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The Influence of Audit Quality, Company Financial Condition, Previous Year's Audit Opinion, Company Growth on Acceptance of *Going Concern Audit Opinion* in Companies Listed on the IDX

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Abstract: The responsibilities of auditors currently do not only focus on assessing the fairness of financial statements and detecting fraud, but also on assessing the company's ability to maintain its survival. This is due to the demands of the shareholders to the auditor to provide early warning about the prospects of a company as consideration before deciding an investment decision. The research's goals were to examine the effect of the audit opinion received in the quality of the audit, financial condition of the company, previous years against the acceptance and the company's growth of a going concern opinion. The samples of this research were the companies that suffered losses three years in a row and were listed on the Indonesian Stock Exchange (ISE) from 2011 to 2013. The hypotheses were tested using a logistic regression method. The results of this research showed that the quality of audits and previous audit opinions had a significant effect, but the financial variables and growth companies weren't significantly influenced by going concern opinions.

Keywords: Audit Quality, Company Financial Condition, Audit Opinion, Company Growth, Going Concern .

INTRODUCTION

In carrying out the audit, the auditor considers the level of materiality. Materiality considerations are carried out in planning the audit and assessing the overall fairness of the financial statements in accordance with generally accepted accounting principles. In the audit report, the auditor expresses an opinion on the fairness of the audited financial statements. The opinion on the fairness is based on the conformity of the financial statements with the applicable accounting principles.

This study aims to see whether audit quality increases the likelihood that a company experiencing financial distress *will* receive a *qualified opinion* for its *going concern* . Until now, the topic of auditors' responsibilities in disclosing *going concern issues* is still interesting to research. The independence of the auditor in giving an opinion on the audited financial statements must consider *the going concern* of *the auditee* . *Going concern* is a basic assumption in the preparation of financial statements, a company is assumed to have no

intention or desire to liquidate or materially reduce its business scale (Financial Accounting Standards, 2002).

Mutcher (1985) states that a small company will be more at risk of receiving a *going concern audit opinion* than a larger company. This is possible because the auditor believes that larger companies can solve the financial difficulties they face than smaller companies. Research on *going concern opinion* conducted in Indonesia, among others, was carried out by Hani et al. (2003) which provides evidence that profitability ratios and liquidity ratios are negatively related to the issuance of *going concern audit opinions* . Petronela (2004) provides evidence that profitability is negatively related and has a significant effect on issuing a *going concern audit opinion. auditee's* financial ratios (liquidity ratios, profitability ratios, activity ratios, *leverage ratios* and sales growth ratios), *auditee size* , auditor scale and previous year's audit opinion on *going concern audit opinion* . The results of his research concluded that the liquidity ratio and the previous year's audit opinion significantly influenced the *going concern opinion* .

Although many studies have been conducted on audit quality and *going concern opinion* , the research linking these two variables is still limited.

Based on the considerations and descriptions above, the researcher wants to conduct research to obtain empirical evidence regarding "The Effect of Audit Quality, Company Financial Conditions, Previous Years' Audit Opinions, Company Growth on Going Concern Audit Opinions". This research is expected to contribute to further research related to auditing.

METHOD

The type of research used is verification research, namely research that aims to test a theory or results of previous research, so that results are obtained that strengthen or invalidate the results of previous research. The research conducted by the researchers this time focused on companies listed on the Indonesia Stock Exchange for the period 2011 - 2013. This study used a method of analyzing existing data or quantitative data. Based on how it was obtained, the data used is secondary data. The existing data is audited financial reports and audit results reports from auditors.

The analytical method used in this study is logistic regression *,* in which the independent variable is a combination of *metric* and *non-metric* (nominal). This analysis technique no longer requires normality tests and classical assumption tests on the independent variables (Ghozali, 2005). Gujarati (2003) states that logistic regression ignores *heteroscedasticity* , meaning that the dependent variable does not require *homoscedasticity* for each of its independent variables.

RESULTS AND DISCUSSION
Results
Feasibility test

The first step taken in this analysis is to assess the feasibility of the logistic regression model to be used. Testing the feasibility of the logistic regression model was carried out using the Goodness of Fit Test as measured by the Chi-Square value at the bottom of the Hosmer and Lemeshow test.

Table 1. Hosmer and Lemeshow Test

step	Chi-square	Df	Sig.
1	3.174	8	.923

The statistical value of Hosmer and Lemeshow's Goodness of Fit Test is 3,174 with a significance probability of 0.923 which is greater than 0.05 (P-value of Hosmer and

Lemeshow's Goodness of Fit Test is greater than 0.05). Thus it can be concluded that the model is able to predict the observed value or it can be said that the regression model is feasible for use in subsequent analysis and is acceptable because it matches the observation data.

Table 2. Iteration History [a,b,c]

		-2 log likelihoods	Coefficients Constant
Iterations		-2 log likelihoods	Constant
Step 0	1	87,194	-.095
	2	87,194	-.095

a. Constant is included in the model.
b. Initial -2 Log Likelihood: 87,194
c. Estimation terminated at iteration number 2
   because parameter estimates changed by less than. 001.

Table 3. Iteration History ,b,c,d

Iterations	-2 log likelihoods	Coefficients Constant	Audit_Quality (1)	Financial_Co ndition	Opinion_Befo re mnya(1)	Growth_ Company
Step 1 1	57010	-.656	-1,236	.036	2.104	-.408
2	55,144	-.737	-1,933	045	2,574	-.522
3	55,046	-.763	-2,156	045	2,690	-.547
4	55,046	-.765	-2,174	045	2,698	-.549
5	55,046	-.765	-2,174	045	2,698	-.549

a. Method: Enter
b. Constant is included in the model.
c. Initial -2 Log Likelihood: 87,194
d. Estimation terminated at iteration number 5 because parameter estimates changed by less than. 001.

Assessment of the entire model is done by comparing the values between -2 Log Likelihood (-2LL) at the beginning (Block Number = 0), where the model only includes constants with a value of -2 Log Likelihood (-2LL) at the end (Block Number = 1), where the model includes constants and independent variables. The initial -2LL value was 87,194 and after four independent variables were included, the final -2LL value decreased to 55,046. This -2LL decrease indicates a good regression model or in other words the model is hypothesized to be fit with the data.

Multicollinearity Test

A good regression is one in which there is no strong correlation between the independent variables. Multicollinearity testing uses a correlation matrix between independent variables to see the magnitude of the correlation between the independent variables in this study, namely audit quality, company size, company growth, and company financial condition.

Table 4. Correlation Matrix

	Constant	Quality_ Audit(1)	Condition_ Finance	Opinion_Bef ore (1)	Growth_ Company
Step 1 Constant	1,000	-.275	.117	-.591	-.016
Audit_Quality(1)	-.275	1,000	-.105	-.093	082
Financial_Condition	.117	-.105	1,000	.000	-.146
Previous_Opinions(1)	-.591	-.093	.000	1,000	-.229
Company_Growth	-.016	082	-.146	-.229	1,000

The correlation matrix above shows no signs of serious multicollinearity between the independent variables, as seen from the correlation value between the independent variables which is still far below 0.8 .

Logistic Regression Model and hypothesis testing

Hypothesis testing uses a logistic regression model. Logistic regression is used to examine the effect of audit quality, company financial condition, previous year's audit opinion, company growth on acceptance of going concern audit opinion. The test was carried out at a significance level (α) of 5 percent. Logistic regression is a regression that is used to what extent the probability of the occurrence of the dependent variable can be predicted with the independent variables. The logistic regression analysis technique no longer requires normality tests and classical assumption tests on the independent variables (Ghozali, 2006). Parameter estimation of the model and its significance level can be seen in Table 5 below:

Table 5. Variables in the Equation

	B	SE	Wald	df	Sig.	Exp(B)	95.0% CI for EXP(B)	
							Lower	Upper
Step 1a Audit_Quality(1)	-2,174	.932	5,442	1	.020	.114	.018	.707
Condition_Financial	045	.118	.148	1	.701	1,046	.830	1,319
Previous_Opinion(1)	2,698	.704	14,696	1	.000	14,855	3,739	59,020
Growth_Company	-.549	.402	1867	1	.172	.578	.263	1,269
Constant	-.765	.470	2,652	1	.103	.465		

a. Variable(s) entered on step 1: Audit_Quality, Financial_Condition, Previous_Opinion, Company_Growth.

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

GC = -0.765 – 2,174 KA + 0.045 KK + 2,698 OS – 0.549 PP

Table 5 shows all research variables, their influence on giving a going concern audit opinion and which variables have a significant influence. Next, we will explain the influence of each independent variable on going concern audit opinion. The criterion used as the basis for decision making to determine whether the hypothesis is accepted or rejected is the significance value of the logistic regression. If the Sig value is > 0.05 (5%) then Ho is accepted, if the Sig value is <0.05 (5%) then Ho is rejected.

Coefficient of Determination

The coefficient of determination shows how much the independent variable explains the dependent variable. The following table shows the Nagelkerke R Square values. The Nagelkerke R Square value can be interpreted like the R Square value in multiple regression (Ghozali , 2005). From the results of the data processing output, the Nagelkerke R Square value is 0.533, which means that the variability of the dependent variable that can be explained by the independent variable is 53%, the remaining 47% is explained by other variables outside the research model.

Table 6. Model Summary

step	-2 log likelihoods	Cox & Snell R Square	Nagelkerke R Square
1	55.046a	.400	.533

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Table 7. Classification Table
Classification Tablea

Observed	predicted	
	Audit opinion	Percent Correct

		Non Going Concern	Going Concern	
Step 1	Non Going Concern audit opinion	30	3	90.9
	Going Concern	8	22	73.3
	Overall Percentage			82.5

a. The cut value is .500

Table 7 shows the strength of the prediction from the regression model to predict the possibility of receiving a going concern opinion in the company at 73.3 percent . This means that with the proposed regression model there are 22 companies (73.3%) which are predicted to receive going concern audit opinions (OAGC) out of a total of 30 companies that receive going concern audit opinions. While the predictive power of the model for receiving non-going concern audit opinions is 90.9 percent, which means that with the proposed regression model there are 30 companies (90.9%) that are predicted to receive non-going concern audit opinions (BOAGC) out of a total of 33 companies that receive opinions. audits are not going concern.

Discussion
The Influence of Audit Quality on Acceptance of Going Concern Audit Opinions
Hypothesis:
    Ho1: Audit quality has a significant effect on the possibility of receiving a *going concern audit opinion*
    Ha1 : Audit quality does not significantly influence the possibility of receiving a going concern audit opinion.

The audit quality variable shows a negative coefficient value of 2.174 with a significance level of 0.02 (2%) which is less than 0.05 (5%). The audit quality variable has a negative coefficient of 2.174 which means that the possibility that a company will receive a going concern audit opinion is inversely proportional to the audit quality received by the company.

Audit quality variable with a significance level of 0.02 (2%) is less than 0.05 (5%), this value means that Ha1 is accepted, in other words Ho1 is rejected, thus it can be concluded that audit quality has a significant effect on audit opinion going concern.

The Influence of the Company's Financial Condition on Receiving Going Concern Audit Opinions
Hypothesis:
    Ho2: The company's financial condition has a significant effect on the possibility of receiving a *going-concern audit opinion*
    Ha2: The company's financial condition has no significant effect on the possibility of receiving a *going concern audit opinion*

The firm size variable shows a positive coefficient value of 0.045 with a significance level of 0.701 greater than 0.05 (5%). The company size variable has a positive coefficient of 0.045, which means that the possibility that a company will receive a *going concern* audit opinion is inversely proportional to the company's financial condition. The worse the financial condition of a company, the more likely the company is to receive a going concern audit opinion.

The company's financial condition variable with a significance level of 0.701 is greater than 0.05 (5%). This value means that Ha2 is rejected, in other words Ho2 is accepted, thus it can be concluded that the company's financial condition has no significant effect on the possibility of receiving a *going concern audit opinion*

The Influence of the Previous Year's Audit Opinion on *Going Concern Audit Opinion Receipt*

Hypothesis:

Ho3: The previous year's audit opinion has a significant effect on the possibility of receiving a *going concern audit opinion* .

Ha3: The previous year's audit opinion has no significant effect on the possibility of receiving a *going concern audit opinion* .

, less than 0.05 (5%). The previous year's audit opinion variable has a positive coefficient of 2.698, which means that it is likely that the company will receive a going concern audit opinion in the same direction as the previous year's audit opinion. If the company previously received a *going concern audit opinion* , then it is likely that the company will also receive a going concern audit opinion in the current year.

The previous year's audit opinion variable has a significance level of 0. This value means that H03 is accepted, in other words Ha3 is rejected, thus it can be concluded that the previous year's audit opinion has a significant effect on going concern audit opinion.

Effect of Company Growth on Acceptance of Going Concern Audit Opinion

Hypothesis:

Ho4 : Company growth has a significant effect on the possibility of receiving a *going concern* audit opinion

Ha4 : Company growth has no significant effect on the possibility of receiving a *going concern audit opinion*

The company growth variable shows a negative coefficient value of 0.549 with a significance level of 0.172 which is greater than 0.05 (5%). The company's financial condition variable has a negative coefficient of 0.549 which means that it is likely that the company will receive a going concern audit opinion inversely proportional to the company's growth. The higher the growth of a company, the less likely the company is to receive a going concern audit opinion.

Company growth variable with a significance level of 0.172. The value means that Ho4 is rejected, in other words Ha4 is accepted, thus it can be concluded that the company's growth has no significant effect on the going concern audit opinion.

CONCLUSION

Based on the data analysis and discussion that has been carried out, the following conclusions can be drawn: 1. The audit quality variable has a significant effect on the acceptance of a going concern audit opinion. 2. The variable of the company's financial condition has no significant effect on the receipt of a going-concern audit opinion. 3. The variable of the previous year's audit opinion has a significant effect on the receipt of a going concern audit opinion. 4. The company's growth variable has no significant effect on the receipt of a going-concern audit opinion.

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