

5th ICITB

DETERMINANT OPINI AUDIT GOING CONCERN ON COMPANIES LISTED ON IDX PERIOD 2015-2017

Dewi Murdiawati¹, Ellen Theresia Sihotang²

^{1,2}STIE Perbanas Surabaya

¹dewi.murdiawati@perbanas.ac.id, ²ellen@perbanas.ac.id

Abstract

The aim of this study is to analyze determinants of going concern audit opinion. The independent variable that use in this study are profitability which measured by return on asset, company growth which measured by sales growth, debt default which measured by dummy variable and stock emission strategy which also measured by dummy variable, while dependent variable that use in this study is going concern audit opinion which measured by dummy variable. Sample of this study is mining company, basic sector and chemical that listed in www.idx.co.id for the period 2015-2017. The technique of data analysis that use in this study is logistic regression analysis with SPSS 23.0 For Windows Program. The result of this study explain that profitability and stock emission strategy have influence to going concern audit opinion, while company growth and debt default have influence to going concern audit opinion.

Keywords: profitability, company growth, debt default, stock emission strategy, and going concern audit opinion

1. INTRODUCTION

Auditor opinion is a source of information for parties outside the company as a guide in decision making. Public accountant is one of the parties that mediates an investor as a user of financial statements with the company as a provider of financial statements. A qualified auditor can guarantee that the reports (information) produced are reliable. One of the things the auditor considers in giving an opinion on the financial statements is the ability of the entity to maintain its survival, or what is known as going concern.

5th ICITB

Business continuity (going concern) is a basic assumption in preparing financial statements that explains an entity will not liquidate or stop its business. Going concern audit opinion is an audit opinion issued by an independent auditor to provide confidence whether a company is able to continue its business for a long period of time (Indonesian Institute of Accountants, 2011). According to Brigham and Houston (2011) signal theory (signaling theory) gives an indication that investors will tend to choose companies with a high level of profitability because it gives clues related to management's views on the company's prospects for the future. This argument is based on the assumption that the higher the value of the profitability of the company will provide a good signal for investors so that the company will avoid giving going concern opinion and investors will be interested in investing their funds in a company.

Profitability is considered to be one of the factors in giving going concern audit opinion where profitability shows how effective management is in managing company assets. The higher the value of a company's profitability, the more effective the management of the company's assets so that the less likely the company to accept going-concern audit opinions. Profitability is often indicated by the value of return on assets. Christian Research, Rr. Puruwita and Toto (2016) provide results that profitability has no effect on going concern audit opinion. In contrast, the results of research by Fera and Widanarni (2017) state that profitability affects the going-concern audit opinion.

In this study, researchers used a sample of publicly traded companies focused on the mining sector listed on the Indonesia Stock Exchange. Researchers are interested in using mining sector companies as research samples because they see that the mining sector is one of the pillars of national economic growth because of its important role in Non-Tax State Revenue (ESDM Communication Team, 2018). Therefore, investor interest in mining companies is very high so investors need reliable audit reports and can predict the viability of a company.

2. LITERATURE REVIEW

Agency Theory

Agency theory is a theory discovered by William H. Meckling and Michael C. Jensen in 1976 explaining the relationship between business owners as principals and business management as agents (Jensen and Meckling, 1976). The principal referred to here is the shareholder while the agent is the CEO. Company managers

5th ICITB

as parties who have direct access to company information, sometimes have more information than external parties, such a situation is called asymmetry of information or agency problems. The way that can be used to reduce information asymmetry is to improve supervision. To improve supervision, principals are required to incur costs known as agency fees. Agency costs can be in the form of salaries or bonuses to agents, payments to public accountants to an adequate control system. The existence of agency costs is expected that the CEO can work optimally and pay attention to honesty (Romanus Wilopo, 2016: 229).

The Indonesian Institute of Accountants states that if an auditor is in doubt as to the viability of a company, the auditor must know and evaluate the plans of the company's management. One management plan that can be analyzed by the auditor is a stock issuance plan.

Signalling Theory

Signaling theory is a theory that explains the importance of information made by companies to external parties in the context of investment decisions. The information provided by the company is important for related parties because the information is explained in the past, present and future conditions of the company regarding the company's sustainability (Brigham & Houston, 2011). The linking of signaling theory with this research is auditor opinion which is considered as a market reaction influenced by several factors, namely profitability, company growth, debt default and stock emission strategies. The high level of profitability and company growth that can be generated by the company will provide a positive signal for investors to make investment decisions because with high profits, investors will get greater dividends. On the other hand, the high status of debt default will actually provide a negative signal for investors to make investment decisions. This is because the debt default status reflects the failure of the company in meeting its debt obligations.

Audit Opinion

In the auditing standard (SA) Section 110 paragraph 1, it is explained that the purpose of the audit of financial statements by an independent auditor is to express an opinion about the reasonableness, in all material respects, financial position, results of operations, changes in equity, and cash flow in accordance with accounting principles generally accepted in Indonesia. The auditor's report is a means for the auditor to express his opinion, or if circumstances require, to express an opinion or state not to give an opinion, he must state whether the audit has been carried out based on established auditing standards (Indonesian Institute of

5th ICITB

Accountants, 2011). According to SA 508 paragraph 10, there are five types of opinions given by the auditor, which are as follows:

1. Unqualified opinion.
2. An explanatory language is added in the standard form auditor's report.
3. Qualified opinion.
4. Adverse opinion.
5. Disclaimer of opinion.

Opini Audit Going Concern

Going concern is the survival of a business entity. When an entity is declared going concern, it means that the entity is considered able to maintain its business activities in the long run, it will not experience liquidity in the short run. Going concern audit opinion is the opinion issued by an auditor to evaluate whether there are sanctions related to the company's ability to maintain its survival (Indonesian Institute of Accountants, 2011).

Profitabilitas

The profitability value can be interpreted as a percentage of profit generated in the utilization of company assets. A low net profit to asset ratio doesn't always mean bad. If the company makes investments that cause the ratio to be low, the auditor needs to assess how the company's risk management actions assess and handle the causes and consequences of the uncertainty. If the disclosure of management plans is sufficient to reduce risk at the beginning of the prospect, the company can still develop its potential assets to generate profits (Putri, 2015).

Company Growth

According to Sofyan (2015) states that company growth is the company's ability to increase company size. Rapid company growth will result in greater funding needs for business expansion. The greater the need for future financing, the greater the desire of the company to hold profits. This growth potential can be measured in several ways, for example by looking at sales growth. This measurement can only see the company's growth from the marketing aspect of the company alone. Sales growth is the change in revenue from sales results presented in the annual financial statements.

5th ICITB

Debt Default

The company's failure to meet debt and or interest is a going concern indicator that is widely used by auditors in assessing the viability of a company. It can be said that the company's debt status is the first factor that will be examined by the auditor to measure the financial health of the company. When the company's debt is very large, the company's cash flow must be allocated to cover its debts, which will disrupt the continuity of the company's operations. If this debt cannot be repaid, the creditor will give a default status. Default status can increase the possibility of the auditor issuing a going concern report (Riyanto Setiawan Suharsono, 2018).

Stock issuance strategy

In PSAK 30 SA 341 (Indonesian Institute of Accountants, 2011) states that if the auditor doubts the company's ability to continue its business, the auditor is responsible for evaluating management plans. There are four management plans that must be evaluated, namely management plans to raise capital, management plans to attract debt, management plans to reduce significant expenses and management plans to sell unproductive assets. The plan to increase capital is expected to be able to overcome the company's financial difficulties in the future, because the cash flow obtained can be used to settle short-term and long-term obligations. Feasibility plan to increase owner's capital, including existing or agreed agreements to increase additional capital.

Effect of Profitability on Going Concern Audit Opinions

Profitability describes the company's performance in managing its resources effectively. Profitability is a very important element for a company to maintain the company in the short and long term. The increase in the amount of profit generated by the company will illustrate the prospects of the company's performance in carrying out its operational activities. Profitability reflects the company's ability to obtain profits and the amount of dividends obtained by shareholders. The higher the profits obtained by the company, the dividends will be obtained by shareholders will also be higher so that shareholders will be interested in investing in the company. However, if the company chooses to hold the profits obtained, the ability to form internal funds will be even greater. This can increase the level of productivity of the company such as an increase in raw materials, product development, increase in labor resulting in a decrease in the unemployment rate, and so on.

5th ICITB

The Effect of Company Growth on Going Concern Audit Opinions

The company's growth indicates the company's ability to maintain business continuity. In this study, company growth is proxied by the sales ratio. This ratio measures how well the company maintains its economic position, both in the industry and in the company. Sales is the main operating activity to make a profit. When a company sells its products / services, the company will earn revenue and make a profit. The company's sales that increase from year to year provide a chance for the company to obtain an increase in profits. The increase in profits can make a company avoid bankruptcy.

The Effect of Debt Default on Going Concern Audit Opinions

The indicator used in measuring the viability of a company or going concern is the failure of a company to fulfill its debt obligations (debt default). Debt default is defined as the failure of the debtor (company) to pay the principal debt and / or the relationship at maturity (Chen and Church, 1996). The initial step taken by the auditor to determine the financial health of the company is to examine the company's debt. When the amount of the company's debt is very large, the company's cash flow must be allocated to cover the debt and the interest expense that must be borne by the company will also increase so that this will result in a decline in corporate profits and will disrupt the continuity of the company's operations.

Effect of Stock Emission Strategies on Going Concern Audit Opinions

Companies that experience financial distress, such as negative working capital or negative equity, show an indication that the company is experiencing financial difficulties both to meet short-term obligations and long-term obligations. Therefore, management as an agent is trusted by the principal to run the company and must carry out strategies to overcome these conditions.

Research Hypothesis

Based on the description of the influence between variables and the framework of thought described earlier, the hypotheses that can be formulated in this study are as follows :

- H1 : Profitability affects the going concern audit opinion
- H2 : The company's growth affects the going concern audit opinion.
- H3 : Debt default affects the going concern audit opinion.
- H4 : Stock emission strategies influence the going-concern audit opinion.

5th ICITB

3. RESEARCH METHOD

The variables in this study are divided into two, namely the independent variable or the independent variable, the dependent variable or the dependent variable. The identification of variables in this study are: 1) The independent or independent variables in this study are profitability (using ROA in calculating profitability ratios), company growth (the ratio that compares this year's sales with last year's sales), debt default (using dummy variables), and stock issuance strategies (using dummy variable), 2) The dependent variable or dependent variable in this study is going concern audit opinion (using dummy variables).

The population used in this study were mining companies listed on the Indonesia Stock Exchange (IDX) in 2015-2017. The samples used in this study were mining companies as well as the basic and chemical sectors in the IDX in 2015 - 2017, as many as 84 companies per period. The data used in this study are secondary data, data in the form of financial statements and independent auditor's reports obtained from IDX. This company has been listed on the Indonesia Stock Exchange (IDX) during the 2015-2017 period for all mining and basic and chemical sectors which are listed on the Indonesia Stock Exchange (IDX). Hypothesis testing is done by multivariate analysis using logistic regression, the independent variable being a combination of metric and non-metric (nominal). Testing the hypothesis in this study was carried out with the following stages: 1) Regression Model Feasibility Test, 2) Coefficient of Determination (Nagelkerke R Square), 3) Hypothesis Test (Wald Test)

4. FINDINGS AND DISCUSSION

Hypothesis testing conducted in this study uses logistic regression analysis. Logistic regression is used in this study to test the extent to which the probability of the occurrence of the dependent variable can be predicted by the independent variable. The first hypothesis aims to analyze the effect of profitability variables on going concern audit opinion. The test results obtained wald test value of 18.457 with a significance of 0.000. The significance level of 0,000 is less than 0.05 and the conclusions that can be drawn are H1 accepted. This means that profitability affects the going-concern audit opinion. The second hypothesis aims to analyze the effect of company growth variables on going concern audit opinion. The test results obtained wald test value of 3.149 with a significance of 0.076. The significance level of 0.076 is greater than 0.05 and the conclusion that can be drawn is to reject

5th ICITB

H2. This means that company growth has no effect on going-concern audit opinion. The third hypothesis aims to analyze the effect of the debt default variable on going concern audit opinion. The test results obtained wald test value of 5.175 with a significance of 0.023. The significance level of 0.023 is smaller than 0.05 and the conclusion that can be drawn is H3 is accepted. This can mean debt default affects the going-concern audit opinion. The fourth hypothesis aims to analyze the effect of stock emission strategy variables on going concern audit opinion. The test results obtained wald test value of 14.454 with a significance of 0.000. The significance level of 0.000 is less than 0.05, so H4 is accepted. This means that the stock issuance strategy influences the going-concern audit opinion. The fifth hypothesis aims to analyze the effect of audit quality variables on going concern audit opinion. The test results obtained wald test value of 5.196 with a significance of 0.023. The significance level of 0.023 is less than 0.05 then H5 is accepted. This means that audit quality affects the going concern audit opinion. The sixth hypothesis aims to analyze the effect of the sustainability report variable on going concern audit opinion. The test results obtained wald test value of 0.069 with a significance of 0.794. The significance level of 0.794 is greater than 0.05 and the conclusions that can be drawn are reject H6. This means that sustainability report has no effect on going concern audit opinion.

Effect of Profitability on Going Concern Audit Opinions

The first analysis concluded that profitability affects the going concern audit opinion with a negative relationship direction, the intention is the higher the value of a company's return on assets, the less likely the company will get going concern audit opinion. That is because companies can manage their assets or resources effectively, the company can distribute large dividends to investors so that they will be more interested in investing their capital in the company.

The Effect of Company Growth on Going Concern Audit Opinions

Based on the analysis, it can be concluded that company growth has no effect on going concern audit opinion. This shows that both companies that receive going concern and non-going concern opinions both have negative growth averages, indicating that company growth is not the only benchmark in giving going concern opinion.

5th ICITB

The Effect of Debt Default on Going Concern Audit Opinions

Empirical test results state that debt default has a positive effect on going concern audit opinion, meaning that if a company gets a debt default status, the company will tend to get going concern audit opinion so that this is in accordance with agency theory which states that company management is trying to reason non-debt status default to avoid going concern audit opinion

Effect of Stock Emission Strategies on Going Concern Audit Opinions

Empirical test results state that the stock emission strategy affects the going concern audit opinion so that the agency theory stating that management will try to provide a positive signal in the form of a stock emission strategy to avoid going concern audit opinion is not justified in this study.

Effect of Audit Quality on Going Concern Audit Opinions

Empirical test results state that audit quality affects the going concern audit opinion so that the agency theory explained above is justified in this study. The results of data analysis show that audit quality affects the going-concern audit opinion with a negative direction with the intention that if the company is audited by a KAP affiliated with the Big Four KAP, the smaller the company will receive going-concern audit opinion.

Effect of Sustainability Report on Going Concern Audit Opinion

Empirical test results state that sustainability report has no effect on going concern audit opinion so that the agency theory described above is not justified in this study. This shows that between companies that received going concern and non going concern audit opinions both expressed sustainability reports in other words there was no difference in the disclosure of sustainability reports of companies that received going concern or non going concern audit opinions.

5th ICITB

5. CONCLUSION

Based on statistical tests that have been done, the results of hypothesis testing are obtained so that the conclusions obtained from the following hypotheses:

- a) The profitability variable has a significant effect on going concern audit opinion.
- b) Company growth variable does not significantly influence going-concern audit opinion.
- c) The debt default variable has a significant effect on going concern audit opinion.
- d) Variable stock issuance strategies significantly influence going-concern audit opinion.
- e) The audit quality variable significantly influences the going concern audit opinion.
- f) The sustainability report variable does not significantly influence the going concern audit opinion

Suggestions that can be useful for related parties, are:

- a) Future studies are expected to expand the research period to more than three years and expand the company sample so that research results are more accurate.
- b) Further research can consider independent variables other than profitability, company growth, debt default, stock emission strategies, audit quality, and sustainability report because going concern audit opinion is influenced by various factors.

REFERENCES

- Brigham, E., & Houston, J. (2011). *Dasar-dasar Manajemen Keuangan Terjemahan. Edisi 10*. Jakarta: Salemba Empat.
- Chen and Church. (1996). Going Concern Opinions and the Market's Reaction to Bankruptcy Filings. *The Accounting Review*, 117-128.
- Christian, L., Rr. Puruwita, W., & Toto, P. W. (2016). Pengaruh Likuiditas, Solvabilitas, Profitabilitas dan Rencana Manajemen Terhadap Opini Audit Going Concern. *Jurnal Berkala Akuntansi dan Keuangan Indonesia*, 1(2), 93.

5th ICITB

- Fera, T., & Widanarni, P. (2017). The Acceptance Of Audit Going Concern Opinion On Companies Listed In Indonesia Stock Exchange. *Jurnal Administrasi dan Bisnis*, 11(1).
- Ikatan Akuntan Indonesia (IAI). (2011). *Pertimbangan Auditor atas Kemampuan Entitas dalam Mempertahankan Kelangsungan Hidupnya*, PSA No.30. Standar Profesional Akuntan Publik (SPAP), Jakarta.
- Jensen and Meckling. (1976). Theory Of The Firm : Managerial Behavior, Agency Costs, and Ownership Structure. *Journal of Financial Economics*, 305-360.
- Putri, A. K. (2015). Pengaruh Ukuran Perusahaan, Profitabilitas, Solvabilitas, dan *Debt Default* Terhadap Penerimaan Opini Audit *Going Concern* Pada Perusahaan Manufaktur Yang Terdaftar di Bursa Efek Indonesia (BEI) Periode 2009-2013. *Jurnal Akuntansi UNESA*, 3(2), 1-24.
- Riyanto Setiawan Suharsono. (2018). Pengaruh Kualitas Audit, *Debt Default*, Dan Pertumbuhan Perusahaan Terhadap Penerimaan Opini Audit *Going Concern*. *Jurnal Ilmiah Ilmu Akuntansi, Keuangan dan Pajak*, 2(1), 35-47.
- Romanus Wilopo. (2016). *Etika Profesi Akuntan : Kasus-Kasus di Indonesia*. STIE Perbanas Surabaya.
- Sofyan, H. S. (2015). *Analisa Kritis Atas Laporan Keuangan*. Depok: PT RajaGrafindo Persada.
- Tim Komunikasi ESDM. (2018). Dorong Pertumbuhan Ekonomi, Penerimaan Negara Sektor ESDM 2017 Lebih Besar Dari Subsidi Energi. (<https://www.esdm.go.id/id/media-center>, diakses pada 10 September 2018)