

To Examine The Effect Of Financial Conditions, Company Growth, And Company Size On Going Concern Audit Opinions In Manufacturing Companies Listed On The Indonesia Stock Exchange

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ABSTRACT

This study aims to examine the effect of financial conditions, company growth, and company size on going concern audit opinions in manufacturing companies listed on the Indonesia Stock Exchange. Issuing a going concern audit opinion is very useful for users of financial statements to make the right investment decisions, because when an investor wants to make an investment he needs to know the financial condition of the company itself, especially concerning the survival of the company. This study uses a combination method, namely a combination of qualitative and quantitative. This study also uses secondary data, with documentation data collection techniques. The population in this study is 26 manufacturing companies listed on the (IDX). Researchers used non-probability sampling method. Data were tested using descriptive statistical tests, classical assumption tests, logistic regression analysis, regression model feasibility tests, overall model tests, hypothesis testing, and the coefficient of determination. The results of this study are as follows: 1) Simultaneously Financial Condition, Company Growth, and Company Size have a significant effect on Going concern Audit Opinion 2) Partially Financial Condition has a significant effect on Going concern Audit Opinion. 3) Partially, company growth has a significant effect on going concern audit opinion. 4) Partially, company size has no significant effect on going concern audit opinion. So that future researchers can use other variables besides those that the researchers examined, in order to realize even better research.

Keywords: Financial Condition, Company Growth, Company Size and Going concern Audit Opinion.

1. INTRODUCTION

In modern times like today, there are many problems of manipulation carried out by large companies which eventually go bankrupt. In this case the auditor is thought to have contributed to sharing wrong data, therefore many parties feel aggrieved. Problems arise when there are many opinion errors (audit failures) made by the auditor regarding going concern opinions (Sekar 2011). Going concern audit opinion is an opinion issued by the auditor to ascertain whether the company is able to maintain its viability or not.

The survival of a company (going concern) is always associated with management's expertise in managing the company, maintaining its business activities in the long term and not wanting to close its business in the near term. The users of the financial statements feel that this going concern audit opinion is a prediction of the bankruptcy of a company. Issuing a going concern audit opinion is very useful for users of financial statements to make the right investment decisions, because when an investor wants to make an investment he needs to know the financial condition of the company itself, especially concerning the survival of the company. Investors in carrying out their investments rely heavily on the accuracy of checking the financial statements of an entity. Completion of the work of checking the financial statements of an industry must be accompanied by the provision of an audit opinion and this matter is supported in the Public Accountant Professional Standards (SPAP) regulations.

The audit opinion on financial statements is important information which is one of the considerations for investors in making decisions. Auditor as an independent party and has an important role as an intermediary between entities providing financial statements and investors as users of financial statements. The contents of the audited financial statements are the responsibility of management, while the auditors are responsible for the opinions they issue. The auditor may indeed not be responsible for the survival of the company, but in carrying out the audit process, the company's going concern needs to be considered by the auditor in issuing an opinion. The going concern opinion was issued by the auditor and stated in the audited financial statements when the opinion was issued. Therefore the auditor has a big responsibility in issuing a going concern opinion that is in accordance with the actual condition of the company.

Errors in issuing opinions will have a negative impact on users of financial statements. Giving a going concern opinion that the company did not expect would have an impact on a decrease in share prices where it would be increasingly difficult for the company to obtain funds from investors. Companies that receive a going concern opinion will not only experience difficulties in increasing loan capital, but will also result in a reduced level of confidence from investors, creditors, customers and employees in company management.

The research that will be conducted this time refers to studies that have been conducted by Widya (2014) and Ni Putu (2016) found that the financial condition and growth of the company affect the giving of going concern opinion, whereas according to Subandono (2015) company size, financial condition and company growth has a significant effect on giving a going concern opinion. Judging from how influential the going concern opinion is, the researchers conducted a study on the factors that could influence the granting of a going concern opinion.

2. LITERATUR REVIEW

Theoretical study

Agency Theory (Agency Theory)

The agency theory developed by Jensen and Meckling (1976) describes the existence of a contractual bond between management (agent) and shareholders (principal). Agency theory describes the relationship or bond between two individuals who have different interests. Management is a party contracted by shareholders to work in the interests of shareholders. For this reason, management is given some power to make decisions in the best interests of shareholders. Therefore, managers must be responsible to shareholders. Due to the difference in interests between the principal and the agent, an independent party is needed as a mediator between the two interests. The independent party is an independent auditor. The auditor is seen as a party that monitors the performance of management whether it has acted in accordance with the wishes of the principal through a facility, namely financial reports.

The auditor is an independent party needed in assessing management's performance regarding suitability in acting with the interests of the principal through the financial reports presented by management. Shareholders or principals hope that the auditor will provide early warning regarding the company's financial condition. Investors and users of financial statements can trust a company's data regarding the company's financial condition which has received an assessment from the auditor regarding its survival.

Definition of Audit

According to (Sukrisno Agoes, 2017), an audit is an examination carried out critically and systematically by an independent party, financial reports prepared by management and accounting records and supporting evidence, in order to provide an opinion on the fairness of financial statements.

Audit Process

According to Arens, Elder, and Beasley (2010: 162) the audit process is a well-structured methodology for organizing an audit to ensure that the evidence collected is sufficient and competent and all appropriate audit objectives have been specified and fulfilled.

Audit Report

According to Mulyadi (2014), financial reports are a medium used by auditors in communicating with the public in their environment. In this report the auditor expressed his opinion regarding the fairness of the audited financial statements. In conducting an audit, the auditor must gather evidence regarding the fairness of the information contained in the company's financial statements by examining the accounting records that support the report. Based on the existing evidence, the auditor can give his opinion regarding the fairness of the company's financial statements.

Audit Opinion

Audit opinion is given by the auditor through several audit stages so that the auditor draws conclusions on the opinion that must be given on the financial statements audited (Rahman and Siregar, 2012). In this era of openness, everyone wants accurate and competent information for a report. To find out the truth of an existing report, usually someone will ask another person from an independent party to check or audit that the report presented is true. One of the most frequently audited reports to get the truth is the company's financial statements.

Going Concern

Going concern is the survival of an entity or company. With a going concern, an entity will be considered capable of maintaining its business activities in the long term, it will not be liquidated in the near term. An audit report with a modification regarding going concern is an indication that in the auditor's assessment there is a risk that the auditee or entity cannot survive in business (Yunida and Wardhana, 2013).

Going Concern Audit Opinion

Going concern audit opinion is an opinion issued by a Public Accounting Firm (auditor) to ensure or determine whether a company can maintain its viability. In preparing financial statements, going concern opinion is used as the basis for preparing accrual-based financial reports. The preparation of financial statements based on the going concern assumption is the normal condition of every company as a business entity. Financial statements that are not prepared using the going concern assumption cannot be considered as fair financial statements prepared under SAK.

Company Financial Condition

Financial condition (financial condition) is a display of the overall condition of the company's finances during a certain period of time. The company's financial condition describes the actual performance and health of the company. The media that can be used to assess the condition of a company's financial health are financial statements, which consist of: income statement, cash flow statement, statement of changes in equity, statement of financial position and notes to financial statements.

$$X = -4.3 - 4.5ROA + 5.7DR - 0.004CR$$

Company growth

Company growth is the change (increase or decrease) in total assets owned by the company. One way to determine the company's growth is seen from the net profit generated by the company. Companies that have high profit growth tend to have reasonable reports so that the possibility of getting a good opinion will be greater (Santosa and Wedari, 2007 in Izzati and Sularto).

The formula used to calculate company size is:

$$\text{Growth} = (\text{Laba bersih } t - \text{Laba bersih } t-1) / (\text{Laba bersih } t-1)$$

Company Size

Company size is a scale that can be classified as large, medium or small company according to various ways, among others by looking at the company's total assets, stock market value, level of sales, and total sales. In general, usually the size of an entity is proxied by total assets. Because the total value of assets is usually greater than other financial assets, the asset variable is refined to Ln (assets). According to Mutchler (1985) states that auditors more often issue going concern opinions on companies with smaller assets. So the greater the company's assets, the less likely the company will receive a going concern opinion.

3. RESEARCH METHOD

Researchers use data sources obtained from documents related to the object of research, which are financial reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2020-2022. The data source in this study is using secondary data which is a source of data obtained through intermediary media. Secondary data in this study are audited financial statements and annual financial reports of manufacturing

companies that have been listed on the Indonesia Stock Exchange during the 2020-2022 period. The data used was obtained from the Palembang Branch of the Indonesia Stock Exchange office.

The sampling technique is a sampling technique. In this study, researchers used a purposive sampling method, which is a sampling technique with certain considerations (Sugiyono, 2015: 81). The total number of companies that met the criteria for sampling was 26 companies, because the data the researchers took was for 3 (three) years, the number of companies was multiplied by 3 so $26 \times 3 = 78$ samples.

The operational variables and definitions related to the variables studied according to the research title are as follows:

1. Dependent (bound) variables are variables that are affected or become the result, because of the independent variables (Sugiyono 2015:39). Included in the dependent variable in this study is the Going Concern Audit Opinion (Y). Going Concern Audit Opinion is measured using a dummy variable. Where 0 for manufacturing companies that receive unqualified audit opinions (unqualified Opinion) and category 1 for manufacturing companies that receive unqualified audit opinions (Qualified Opinion)

2. Independent (independent) variables are variables that affect the emergence of the dependent (bound) variable. In this study, the independent variable is Financial Condition (X1) which is measured using Revised Altman's bankruptcy prediction model, or commonly known as the Z score, which is a formula developed by Altman to detect company bankruptcy in several periods prior to bankruptcy. Company size (X2) is measured based on the total assets owned by the company. The company size variable is measured through the natural logarithm of the company's total assets. Company growth (X3) is obtained by calculating the sales growth ratio based on the income statement of each company or auditee.

Analysis technique is a statistical tool both descriptive and differential that is used as a tool for researchers to draw conclusions on a number of research data research data that has been collected. According to Syofian Siregar (2010) in the type of research according to the type of research according to the type of data it is divided into three groups, namely: Qualitative Types (data in the form of sentences), Quantitative Types (data in the form of numbers) and Combined (sentences and numbers).

Data analysis is a process or effort to process data into new information so that the characteristics of the data become easier to understand and useful for solving a problem, especially related to research. In this study, the data analysis technique used was descriptive quantitative logistic regression analysis, regression model feasibility test, and hypothesis testing using the SPSS program..

4. RESULTS AND ANALYSIS

Descriptive Statistical Analysis

Descriptive statistics describe the summary of research data such as the minimum, maximum, mean, and standard deviation values. The statistics for each variable show that the Going Concern audit opinion (Y) with a total of 78 data (N) has an average (mean) value of 0.65 with a minimum of 0.00 and a maximum of 1.00 and a standard deviation of 0.479. The financial condition variable (X1) with a total of 78 data (N) has an average value (mean) of 16.8742 with a minimum of 0.18 and a maximum of 139.97 and standard deviation of 24.81751. The Growth Firm variable (X2) with a total of 78 data has an average value (mean) of 41.1412 with a minimum of 1.26 a maximum of 290.32 and a standard deviation of 42.35668.

Normality test

In this study the method used was the Kolmogorov Smirnov One Sample Test. It can be seen that the Asymp. Sig. (2-tailed) greater than 0.05 for the independent variable and the dependent variable. So it can be concluded that the residual values are normally distributed.

Multicollinearity Test

The results of the multicollinearity test above, it can be concluded that there is no multicollinearity between the independent variables in the regression model because the Tolerance value is > 0.1 and the VIF value is < 10 .

Heteroscedasticity Test

The test results can be seen that the sig. > 0.05 for the three independent variables, which means that there are no symptoms of heteroscedasticity. Thus it can be concluded that the regression model does not contain heteroscedasticity.

Autocorrelation Test

The results of the autocorrelation test analysis above show that the Durbin Watson (D-W) value is 2.060. It can be concluded that there is no autocorrelation in the regression model.

Logistic Regression Analysis

Logistic regression analysis is used to determine the magnitude of the influence that occurs on the variables Financial condition, Firm Growth, Firm Size, and Audit Going concern in manufacturing companies on the Indonesia Stock Exchange. Logistic regression analysis test results.

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

$$Y = 3,318 + 1,023X_1 + 2,348X_2 + 2,871X_3 + e$$

The regression coefficient of the financial condition variable (X1) is 1.023, meaning that the financial condition (X1) has increased by 1%. Then the receipt of a going concern audit opinion (Y) will increase by 1.023 assuming the variables company growth (X2) and company size (X3) are fixed. The regression coefficient of the company's growth variable (X2) is 2.348, meaning that the company's growth (X2) has increased by 1%. Then the receipt of a going concern audit opinion (Y) will increase by 2.348 assuming the financial condition variable (X1) and size company (X3) fixed value. The regression coefficient of the variable firm size (X3) is 2.871, meaning that the size of the firm (X3) has increased by 1%. Then the receipt of going concern audit opinion (Y) will increase by 2.871 assuming the financial condition variables (X1) and company growth (X2) are fixed. The constant (a) is 3.318, meaning that if the variable financial condition (X1) company growth (X2) and company size (X3) has a value of 0, then acceptance of a going concern audit opinion (Y) has a value of 3.318.

Regression Model Feasibility Test

The basis for decision making is the value measured by Chi-Square at the bottom of the Hosmer and Lemeshow test Probability $0.422 > 0.05$, it can be concluded that the model is able to predict the observed value or it can be said that the model fits the observation data.

Overall Model Test (Overall Model Fit)

Testing the overall model (overall model fit) This test is used to assess the hypothesized model whether it is fit or not with the data. The test was carried out by comparing the initial -2 Log Likelihood (LL) number (block number = 0) and -2 Log Likelihood numbers (block number = 0 – block number = 1) indicating a good regression model. The Likelihood log shows a good regression model.

The value of -2Log likelihood consists of constants only, while in Table 4.11 it is the value of -2Log likelihood consisting of constants and independent variables. The -2Log likelihood value which only includes constants is 100.625. Meanwhile, the -2Log likelihood value which includes the independent variable constant is 97.049. The comparison of the two -2Log likelihood values is 3.576. As shown by the Chi square table.

Comparison of -2LL Log Likelihood values consisting of constants only and 2Log likelihood consisting of constants and independent variables. the comparison follows the Chi Square distribution. The chi square value is 3.576 with a df of 3. The sig. The model is 0.003 because this value is less than 0.05, so it can be concluded that financial condition, company growth and company size simultaneously influence going-concern audit opinion.

Hypothesis testing

The F test, also known as the Simultaneous Test, aims to see how much influence all the independent variables in this case have on the financial condition, company growth, and company size that have a joint effect on the going concern audit opinion of the dependent variable. The results obtained from the comparison of Fcount with Ftable are $F_{count} > F_{table}$ $3.09 > 2.73$, while the significance value is smaller than the probability value or $0.007 < 0.05$. So it can be concluded that financial condition, company growth, company size simultaneously have a significant effect on going concern audit opinion in manufacturing companies, which means that H_a is accepted.

Variable (X1) Financial condition shows a significance value of $0.004 < 0.05$ and tcount of $2.940 > 1.992$. So it is concluded that variable (X1) has a partial effect on variable Y, which means that H_a is accepted. Variable (X2) The company's growth shows a significance value of $0.016 < 0.05$ and tcount of $2.246 > 1.992$. So it is concluded that variable (X2) has a partial effect on variable Y, which means that H_a is accepted. Variable (X3) Company size shows a significance value of $0.145 < 0.05$ and tcount of $-1.474 < 1.992$. So it is concluded that the variable (X3) has no partial effect on variable Y, which means that H_a is rejected.

Coefficient of Determination (R^2)

The results of the coefficient of determination obtained an R^2 value of 0.442 (44.2%). The results of this study are that 44.2% of the variation in the dependent variable, namely going concern audit opinion, is influenced by the independent variables, namely financial condition, company growth, company size, while the remaining 55.8% is influenced by other factors not discussed in this study.

Discussion

1. The results of research using the IBM SPSS 26 program simultaneously show that the variables (X1) Financial condition, (X2) Company growth, and (X3) Company size have a significant effect on Going concern Audit Opinion (Y). This can be seen from the Fcount greater than Ftable ($3.09 > 2.73$) and a significant value ($0.007 < 0.05$),
2. The bankruptcy prediction model uses more accurate financial ratios than the auditor's opinion in classifying bankrupt companies and not broke. Finds evidence that auditors almost never issue going concern opinions on companies that are not experiencing financial distress. This unwanted going concern opinion resulted in a fall in stock prices
3. The results of testing the hypothesis using the IBM SPSS 26 program show that the tcount value for the variable (X2) Corporate Growth shows a significance value of ($0.016 < 0.05$) and tcount of ($2.246 > 1.992$). So it is concluded that variable (X2) has a partial effect on variable Y
4. The results obtained in conjunction with previous research, namely, company size with positive growth provide a sign that the size of the company is growing and reducing the tendency towards bankruptcy. McKeown et al., (2010), Mutchler et al., (2011), Carcello and Neal (2010) found evidence that there is a negative relationship between auditee size and acceptance of going concern audit opinions. Large companies will be better able to solve the financial problems they face and maintain the viability of their business.
5. Going concern, Wedari (2013) states that auditors often issue going concern audit opinions on small companies, because auditors believe that large companies can solve the finances they face than small companies. Therefore it is expected that the larger the company, the smaller the company will receive a going concern audit opinion.

5. CONCLUSION

The results of the analysis and discussion regarding the influence of financial conditions, company growth, and company size on going concern audit opinions in manufacturing companies listed on the IDX have been presented by researchers in the previous chapter, so in this chapter researchers draw conclusions. Simultaneous hypothesis testing (statistical F test) shows that the financial condition, company growth, and company size has a significant effect on going concern audit opinion in manufacturing companies listed on the IDX.

Partial hypothesis testing (statistical t test) shows that (X1) Financial condition has a partially significant effect on going concern audit opinions in manufacturing companies listed on the IDX. Based on partial hypothesis testing (statistical t test) shows that (X2) company growth has a partial significant effect on going concern audit opinions in manufacturing companies listed on the IDX. Based on partial hypothesis testing (statistical t test) shows that (X3) company size does not have a partial significant effect on going concern audit opinions in manufacturing companies listed on the IDX..

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