtracting the total net sales from the total costs for a certain period. Companies with large sales or profits will tend not to accept going concern statements because the ratio of sales and profits shows that the company will live long.

H4: Company growth positively affects the going concern audit opinion acceptance.

RESEARCH METHOD

This research is a type of comparative casual research where comparative research reveals a causal relationship between two or more variables, where the independent variable produces or causes the dependent variable. The data used in this study was obtained from the official IDX website www.IDX.co.id. The population consists of service companies in the finance sector listed on the IDX. Purposive sampling was used to choose the research sample to gather information from specific target groups (Sekaran, 2006). The following criteria were used to choose the sample: Companies that were listed on the IDX in the field of finance during the observation period, companies that did not experience delisting from the IDX during the observation period, issuing financial statements that were audited during the year of observation, and there is an independent auditor report on the company's financial statements. The total number of samples utilized is 80.

The data analysis method used in this study is descriptive statistical analysis, classical assumption test (multicollinearity test), and hypothesis testing using logistic regression (capital feasibility test, overall fit model test, omnibus and determinant coefficient) with the help of SPSS 24.0 software to answer the objectives of this research.

Table 1 Operational Variables and Measurement

Variable	Operational Definition	Measurement
Statement of *Going* Concern (Y)	The company's viability in carrying out its business operations within a reasonable period, not more than one year from the date of the audited financial statements.	1 = There is a statement of going concern 0 = There is no statement of going concern
Audit Opinion (X1)	Companies that get a going concern audit opinion statement in the previous year will be more likely to receive the same opinion statement in the current year.	1 = There is a statement of going concern 0 = there is no statement of going concern
Debt Default (X2)	An indication of the company's ability to pay its debts.	1 = There is an indication 0 = There is no indication of debt default
Company Growth (X3)	Profit growth occurred in the company in the research year compared to the previous year.	CG = Profit (t)−Profit $(t-1)$ s Profit $(t-1)$
Company Size (X4)	Company size shows the size of a company. Companies can be measured by employees, total assets, and sales volume.	Size = Log of Total Assets

RESULTS AND DISCUSSIONS

Descriptive Statistics

The following is a descriptive statistical table from the results of secondary data collection of the previous year's audit opinion, debt default, company size, company growth, and going concern audit opinion in 2016-2018. Based on the table below, the previous year's audit opinion variable there were 161 or 89.4% worth 0, meaning the audit received a going concern audit opinion. In comparison, the remaining 19 or 10.6% was worth 1, meaning the audit received a not-going concern audit opinion.

For the previous debt default, there were 168 or 93.3% worth 0, meaning the company's debt-default status, while the remaining 12 or 6.7% worth 1 means the company's debt-default status. Company size has a minimum value of 20.78. The maximum value is 34.80. The mean company size is 29.8086, and the standard deviation is 2.36597. The company's growth has a minimum value of -265.92. The maximum value is 3.03. The company's mean growth is -1.2957, and the standard deviation is 20.96685. In the previous year's audit opinion, there were 160 or 88.9% worth 0, meaning the audit received a going concern audit opinion, while the remaining 20 or 11.1% was worth 1, meaning the audit received a not-going concern audit opinion.

Table 2 Descriptive Statistics

Variable	Criteria	Amount	Percentage
Going Concern Audit Opinion	0: Audite receives going concern audit opinion	160	88.9%
	1: Audite receives a not-going concern audit opinion	20	11.1%
Previous Year's Audit Opinion	0: Audite receives going concern audit opinion	161	89.4%
	1: Audite receives not-going concern audit opinion	19	10.6%
Debt Default	0: Debt-default company status	168	93.3%
	1: Default non-debt company status	12	6.7%

Table 3 Descriptive Statistics of Quantitative Data

	N	Minimum	Maximum	Mean	Std. Deviation
Company size	180	20,78	34,80	29,8086	2,36597
Company's growth	180	-265,92	3,03	-2,4694	20,96685

Classical Assumption Test

The results of the multicollinearity test carried out with IBM SPSS Statistics 24 can be seen in the Table 4. The table describes all independent variables have a tolerance value of 0.10 where the previous year's opinion was 0.260, debt default was 0.261, company size was 0.994, and company growth was 0.936. The VIF value of 10 where the previous year's opinion was 3.845, debt default was 3.825, company size was 1.006, and company growth was 1.068. Thus, it can be concluded that all the independent variables in this study did not occur in multicollinearity.

Table 4 The Results of Multicollinearity Test

Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Tolerance	VIF
1	(Constant)	-,019	,053		-,363	,717		
	Previous year's audit opinion	,997	,033	,969	30,597	,000	,260	3,845
	Debt default	-,001	,037	-,001	-,017	,986	,261	3,825
	Company size	,001	,002	,007	,447	,655	,994	1,006
	Company growth	2,361E-6	,000	,000	,011	,991	,936	1,068

Logistic Regression Test

Regression Model Feasibility

The assessment of the feasibility of the regression model was carried out using Hosmer and Lemeshow's Goodness of Fit Test. The result will be shown as follows:

Table 5 The Result of Regression Model Feasibility (*Hosmer and Lemeshow Test)*

Step	Chi-square	Df	Sig.
1	5,782	8	,672

The test results in the table obtained a chi-square of 5.782 with a significant value of 0.672 and df 8. The null hypothesis can be accepted because the significance value is more significant than 0.05.

Fit Model Assessment

The purpose of this test is to show the regression model. In other words, this test shows whether the hypothesized model fits the data. The following table presents the results of the regression model feasibility test:

Table 6 The Results of Fit Model's Assessment Fit 1

Iteration Historya,b,c

Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	131,164	-1,556
	2	125,711	-1,995
	3	125,580	-2,077
	4	125,580	-2,079
	5	125,580	-2,079

Table 7 The Results of Fit Model's Assessment Fit 2

Iteration History[a,b,c,d]

Iteration		-2 Log likelihood	Coefficients Constant	X1	X2	X3	X4
Step 1	1	68,326	-2,151	1,723	2,204	,006	-,002
	2	42,526	-3,606	2,790	3,263	,018	-,008
	3	34,341	-5,422	3,643	4,291	,048	-,031
	4	32,179	-7,576	4,401	5,295	,095	-,044
	5	31,790	-9,191	4,875	6,277	,135	-,049
	6	31,742	-9,651	5,006	7,273	,146	-,051
	7	31,729	-9,677	5,013	8,273	,147	-,051
	8	31,725	-9,677	5,014	9,274	,147	-,051
	9	31,723	-9,677	5,014	10,274	,147	-,051
	10	31,722	-9,677	5,014	11,274	,147	-,051
	11	31,722	-9,677	5,014	12,274	,147	-,051
	12	31,722	-9,677	5,014	13,274	,147	-,051
	13	31,722	-9,677	5,014	14,274	,147	-,051
	14	31,722	-9,677	5,014	15,274	,147	-,051
	15	31,722	-9,677	5,014	16,274	,147	-,051
	16	31,722	-9,677	5,014	17,274	,147	-,051
	17	31,722	-9,677	5,014	18,274	,147	-,051
	18	31,722	-9,677	5,014	19,274	,147	-,051
	19	31,722	-9,677	5,014	20,274	,147	-,051
	20	31,722	-9,677	5,014	21,274	,147	-,051

From the calculation results of the -2LL, the value of the first block (Block Number = 0) is 125,580, and the value of -2LL in the second block (Block Number = 1) is 31,722. Because there is a decrease in value from the first block to the second block, the second regression model can be said to be better.

The Coefficient of Determinant

The determinant coefficient can be done with the Nagelkerke R Square function. The -2Log Likelihood model test results produce 31.722 of the coefficient of determination seen from Nagelkerke's R Square is 0.809 (80.9%), and the Cox & Snell R Square value is 0.406 (40.6 The independent variables of the previous year's audit opinion, debt default, company size, and company growth can explain the variation of the dependent variable of going concern audit opinion by 80.9%. In contrast, other factors explain the rest outside of this study.

Table 8 The Results of the R Square Test

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	31,722[a]	,406	,809

Partial Test

This study uses data analysis techniques using logistic regression to determine the partial effect of each independent variable on the dependent variable. The results of the data analysis can be seen in the table below:

Table 9 The Results of Partial Test

Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I.for EXP(B) Lower	95% C.I.for EXP(B) Upper
Step 1[a]	X1	5,014	1,337	14,052	1	,000	150,431	10,938	2068,943
	X2	21,274	11017,017	,000	1	,998	1734442075,512	,000	.
	X3	,147	,310	,224	1	,636	1,158	,630	2,128
	X4	-,051	,032	2,465	1	,116	,951	,892	1,013
	Constant	-9,677	9,607	1,015	1	,314	,000		

From the logistic regression equation testing, the logistic regression model is obtained as follows:

Y = - 9,677 + 5,014 X1 + 21,274 X2 + 0,147 X3 - 0,051 X4……………………………(1)

Explanation:
Y = Going concern
α = Constant
β = Regression coefficient
X_1 = Previous year's audit opinion
X_2 = Debt default
X_3 = Company Size
X_4 = Company Growth
e = Error.

The Effect of Previous Year's Audit Opinion on Going Concern Audit Opinion Acceptance

The results showed that the previous year's audit opinion (X1) positively affected the acceptance of going concern audit opinions on finance sector service companies listed on the IDX in 2016-2018. The results of this test were carried out using logistic regression, which showed a positive regression coefficient of 5.014 with a significance level of 0.000 which is smaller than (5%), so that H1 can be accepted. It shows that if a company obtains a going concern statement in the previous year, it is likely that the company will also receive a going concern statement in the following year. This is because the company's condition is still considered not so stable, so to give confidence to investors, auditors tend to give going concern statements. This research supports research conducted by Ginting and Tarihoran (2017), Wulandari (2015), Wibisono and Purwanto (2015), Andrian. et al. (2019) state that the previous year's audit opinion significantly affects the acceptance of going concern audit opinion statements.

The Effect of Debt Default on Going Concern Audit Opinion Acceptance

The results showed that debt default did not affect the acceptance of going concern audit opinion. Logistic regression shows a positive regression coefficient of 21.274 with a significance level of 0.998, more significant than (5%), so H2 is rejected. It shows that debt default is not the main factor that causes the company to obtain a going concern statement. Finance sector service companies with going concern statements do not always experience debt default problems. It causes debt defaults to have no significant effect on finance sector service companies listed on the IDX. The study is consistent with Tihar et al. (2021), who stated that auditors are more likely to look at their ability to pay obligations in general rather than only focusing on debt defaults.

The Effect of Company Size on Going Concern Audit Opinion Acceptance

The study results show that the company's size does not affect the acceptance of going-concern audit opinion. Logistic regression shows a positive regression coefficient of 0.147 with a significance level of 0.636, greater than (5%), so H3 is rejected. It shows that the company's size does not guarantee that the company can last longer or does not get a going concern audit opinion. Large or small companies do not guarantee that the company operational activities can run well. The size of the company that is getting bigger is only a supporter in launching its operational activities, so it does not affect the company's ability to survive. The study is supported by Syofyan and Vianti (2021), who stated that companies could maintain and manage company assets with good management competence in managing their business.

The Effect of Company Growth on Going Concern Audit Opinion Acceptance

The results showed that the company's growth did not significantly affect the acceptance of going concern audit opinion. The logistic regression shows a positive regression coefficient of -0.051 with a significance level of 0.116, greater than (5%), so H4 is rejected. The company's growth only focuses on the short term, not the long term, while the auditors see things far ahead. The finance sector service companies examined in this study mainly experienced negative profits, but not all received going concern statements from the auditors. It was also the cause of company growth not significantly affected going concern statements in finance sector service companies listed on the IDX. The increase or decrease in profit does not significantly affect the auditor's going concern statement.

CONCLUSION

This study aims to provide empirical evidence regarding the effect of the previous year's audit opinion, debt default, firm size, and firm growth on going concern audit opinion acceptance. The test results found that the previous year's audit opinion had a significant positive effect on the acceptance of going concern audit opinions on service companies listed on the IDX in 2016-2018. If the company obtained a going concern audit opinion in the previous year, likely, the company would also obtain a going concern opinion in the following year. Debt default does not significantly affect the acceptance of going concern audit opinions on service companies listed on the IDX in 2016-2018.

Companies that experience debt default do not necessarily obtain a going concern audit opinion statement by the auditor, and debt default is not the main factor that the auditor considers in providing a going concern statement. The company's size has no significant effect on the acceptance of going concern audit opinions on service companies listed on the IDX in 2016-2018. Company size cannot cause a company to receive a going concern statement. The company's size does not guarantee that the company's operational activities run well. The company's growth has no significant effect on the acceptance of going concern audit opinions on service companies listed on the IDX in 2016-2018. This study indicates that the auditor does not consider the company's growth in providing a going concern audit opinion. The company's growth only focuses on the short term, not the long term, while the auditor sees things far ahead.

For further researchers, it is hoped that they can expand the research object, for example, to companies engaged in agriculture or companies engaged in mining. Investors and potential investors who want to invest should be careful in choosing a company and should not invest in companies that receive a going concern audit opinion. Management must recognize early signs of business bankruptcy by analyzing its financial statements so that they can take policies as soon as possible to overcome these problems and avoid receiving going-concern opinions. Limitations in this study include the coefficient of determination (Nagelkerke R square) is 0.812, which means that the variability of the dependent variable that the independent variable can explain is 80.9 percent. Other variables outside the research model explain the remaining 19.1 percent.

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