

## Determinants of Going Concern Audit Opinion on Manufacturing Companies Listed on the Indonesia Stock Exchange

Maya Sari<sup>1</sup>, Aulia Febriana Sukma Batin<sup>2</sup>

Universitas Muhammadiyah Sumatera Utara<sup>1,2</sup>

Kapten Mukhtar Basri No 3 Medan, Sumatera Utara

Correspondence Email: mayasari@umsu.ac.id

ORCID ID: <https://orcid.org/0000-0001-6479-0011>

### ARTICLE INFORMATION

#### Publication information

#### Research article

#### HOW TO CITE

Sari, M., & Batin, A. F. S. (2022). Determinants of Going Concern Audit Opinion on Manufacturing Companies Listed on The Indonesia Stock Exchange. *Journal of International Conference Proceedings*. 5(2), 297-312.

#### DOI:

<https://doi.org/10.32535/jicp.v5i2.1694>

Copyright©2022 owned by Author(s).  
Published by JICP



This is an open-access article.

License:

Attribution-Noncommercial-Share Alike  
(CC BY-NC-SA)

Received: 1 July 2022

Accepted: 15 July 2022

Published: 26 July 2022

### ABSTRACT

The going concern audit opinion shows the auditor's doubts about the business continuity of the company. This study aims to analyze the effect of financial condition, company size, company growth, auditor client tenure and previous year's audit opinion on the acceptance of going concern audit opinion. This research is a type of associative quantitative research. The population in this study were manufacturing companies listed on the Indonesia Stock Exchange as many as 162 companies and using purposive sampling technique in determining a sample of 108 manufacturing companies. The data collection technique used is the documentation technique and the data analysis technique used by SPSS windows version 23 software. The results show that simultaneously, the variables of financial condition, company size, company growth, auditor client tenure and previous year's audit opinion affect the acceptance of audit opinions. going concern. However, partially the company growth variable and auditor client tenure have no effect on the going concern audit opinion acceptance, while the financial condition variable, company size and the previous year's audit opinion affect the going concern audit opinion acceptance.

**Keywords:** Financial Condition, Company Size, Company Growth, Auditor Client Tenure, Previous Year's Audit Opinion, Going Concern Audit Opinion.

**JEL Classification:** M, M14, M41

## **INTRODUCTION**

Financial reports are used as one of the main media to inform the company's financial condition and company performance for those who need it. According to Jaunaidi & Hartono (2010 p.1) "independent auditors are seen as independent parties who are able to provide useful statements regarding the client's financial condition. That's why the opinion given by the independent auditor will make the data in the company's financial statements trustworthy by users of financial statements, one of which is an investor. There are many cases of manipulation in financial statements that have occurred until now as well as in Indonesia where the management hides the condition of the company's financial problems that they have not known to the public, including investors and creditors who are the providers of funds for the company's operations. This unpredictable economic condition causes investors to expect auditors to carry out detailed examinations and provide early warnings of the company's failure to manage its business. Auditing Standards (SA) section 341 states that the auditor is also responsible for assessing whether there are major doubts about the company's ability to maintain its viability (going concern) within a period of not more than one year from the date of the audit report (Indonesian Institute of Accountants (IAI), 2011). Therefore, in addition to obtaining information regarding the fairness of the financial statements presented by management, the independent auditor's report also provides information to users of financial statements about the company's ability to continue its business (going concern).

According to Purba, (2016, p.33) "business entity going concern is influenced by two constraints, namely external constraints and internal constraints. External constraints can be in the form of constraints outside the company such as monetary, social, political conditions and others. While internal constraints are constraints within the company itself, such as financial conditions, internal controls and others. The going concern opinion received by a company indicates that there are conditions and events that raise the auditor's doubts about the viability of the company. According to Junaidi & Nurdiono (2016, p.31) "Factors that influence the going concern audit opinion are the company's financial factors such as the value of assets, debt, capital and others then non-financial factors can be in the form of company environment, control, auditors and other things." Research conducted by Januarti (2009) shows that factors such as audit quality, audit lag, previous year's audit opinion, and auditor client tenure also affect the acceptance of going concern audit opinions. Likewise, with several other previous studies that have been carried out to determine the factors that influence the acceptance of going concern audit opinions but show different results including research conducted by Ginting & Suryana (2014). financial condition and company growth have an effect on going concern audit opinion. However, partially, only the firm size variable has no effect on going-concern audit opinion. Krissindiastuti & Rasmini (2016) in their research note that the audit tenure and company growth variables have a negative effect on going concern audit opinions. While the variables of company size and previous audit opinion have no effect on going concern audit opinion. And the research conducted by Widyantari (2011) shows the results that the variables of company growth, company size, financial condition empirically have no effect on going concern audit opinions while the previous year's audit has an effect on giving going concern audit opinions.

The financial condition of a company is an important factor to assess the company's ability to run its business as a going concern where if a company experiences financial problems or the company's financial condition worsens, it has a greater likelihood of

receiving a going concern audit opinion, on the other hand the auditor has never issued a going concern opinion on companies that financial condition is not problematic. Research conducted by Rahman & Siregar (2012) produced different results where financial conditions did not affect the acceptance of going concern audit opinions.

Company size is an illustration of the size of a company. Most auditors give going concern audit opinions to relatively small companies because auditors believe that large companies tend to be easier to obtain funds for their operational activities. This is because of the trust or trust obtained by large companies from prospective partners.

## **LITERATURE REVIEW**

Theoretical evidence of going concern audit opinion is based on agency theory where agency theory explains about two conflicting economic actors, namely the principal and the agent. Widyantari (2011, p.13) defines an agency relationship as "a contract in which one or more people (principal) ask another party (agent) to carry out a number of jobs on behalf of the principal which involves the delegation of some decision-making authority to the agent". According to Ardika & Ekayani (2013, p.968) agency relationship is

"a contract in which one or more principals hire another person (the agent) to perform some service on their behalf by delegating some decision-making authority to the agent. Meanwhile, according to Jasen and Mecking in Dewayanto (2011, p. 84) states that the agency relationship is "a contractual relationship between the principal and the agent where the principal in this case the shareholder delegates responsibility for decision making or certain tasks to the agent (manager) in accordance with the work contract stipulated by the company. agreed. Auditing is an examination carried out critically and systematically by an independent party on the financial statements that have been prepared by management, along with accounting records and supporting evidence, with the aim of providing an opinion on the fairness of the financial statements", Agus (2012, p.4), Arens et al., (2015, p.2). According to Jusup (2010, p.11), auditing is a systematic process to obtain and evaluate evidence relating to assertions about economic actions and events objectively to determine the level of conformity between these assertions and predetermined criteria and communicate the results to third parties. -interested party. Based on this definition, it can be concluded that an audit is an examination process that is structured systematically in obtaining and evaluating evidence objectively to determine the suitability of information with established criteria, where auditing is carried out by an independent and competent party.

Ardianingsih (2018, p. 176) defines audit opinion as "an opinion issued by the auditor regarding the fairness of preparing financial statements in accordance with Generally Accepted Accounting Principles (GAAP)". Belkaoui & Riahi (2006, p.271) define going concern as "an entity will continue to operate for a long period of time to realize its projects, responsibilities, and activities that are relentless". Purba, (2016, p.21) explains that going concern is "one of the assumptions used in preparing financial statements according to economic entities. Going concern audit opinion is an opinion issued by the auditor to ensure whether the company can maintain its viability (IAI, 2011), Junaidi & Hartono (2010). So, it can be concluded that going concern audit opinion is an opinion or opinion issued by an independent auditor to a company whose ability to maintain its business continuity is doubtful.

Ramadhany (2004) in Dewayanto (2011, page 87) defines financial condition as a medium that can be used to assess the company's financial condition. According to Sartono in Kartika (2012, p.28) financial analysis which includes analysis of financial ratios, analysis of weaknesses and strengths in the financial sector will be very helpful in assessing past management presentations and future prospects. So, it can be concluded that the company's financial condition is a description of the company's performance as measured by the company's financial statements. This is supported by research conducted by Ramadhany (2004), Setyarno et al., (2006), Rudyawan and Badera (2009) and Ginting and Suryana (2014) which state that the better the company's financial condition, the less likely the auditors to provide going concern audit opinion. While research conducted by Wulandari (2014) and Januarti, (2009) states that the company's financial condition has no influence on the provision of going concern audit opinions by independent auditors. According to Sanjaya (2018, p.52) a company is categorized as experiencing financial distress if the company has a performance that shows negative operating profit, negative net income, negative book value of equity and companies that have merged. Therefore, bankruptcy prediction models are widely used to see whether the company's financial condition can be said to be healthy or unhealthy with an accuracy rate of up to 82% (Ningtias, 2011, p.21). The bankruptcy prediction model developed by Altman, namely the Z score is the most widely used prediction model by previous studies such as Ginting & Suryana (2014), Dewayanto (2011), Rahman & Siregar (2012) to measure condition variables.

## RESEARCH METHOD

The type of research used is associative research. This study uses associative research, namely research to determine the relationship between the two (or more) variables. Where the relationship between the variables in the study will be analyzed using statistical measures that are relevant to the data to test the hypothesis. Where this study was conducted to discuss the *Determinants of Going Concern Audit Opinion on Manufacturing Companies Listed on The Indonesia Stock Exchange*. In this study, the operational definition of the measured variables financial condition, company size, company growth, auditor client tenure, previous year's audit opinion, going concern audit opinion. The study is based on factual data from the Indonesia Stock Exchange's Manufacture sector. The research was carried out on the Indonesia Stock Exchange, namely on Manufacture sector, via the internet, utilizing the site [www.idx.co.id](http://www.idx.co.id) and other sites as needed for data collecting. The population for this study is comprised of 162 Manufacture sector that were listed on the Indonesia Stock Exchange between 2016 and 2019. Sampel used in this study was conducted with a *purposive sampling* is sampling technique with certain considerations that are tailored to the purpose of research or study problems developed. The number of samples in this study were 106 companies. The data collection technique that the author uses as research material is in the form of a documentation study which is the most important step in research that tends to use secondary data, because the main purpose of research is to obtain data. The data used in this study is quantitative data sourced from secondary data. The source of the data used is secondary data obtained by taking data derived from the results of research conducted on the financial statements of manufacturing companies listed on the Indonesia Stock Exchange. The analysis technique used in this research is the analysis of quantitative data, which examine and analyze the data with the calculation of figures and later n draw conclusions from these tests

## RESULTS

Descriptive statistical analysis serves to determine the characteristics of the samples used in this study, which were obtained from 106 manufacturing companies on the Indonesia Stock Exchange with 318 samples in the observation year, 2016-2018. The results of descriptive statistical testing for the independent variables in this study are presented in table 1 below:

**Table 1 Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Going Concern Opinion	318	0	1	,07	,249
Financial Condition	318	-3,37	29,75	3,4427	4,19671
Company Size	318	9,39	14,54	12,2644	,72713
Company Growth	318	-,99	18,18	,2210	1,37422
Auditor Client Tenure	318	1	7	4,14	2,119
Previous Year's Audit Opinion	318	0	1	,06	,237
Valid N (listwise)	318				

Source: Data processed using SPSS

Based on the results of analytical testing using the descriptive statistics above, it is known that the going concern audit opinion variable is measured using a dummy variable with a minimum value of 0, a maximum value of 1, and an average value of 0.07 which is smaller than 0.50 indicating that Going-concern audit opinion with code 1 appears less than the 318 sample companies that are researched. The variable of the company's financial condition as measured by using the prediction ratio of Altman's Z score model shows a minimum value of -3.37 and a maximum value of 29.75. A positive value (maximum) describes a high or good financial condition, while a negative value (minimum) describes a low or unfavorable financial condition. The average value of the resulting Z score is 3.4427 and the standard deviation value is 4.19671. The firm size variable is measured using the logarithm of total assets, the minimum value is 9.39 and the maximum value is 14.54 with an average value of 12.2644 which tends to approach the maximum value of 14.54, this indicates that many sample companies whose size is classified as large or medium scale. The company growth variable as measured by the sales growth ratio shows a minimum value of -0.99 and a maximum value of 18.18. The average value of 0.2210 indicates that the average sample company experienced a decrease in sales growth every year during the research period. The auditor client tenure variable is measured by calculating the number of years of cooperation between the public accounting firm and the same company, so the minimum value is 1 and the maximum value is 7. The average value of 4.14 illustrates that the sample companies have an average engagement with KAP for 4.14 years with a standard deviation of 2,119. In the previous year's audit opinion variable as measured by the dummy variable, a minimum value of 0 indicates a company that did not receive a going concern audit opinion in the previous year or one year before the research year and the maximum value is 1 which indicates the sample company received a going concern audit opinion in the previous year. . The average value of this variable is 0.06, illustrating that more sample companies receive non-going-concern audit opinions or do not receive going-concern audit opinions with a standard deviation of 0.237.

### Logistics Regression Analysis

Hypothesis testing in this study is using logistic regression analysis (logistic regressions) because the dependent variable in this study is measured using a dummy variable or is categorical, namely companies that receive going-concern audit opinions and companies that do not receive going-concern audit opinions. The logistic regression analysis technique does not require the assumption of normality of the data on the independent variables and ignores heteroscedasticity and the test is carried out at a significance level ( $\alpha$ ) of 0.05 or 5%.

### Assessing the Feasibility of the Regression Model

The feasibility of the regression model was measured using Hosmer and Lemeshow's Goodness of Fit Test. Hosmer and Lemeshow's Goodness of Fit Test aims to test the significance between the model and the observed value.

**Table 2 Hosmer and Lemeshow Test**

Step	Chi-square	df	Sig.
1	2,944	8	,938

Source: Data processed using SPSS.

Viewed from table 4.5 the output results from SPSS show that the value of Hosmer and Lemeshow's Goodness of Fit is 2,944 with a significance probability level of 0.938 or 93.8%, which is much greater than the value of 0.05 or 5%. This shows that the model is able to predict the value of the observations or this research can be analyzed using logistic regression analysis because it fits the observation data.

### Overall Model Fit Test

The overall model fit test (Overall Model Fit Test) aims to determine the fit of the model with the data both before and after adding independent variables to the model. The overall assessment of the model is done by comparing the value between -2 Log Likelihood (-2LL) at the beginning (Block Number = 0) with a value of -2 Log Likelihood (-2LL) at the end (Block Number = 1), where the model includes constants and independent variables. . There is a decrease between the value of -2LL. Beginning with -2LL The end shows that the model fits with the data. The hypotheses for assessing the model fit are as follows:

H<sub>0</sub> : The hypothesized model fits the data.

H<sub>A</sub> : The hypothesized model does not fit the data.

The following shows the results of testing the entire model both before and after the addition of independent variables:

**Table 3 Test Results – 2 Log Likelihood (-2LL) Initial**

Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	176,149	-1,736
	2	156,097	-2,394
	3	154,731	-2,624
	4	154,718	-2,649
	5	154,718	-2,649
a. Constant is included in the model.			

b. Initial -2 Log Likelihood: 154,718
c. Estimation terminated at iteration number 5 because parameter estimates changed by less than ,001.

Source: Data processed using SPSS

**Table 4 Test Results -2 Log Likelihood (-2LL) Final**

Iteration		-2 Log likelihood	Coefficients					
			Constant	Bangkrupt	Size	Growth	ACT	PO
Step 1	1	90,489	-1,664	-,002	-,025	-,001	,000	3,954
	2	41,292	-2,073	-,008	-,078	-,002	,001	6,124
	3	27,306	-1,332	-,023	-,207	-,005	,003	7,959
	4	23,430	1,340	-,064	-,471	-,011	,006	9,425
	5	22,259	5,288	-,161	-,805	-,012	,004	10,447
	6	21,815	7,246	-,329	-,953	-,005	,011	11,191
	7	21,701	7,487	-,471	-,963	,001	,032	12,015
	8	21,690	7,471	-,499	-,962	,003	,038	13,001
	9	21,688	7,470	-,500	-,962	,003	,038	14,001
	10	21,687	7,470	-,500	-,962	,003	,038	15,001
	11	21,686	7,470	-,500	-,962	,003	,038	16,001
	12	21,686	7,470	-,500	-,962	,003	,038	17,002
	13	21,686	7,470	-,500	-,962	,003	,038	18,002
	14	21,686	7,470	-,500	-,962	,003	,038	19,002
	15	21,686	7,470	-,500	-,962	,003	,038	20,002
	16	21,686	7,470	-,500	-,962	,003	,038	21,002
	17	21,686	7,470	-,500	-,962	,003	,038	22,002
	18	21,686	7,470	-,500	-,962	,003	,038	23,002
	19	21,686	7,470	-,500	-,962	,003	,038	24,002
	20	21,686	7,470	-,500	-,962	,003	,038	25,002
a. Method: Enter								
b. Constant is included in the model.								
c. Initial -2 Log Likelihood: 154,718								
d. Estimation terminated at iteration number 20 because maximum iterations has been reached. Final solution cannot be found.								

Source: Data processed using SPSS

Seen from table 3 and table 4, it is known that the initial -2LL value is 154,718 and after the five independent variables are added, the final -2LL value becomes 21,686, this indicates a decrease in the final -2LL value of 133,032. The decrease in the value of -2LL indicates a good regression model, namely the inclusion of independent variables can improve the model or in other words the hypothesized model fits the data, therefore  $H_0$  is accepted.

#### **Coefficient of Determination (Nagelkerke R Square)**

The coefficient of determination is used to determine how much the variability of the independent variables is able to clarify the variability of the dependent variable. The magnitude of the coefficient of determination in the logistic regression model in statistical testing is indicated by the value of Nagelkerke R Square.



Table 5 Coefficient of Determination			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	21,686 <sup>a</sup>	,342	,887
a. Estimation terminated at iteration number 20 because maximum iterations has been reached. Final solution cannot be found.			

Sumber: Data diolah menggunakan SPSS

The value of Nagelkerke R Square based on table 5 is 0.887, which means that the variation of the independent variables in this study, namely the company's financial condition, company size, company growth, Auditor Client Tenure, and previous year's audit opinion can explain the variation of the dependent variable in this study, namely audit opinion. going concern of 88.7% or, together, the variation of the independent variable can explain the dependent variable of 88.7% while the remaining 11.3% is explained by other variables outside the research model.

### Classification Matrix

The Classification Matrix shows the predictive power of the regression model, to predict the acceptance of going concern audit opinions on the company.

Table 6 Classification Matrix					
	Observed		Predicted		
			going concern		Percentage Correct
			Non going concern audit opinion	going concern audit opinion	
Step 1	going concern	non-going concern audit opinion	297	0	100,0
		going concern audit opinion	2	19	90,5
	Overall Percentage				99,4
a. The cut value is ,500					

Source: Data processed using SPSS

Based on table 6, it is known that the predictive power of the regression model to predict the possibility of the company receiving a going concern audit opinion is 90.5%. This shows that by using the regression model used, there should be as many as 21 financial statements that were given a going concern audit opinion, while from the observations only 19 financial statements were given a going concern audit opinion. The predictive power of the model of companies that do not receive a going concern audit opinion is 100%, which means that with the regression model used there are no financial statements that are given a going concern audit opinion from a total of 297 sample company financial statements.



### Formed Regression Model and Hypothesis Testing

The logistic regression model that is formed produces regression coefficient values and significance. The regression coefficient of each of the tested variables shows the form of the relationship between the variables. The logistic regression model can be formed by looking at the estimated values of the parameters in the Variables in The Equation in table 7 below:

**Table 7 Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 <sup>a</sup>	Financial Condition	-1,397	,628	4,952	1	,026	,247
	Company Size	-1,791	,722	6,147	1	,013	,167
	Company Growth	-,042	,531	,006	1	,937	,959
	previous year's audit opinion	7,221	1,556	21,549	1	,000	1367,865
	auditor client tenure	,060	,265	,051	1	,822	1,061
	Constant	18,947	8,586	4,870	1	,027	169273005,017

a. Variable(s) entered on step 1: kondisi keuangan perusahaan, ukuran perusahaan, pertumbuhan perusahaan, opini audit going concern, auditor client tenure.

Source: Data processed using SPSS

The logistic regression model that is formed based on the estimated parameter values in the Variables in The Equation above is as follows:

$$GC = 18,947 - 1,397 \text{ Bangkrut} - 1,791 \text{ Size} - 0,042 \text{ SG} + 7,221 \text{ PO} + 0,060 \text{ ACT} + \varepsilon$$

Keterangan:

- GC = Going concern audit opinion  
 Bangkrut = Bankruptcy prediction using the revised Altman  
 Size = Company Size  
 SG = Company Growth  
 PO = Previous year's audit opinion  
 ACT = Auditor Client Tenure  
 ε = Residual error

From the logistic regression equation above, it can be analyzed as follows:

1. The constant value of 18.947 in the regression model that is formed states that if the independent variable is considered constant, then the GC value is 18.947.
2. The financial condition variable (bankrupt) has a regression coefficient value of 1.397. The coefficient is negative, meaning that every increase in the company's financial condition is 1 and results in a decrease in GC of 1.397. (With a note that the other independent variables are constant).
3. Firm size variable (Size) has a regression coefficient value of 1.791. The coefficient is negative, meaning that every increase in company size is 1 and results in a decrease in GC of 1,791. (With a note that the other independent variables are constant).
4. The company growth variable (Growth) has a regression coefficient value of 0.042. The coefficient is negative, meaning that any increase in the company's growth that the value of sales growth is 1 and results in a decrease in GC of 0.042. (With a note that the other independent variables are constant).
5. The previous year's audit opinion (PO) variable has a coefficient value of 7.221. The positive coefficient means that every increase in the previous year's audit opinion

(PO) is 1 and results in an increase in GC of 7,221. (With a note that the other independent variables are constant).

6. The variable auditor client tenure (ACT) has a coefficient value of 0.060. The positive coefficient means that each increase in auditor client tenure (ACT) is 1 and results in an increase in GC of 0.060. (With a note that the other independent variables are constant). Hypothesis testing is done by comparing the level of significance (sig) with the error rate ( $\alpha$ ) = 5% or 0.05. If the significance level is  $< 0.05$ , then the initial hypothesis is accepted, if the significant level is  $> 0.05$ . then the initial hypothesis cannot be accepted.

Based on table 7, the results can be interpreted as follows:

1. First Hypothesis Testing (H1)

The first hypothesis states that the financial condition variable affects the acceptance of going-concern audit opinion. The test results show that the financial condition variable has a negative and significant effect on the going concern audit opinion acceptance.

2. Second Hypothesis Testing (H2)

The second hypothesis states that firm size has an effect on the acceptance of going concern audit opinions. The test results show that the firm size variable has a negative and significant effect on the acceptance of going-concern audit opinion.

3. Third Hypothesis Testing (H3)

The third hypothesis states that company growth has an effect on the acceptance of going concern audit opinions. The test results show that the company's growth has no significant effect on the acceptance of going-concern audit opinion.

4. Fourth Hypothesis Testing (H4)

The fourth hypothesis states that auditor client tenure affects the acceptance of going-concern audit opinions. The test results show that the variable auditor client tenure has no effect on the acceptance of going concern audit opinions.

5. Fifth Hypothesis Testing (H5)

The fifth hypothesis states that the previous year's audit opinion has an effect on the going concern audit opinion acceptance. The results showed that the previous year's audit opinion variable had a positive and significant effect on the going concern audit opinion acceptance.

6. Testing the Sixth Hypothesis (H6)

The sixth hypothesis states that financial condition, company size, company growth, auditor client tenure, and previous year's audit opinion simultaneously affect the acceptance of going concern audit opinion. This hypothesis testing is carried out by conducting simultaneous tests with the results shown in the Omnibus Test of Model Coefficients table as follows:

**Table 8 Omnibus Tests of Model Coefficients**

		Chi-square	Df	Sig.
Step 1	Step	133,032	5	,000
	Block	133,032	5	,000
	Model	133,032	5	,000

Source: Data processed using SPSS

Based on table 8, it is known that the Chi-Square value in the Omnibus Test of Model Coefficients is the result of the difference or decrease in the value of the -2LL data of 133.032 which indicates this regression model is more feasible or better. In the table, a significant value of 0.000 is obtained, which is smaller than a significant value of 0.05 (5%), so the sixth hypothesis (H6) is accepted. This means that together

(simultaneously) the independent variables in this study, namely financial condition, company growth, company size, auditor client tenure, and previous year's audit opinion have a significant effect on the dependent variable, namely the acceptance of going concern audit opinions.

## **DISCUSSION**

Based on the results of research that has been carried out, the results obtained that simultaneously (simultaneously) the variables of financial condition, company growth, company size, auditor client tenure, and previous year's audit opinion have a significant effect on the acceptance of going concern audit opinions. Partial test results can be explained as follows:

### **The Effect of Financial Conditions on the Acceptance of Going Concern Audit Opinions**

Financial condition in this study was measured using the prediction of bankruptcy by the Altman Z score model. Where the lower the Z score of a company's Altman, the higher the probability of bankruptcy that will be experienced by the company and affect the auditor's opinion in providing an audit opinion on its financial statements. This is in accordance with the results of this study which states that financial conditions have a negative and significant effect on the provision of a going concern audit opinion where the better the company's financial condition, the less likely the company is to receive a going concern audit opinion. If the company has a good financial condition, it is less likely for the auditor to provide a going concern audit opinion. An auditor is very concerned about the company's financial condition in issuing a going concern audit opinion. Companies that do not have serious problems will most likely not receive a going concern audit opinion. In contrast to companies that experience financial problems on an ongoing basis which results in a low Z Score ratio, it will have a great opportunity to receive a going concern audit opinion. The results of this study are in line with previous studies of Ramadhany (2004), Setyarno et al. (2006), Rudyawan and Badera (2009) and Ginting and Suryana (2014) which state that auditors almost never issue going concern audit opinions on companies that do not experience financial difficulties. or it can be said that the worse the company's financial condition, the greater the profitability of the company receiving a going concern audit opinion. However, this result is not in accordance with research conducted by Wulandari (2014) and Januarti (2009) which states that the company's financial condition has no influence on the provision of going concern audit opinions by independent auditors.

### **The Effect of Firm Size on the Acceptance of Going Concern Audit Opinions**

Firm size is measured using the logarithm of total assets. The use of the logarithm of total assets is seen as representing the size of the company because it can describe the company's ability to both complete its obligations and the company's ability to generate profits with its assets. Where the higher the logarithmic value of total assets, the lower the probability of bankruptcy that will be experienced by the company and this will affect the auditor's opinion in providing an audit opinion on its financial statements. This is in accordance with the results of this study which states that the size of the company has a negative and significant effect on the provision of a going concern audit opinion where the larger the size of a company, the less likely it is to receive a going concern audit opinion. Large companies that experience financial distress will find it easier to overcome their difficulties because they have greater

capabilities than small companies and companies with large total assets also show that the company has reached the maturity stage because at this stage the company's cash flow is positive and considered to have good prospects in a relatively long period of time (Widyantari, 2011 p.91). The results of this study are in line with previous studies conducted by Ramadhany (2004), Santosa et al. (2007), Januarti (2009), and Widyantari (2011).) who found a negative relationship on the company size variable on the provision of going-concern audit opinion or in other words, the firm size variable negatively affected the going-concern audit opinion acceptance. However, against the results of research conducted by Wulandari (2014), Kristiana (2011), Rahmadona et al., (2019), and Anita (2017) which concluded that company size does not affect going concern audit opinions because small companies are also able to have good management. and presents the financial statements fairly, it can also get a clean opinion from the auditor. So, the auditor in giving an opinion is not affected by the size of the company, but remains guided by the standards that have been set.

### **The Effect of Company Growth on the Acceptance of Going Concern Audit Opinions**

The company's growth is measured by using the sales growth ratio because the increase in sales growth indicates that the operational activities in the company are running well, thereby minimizing the possibility that the company will experience going concern. However, the results of the study indicate that the sales growth ratio used as a measure of sales growth has no effect on the acceptance of going concern audit opinions by independent auditors. This is because the increase in the value of the company's growth as measured by sales growth does not always indicate that the profit earned by the company also increases. An increase in operating expenses that is higher than an increase in sales will result in negative net income and have an impact on the company's retained earnings. This shows that the auditor does not consider the company's sales growth in providing a going concern audit opinion because there is no guarantee that companies that experience an increase in net sales will also experience an increase in net income. Auditors will consider the company's ability to generate profits in providing a going concern audit opinion. The results of this study support the research conducted by Setyarno et al. (2006), Wulandari (2014) and Anita (2017) who concluded that the company growth variable did not affect the acceptance of going concern audit opinions and contradicted the results of research conducted by Ginting & Suryana (2014). ) and Kristiana (2011) who argue that the company's growth variable has an influence on the acceptance of going concern audit opinions where the higher the company's sales growth ratio, the less likely the company will get a going concern audit opinion.

### **Influence of Auditor Client Tenure on Going Concern Audit Opinion**

Auditor client tenure in this study is measured by adding up the years of cooperation between a public accounting firm (KAP) and the same company. Where the results of the study indicate that the auditor client tenure variable has no effect on the acceptance of a company's going concern audit opinion because the independence of the auditor is not disturbed by the length of the engagement between the auditor and his client. The auditor will continue to issue a going concern audit opinion to companies whose ability to maintain business continuity is doubtful regardless of the loss of audit fees that will be received in the future. The engagement of a company with the old KAP is caused by the quality shown by the auditor during the audit of the client company, where the client company is satisfied with the results of the audit conducted by the

auditor which shows the true performance of the company. This is evidenced by the presence of a sample company that has received a going concern audit opinion for 5 consecutive years from the same KAP because the independence of the auditor is not disturbed by the length of the engagement between the auditor and his client, on the contrary, the audit quality provided by the KAP will increase, and this desired by the company. So that the auditor will continue to issue a going concern audit opinion to companies whose ability to maintain business continuity is doubtful regardless of the loss of audit fees that will be received in the future due to the loss of clients. In addition, with regulation Number VIII.A.2 attached to the decision of the chairman of the Capital Market and Financial Institution Supervisory Agency (Bapepam and LK) number: Kep-86/BL/2011 which explains the independence of accountants who provide audit services in the capital market so that accountants providing audit services in the capital market will try to comply with the regulations set by Bapepam and LK. The results of this study are in line with research conducted by Widyantari (2011), Ardika & Ekayani (2013), and Anita (2017) who found that auditor client tenure had no significant effect on the acceptance of going concern audit opinions. However, it is different from the research produced by Januarti (2009) which shows that auditor client tenure has a negative effect on the acceptance of going concern audit opinions.

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

The previous year's audit opinion variable was measured using a dummy variable, namely categorizing the audit opinion received by the sample company in the previous year or one year before the research year. Where the company that received an audit opinion in the previous year will have high profitability to get an audit opinion again in the following year. This is in accordance with the results of the study which showed that the audit opinion in the previous year had a positive and significant effect on the acceptance of going concern audit opinions. The previous year's audit opinion variable is the variable that most influences the going concern audit opinion acceptance compared to other variables. This can be proven by the results of the significance value which states a 100% confidence level that the previous year's audit opinion has an effect on the going concern audit opinion acceptance. These results indicate that the auditor is very concerned about the acceptance of the previous year's audit opinion, although the acceptance of the going concern audit opinion is not solely based on the going concern audit opinion received by the company in the previous year, but the acceptance of the going concern audit opinion in the previous year will result in a loss of public trust. The company's ability to maintain its business continuity will make it more difficult for the company to rise from the difficulties experienced or it can be said that companies that received a going concern audit opinion in the previous year have a high probability of getting a going concern audit opinion again. This can not be experienced again, if there is an increase in the company's performance so that it can convince shareholders that the company still has the ability to maintain its business continuity. The results of this study are in line with previous research conducted by Januarti (2009), Widyantari (2011), Ardika & Ekayani (2013), and Wulandari (2014) which showed that there was a positive and significant effect of the previous year's audit opinion variable on the acceptance of going audit opinions. concern.

#### **CONCLUSION**

The impact of Determinants of Going Concern Audit Opinion on Manufacturing Companies Listed on The Indonesia Stock Exchange is investigated in this study. The

conclusions drawn from this study are based on the findings of the preceding chapter's research:

1. The company's financial condition significantly influences the going concern audit opinion acceptance. This shows that if the company's financial condition is good, it has a small possibility to receive a going concern audit opinion, but on the other hand, companies that have poor financial conditions or companies experiencing financial distress have a high probability of getting a going concern audit opinion from an independent auditor.
2. The size of the company has a significant effect on the acceptance of going-concern audit opinion. This shows that the larger the size of the company, the less likely the company is to receive a going concern audit opinion and conversely, small companies tend to have a greater chance of getting a going concern audit opinion because large companies are considered to be easier to overcome their difficulties or financial problems because they have greater capabilities than small companies.
3. The company's growth has no effect on the going concern audit opinion acceptance. This shows that the auditor in providing a going concern audit opinion does not consider the size of the company's growth, because the increase in sales is not necessarily followed by an increase in profit because of the possibility of a higher operating expense value than an increase in sales, resulting in negative net income and an impact on the balance company's retained earnings.
4. Auditor Client Tenure does not affect the acceptance of going concern audit opinion. This shows that the period of cooperation between the KAP and the same company does not cause the auditor to lose his independence in providing audit opinions, on the contrary, the audit quality provided by the KAP will increase, and this is what the company wants.
5. he audits opinion of the previous year has an effect on the acceptance of going-concern audit opinion. This shows that the audit opinion in the previous year has an influence on the acceptance of the going concern audit opinion in the following year because the company that received the going concern audit opinion in the previous year may result in a loss of public confidence in the company's ability to maintain its business continuity so that this will further complicate the company. to rise from the difficulties experienced or it can be said that companies that received a going concern audit opinion in the previous year have a high probability of getting a going concern audit opinion again.
6. The variables of the company's financial condition, company size, company growth, auditor client tenure, and the previous year's audit opinion simultaneously affect the acceptance of going concern audit opinions.

#### **ACKNOWLEDGMENT**

Thank you very much to the rector of the Universitas Muhammadiyah Sumatera Utara who gave me the opportunity and provided financial assistance to attend this international seminar. Likewise, for the organizers, namely the Association of International Business and Professional Management (AIBPM).

#### **DECLARATION OF CONFLICTING INTERESTS**

The authors declare that there are no conflicts of interest regarding the publication of this paper.

## REFERENCES

- Agus, S. (2012). *Auditing: Petunjuk Praktis Pemeriksaan Akuntan oleh Akuntan Publik*. (4th ed.). Salemba Empat.
- Anita, W. F. (2017). Analisis Faktor-Faktor Yang Mempengaruhi Opini Audit Going Concern Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *JRKA*, 3(2), 87–108.
- Ardianingsih, A. (2018). *Audit Laporan Keuangan*. Jakarta: Bumi Aaksara.
- Ardika, I. K., & Ekayani, N. N. S. (2013). Analisis Faktor Faktor Yang Mempengaruhi Kecenderungan Penerimaan Opini Audit Going Concern Pada Perusahaan Manufaktur Yang Terdaftar Di Bei Periode 2007-2011. *Jurnal Ilmiah Akuntansi Dan Humanika*, 3, 965–989.
- Arens, A., Elder, R., & Beasley, M. (2015). *Auditing dan Jasa Assurance* (15th ed.). Jakarta: Erlangga.
- Belkaoui, & Riahi, A. (2006). *Teori Akuntansi* (5th ed.). Jakarta: Salemba Empat.
- Dewayanto, T. (2011). Analisis Faktor-Faktor Yang Mempengaruhi Penerimaan Opini Audit Going Concern Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Ilmiah Ekonomi*, 6(1), 81–104.
- Ghozali, I. (2016). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 23* (23rd ed.). Semarang: Universitas Diponegoro.
- Ginting, S., & Suryana, L. (2014). Analisis Faktor-Faktor Yang Mempengaruhi Opini Audit Going Concern Pada Perusahaan Manufaktur Di Bursa Efek Indonesia. *Jurnal Wira Ekonomi Mikroskil*, 4(2), 111–120.
- Halim, A. (2008). *Auditing (Dasar-Dasar Audit Laporan Keuangan)* (4th ed.). Yogyakarta: UPP STIM YKPN.
- IAI (Ikatan Akuntansi Indonesia). (2011). *Standar Proffesional Akuntan Publik (SPAP)*. Jakarta: Salemba Empat.
- Januarti, I. (2009). Analisis Pengaruh Faktor Perusahaan, Kualitas Auditor, Kepemilikan Perusahaan Terhadap Penerimaan Opini Audit Going Concern. *Jurnal SIAE*, 1–26.
- Junaidi, & Hartono, J. (2010). Non-Financial Factors In The Going-Concern Opinion. *Journal of Indonesian Economy and Business*, 25(3), 369–378.
- Junaidi, & Nurdiono. (2016). *Kualitas Audit: Perpektif opini going concern*. Yogyakarta: Penerbit Andi.
- Jusup, A. H. (2010). *Auditing (pengauditan)*. Yogyakarta: STIE YKPN.
- Kartika, A. (2012). Pengaruh Kondisi Keuangan Dan Non Keuangan Terhadap Penerimaan Opini Going Concern Pada Perusahaan Manufaktur Di Bei. *Dinamika Akuntansi, Keuangan Dan Perbankan*, 1(1), 25–40.
- Krissindiastuti, M., & Rasmini, N. K. (2016). Faktor-Faktor Yang Mempengaruhi Opini Audit Going Concern. *E-Jurnal Akuntansi Universitas Udayana*, 14(1), 451–481.
- Kristiana, I. R. A. (2012). Pengaruh Ukuran Perusahaan, Profitabilitas, Likuiditas, Pertumbuhanperusahaan Terhadap Opini Audit Going Concern Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia (Bei). *BERKALA ILMIAH MAHASISWA AKUNTANSI*, 1(1), 47–51.
- Mulyadi. (2002). *Auditing* (6th ed.). Jakarta: Salemba Empat.
- Purba, M. P. (2016). *Asumsi Going Concern* (2nd ed.). Bandung: Ekuilibria.
- Rahmadona, S., Sukartini, & Djefris, D. (2019). Faktor-Faktor Yang Mempengaruhi Opini Audit Going Concern. *Akuntansi Dan Manajemen*, 14(1), 15–42.
- Rahman, A., & Siregar, B. (2012). Faktor - Faktor Yang Mempengaruhi Kecenderungan Penerimaan Opini Audit Going Concern Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Akuntansi Sekolah Tinggi Ilmu Ekonomi Ykpn*, 1–37.



- Sanjaya, S. (2018). Analisis Prediksi Kebangkrutan Perusahaan Dengan Menggunakan Metode Altman Z-Score Pada Perusahaan Sektor Perkebunan Yang Terdaftar Di Bursa Efek Indonesia (BEI) Periode 2011-2016. *Jurnal Ilman*, 6(2), 51–61.
- Santosa, arga fajar, & Wedari, linda kusumaning. (2007). Analisis Faktor-Faktor Yang Mempengaruhi Kecenderungan Penerimaan Opini Audit Going Concern. *JAAI*, 11(2), 141–158.
- Setyarno, E. B., Januarti, I., & Faisal. (2006). Pengaruh Kualitas Audit, Kondisi Keuangan Perusahaan, Opini Audit Tahun Sebelumnya, Pertumbuhan Perusahaan Terhadap Opini Audit Going Concern. *Simposium Nasional Padang*, 1–25.
- Widyantari, A. P. (2011). *Opini Audit Going Concern Dan Faktor- Faktor Yang Memengaruhi: Studi Pada Perusahaan Manufaktur Di Bursa Efek Indonesia*. UNIVERSITAS UDAYANA.
- Wulandari, S. (2014). Analisis Faktor-Faktor Yang Mempengaruhi Auditor Dalam Memberikan Opini Audit Going Concern. *E-Jurnal Akuntansi Universitas Udayana*, 6.3, 531–558