The Effect Of Corporate Values, Conservatism, And Earnings Quality On Audit Opinion Going Concern

Merna Surjadi[1], Dianmonalisa Sofianty[2], Tandry Whittleliang Hakki[3], Pricilla Pohan[4]
[1]Universitas Bunda Mulia, Jakarta, Indonesia, surjadimerna@gmail.com
[2]Universitas Islam Bandung, Bandung, Indonesia
[3]Universitas Bunda Mulia, Jakarta, Indonesia, tandry.whittle.hakki@gmail.com.
[4]Universitas Bunda Mulia, Jakarta, Indonesia, s11220062@student.ubm.ac.id.

Corresponding Author: surjadimerna@gmail.com [1]

Abstract: Financial Report is the final result of the accounting cycle which is a record of financial information used to describe the financial condition of the company as information for external and internal parties of the company. The purpose of the report is to provide information on the financial position, financial performance and cash flow of the entity that is useful for most users of the report in making economic decisions (Minerva et al., 2020). Earnings quality is often associated with the quality of financial statement audits. the high value of the company, the tendency not to do a going concern audit opinion is greater, because a good company value is considered the profit generated by the company is stable. So this will attract management's interest in practicing going concern audit opinions. This study aims to test two influences, namely the influence of Company Value and conservatism on the going concern audit opinion carried out by the company and the influence of Company Value and conservatism on Earnings Quality. This study took the research population from financial sector companies listed on the Indonesia Stock Exchange for the period 2019-2021. The type of data used in this study is secondary data in the form of financial reports of companies that are used as samples. The research method used in this study is a quantitative research method. The sample was selected using the purposive sampling method. For hypothesis testing, this study uses multiple linear regression analysis. Based on the results of this study, it shows that Firm Value and Earnings Quality has an effect on the Audit Opinion Going Concern, But Conservatism has not effect on Opinion Audit Going Concern. This explains that with the high value of the company, the tendency not to do a going concern audit opinion is greater, because a good company value is considered to be a stable profit generated by the company. So this will attract management's interest in practicing going concern audit opinions.

Keyword: Corporate Value, Conservatism, Audit Opinion Going Concern, Earnings Quality

INTRODUCTION

Financial Report is the final result of the accounting cycle which is a record of financial information used to describe the financial condition of the company as information for external and internal parties of the company. The purpose of the report is to provide information on the financial position, financial performance and cash flow of the entity that is useful for most users of the report in making economic decisions (Minerva et al., 2020). Earnings quality is often associated with the quality of financial statement audits. the high value of the company, the tendency not to do a going concern audit opinion is greater, because a good company value is considered the profit generated by the company is stable. So this will attract management's interest in practicing going concern audit opinions.

The development of the capital market in Indonesia is currently experiencing rapid progress. This progress has increased the interest of investors to invest in the capital market. The existence of this capital market can provide investors with a tool to measure the performance and financial condition of the company through the company's financial reports containing information in the form of financial position, financial performance and cash flow of the entity that is useful for investment decision makers.

The company value will be measured using the Tobin's q ratio. Tobin's q is an indicator to support company performance, especially regarding company value, which shows management performance in managing company assets (Bambang, 2010). Business Assessment Standards according to (SPI, 2002) is a process to estimate the value of a company, both Going Concern and excluding various interests and ownership as well as transactions and activities that have an influence on the company's value.

The accrual system in accounting encourages management to carry out earnings management. Rosner (2003) explains that companies experiencing financial difficulties are often attracted to management that increases income. Salehi, Tarighi, and Sahebkar (2018) say that managers can create opportunities for earnings management with discretion. Earnings management actions by management can be limited by auditors who have high conservatism. The size of a large KAP (Big4) is considered more conservative so that it is able to detect earnings management so that companies that are audited or examined by KAP Big4, the level of earnings management carried out by company management tends to be smaller. Zhou and Elder (2001) found that large auditors are negatively related to earnings management, meaning that if a company is audited by a large auditor, it will reduce the company's earnings management.

Determining whether the figures listed in the financial statements have been presented fairly and have reflected the actual state of the company's operating results and the financial condition of the company concerned is the goal of the external auditor. According to Chen et al (2004), if the audit quality produced is "poor", then the resulting profit figures will tend to contain accounts that are less accurate in describing the company's operating results and financial condition.

METHOD
Object of research

The variables used in this study are independent variables, dependent variables, and intervening variables. Independent variables are variables that cause or influence dependent variables (Sujarweni, 2018). The Independent Variables in this study are Conservatism and Company Value. The Dependent Variables in this study are Going Concern Audit Opinion and Earnings Quality.

Table 1. Object and research

Variable	Indicator	Formula	Scale
Y1	Opini Audit Going Concern	Value 0: No going concern audit opinion Value 1: There is a going concern audit opinion	Rasio
X3	Earnings Quality	$CAR = a + b1UEit + b2CFOit + e$ Ratna et.al (2020)	Rasio
X1	Firm Value	$$Tobins'q = \frac{(Market\ Cap + Total\ Utang)}{Total\ Assets}$$ (Leatemia et al., 2019)	Rasio
X2	Conservatism	$$Conservatism = \frac{(NI - CFO)}{TA} x(-1)$$ Oktifia et.al (2017) (Lubis & Pratiwi, 2021).	Rasio

Data Analysis Methods
Normality Test
According to Ghozali (2020), the normality test is used to determine whether the data used is normally distributed. One way to see normality is to use a histogram by comparing observations with a distribution that approaches a normal distribution. If the data distribution is normal, the line that describes the data will follow its diagonal line. Normality testing in research is carried out using the Kolmogorov-Smirnov statistical test.

Multicollinearity Test
The multicollinearity test is used to test whether the regression model finds a correlation between independent variables. The multicollinearity test is carried out using the tolerance value and Variance Inflation Factor (VIF) (Choiriyah and Damayanti 2020). A good regression model should not have a correlation between independent variables. The basis for making decisions based on multicollinearity is as follows:
If VIF <10 and tolerance> 0.1 then there is no multicollinearity
If VIF> 10 and tolerance <0.1 then there is multicollinearity

Logistic Regression Analysis
Logistic regression is a supervised machine learning algorithm that accomplishes binary classification tasks by predicting the probability of an outcome, event, or observation. The model delivers a binary or dichotomous outcome limited to two possible outcomes: yes/no, 0/1, or true/false. Logical regression analyzes the relationship between one or more independent variables and classifies data into discrete classes. It is extensively used in predictive modeling, where the model estimates the mathematical probability of whether an instance belongs to a specific category or not. For example, 0 – represents a negative class; 1 – represents a positive class. Logistic regression is commonly used in binary classification problems where the outcome variable reveals either of the two categories (0 and 1).

Hypothesis Testing

According to (Sugiyono, 2018) Hypothesis is a temporary answer to the formulation of research problems, usually arranged in the form of a question sentence. It is said to be temporary because the answers given are only based on relevant theories, not yet based on empirical facts obtained through data collection.

Data analysis in this study was carried out using the Structural Equation Modeling (SEM) method using Partial Least Square (PLS) assisted by smartPLS 3.0 software. The advantage of using PLS is that PLS is a powerful analysis method because it does not assume that data must be on a certain scale and the number of samples is small (Ghozali, 2011) This analysis is used to determine the effect of several independent variables (X) on the dependent variable (Y). Multiple linear analysis was conducted using determination coefficient test, t test, and F test. The regression model in this study is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \text{(i)}$$

Information
- Y   = Opinion Audit Going Concern
- α = Constat
- X_1 = Corporate Value
- X_2 = Conservatism
- X_3 = Earning Quality
- ε = error term

Error tolerance (a) is set at 5% with a significance level of 95%

Partial Effect Test (t-Test)

According to (Ghozali, 2018) the t-test is used to determine whether two unrelated samples have different average values and the t-test basically shows how far the influence of one independent variable is individual in explaining the variation of the dependent variable. The t-test is done by comparing the difference with the standard error. The null hypothesis (H0) to be tested is whether a parameter (bi) is equal to zero, or H0: bi = 0, meaning whether an independent variable is not a significant explanation of the independent variable. The alternative hypothesis (Ha) of a variable parameter is not equal to zero or Ha: bi≠0.

The test is carried out using a significance level of 0.05 (α=5%). Acceptance or rejection of the hypothesis is carried out with the following criteria: Criteria for accepting the hypothesis:
1) If the significant value is <0.05 and tcount> ttable, then H1 is accepted
2) If the significant value is> 0.05 and tcount <ttable, then H1 is rejected

Simultaneous Influence Test (F Test)

According to (Ghozali, 2018) The f statistical test basically shows whether all independent variables included in the model have a joint influence on the dependent variable. To test these two hypotheses, the F statistical test is used:

RESULTS AND DISCUSSION

The following are descriptive statistics of each variable studied.

Table 2.
Descriptive Statistics

Descriptive Statistics						
	N	Minimum	Maximum	Mean	Std. Deviation	
OP_GOING	121	0	1	.21	0.67088	
FIRM_VALUE	121	1.310	8.320	5.2123	0.76516	
CONS	121	0.156	4.653	2.423	0.48875	
EAR_QUA	121	0.210	1.220	0.4058	0.23211	
Valid N (listwise)	121					

Source: SPSS (2024)

Normality Test
The following are the results of the normality test.

Table 3.
Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		121
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.4524092
Most Extreme Differences	Absolute	.123
	Positive	.032
	Negative	-.123
Test Statistic		.223
Asymp. Sig. (2-tailed)		.897[a]
a. Test distribution is Normal.		
b. Calculated from data.		

Source: Data processed by Researchers (2024)

Based on the research results, we can see that the significance value (Asymp. Sig. (2-tailed)) is 0.967 or greater than 0.05, which means that the data used for this study is normally distributed.

Heteroscedasticity test
The following are the results of the heteroscedasticity test

Table 4.
Heteroscedasticity test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	.304	.630		.483	.730
	OP_GOING	-.193	.059	-.746	-3.280	.661
	FIRM_VALUE	.468	.225	1.599	2.077	.783
	CONS	.271	.082	.812	3.312	.419
	EAR_QUA	-.589	.203	-1.694	-2.899	.533
a. Dependent Variable: Abs_RES						

Source: Data processed by Researchers (2024)

From the table above, it can be seen that the significant value of the t-test of all independent variables with Absolute Residual (ABS_RES) is more than 0.05. So it can be concluded that in the regression model of this study there is no heteroscedasticity problem.

Multicollinearity Test
The following are the results of the multicollinearity test

Table 5.
Multicollinearity test

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
Model		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	5.291	1.063		4.980	.000		

FIRM_VALUE	1.583	.320	.602	5.451	.000	.709	3.391
CONS	1.868	.380	1.838	4.918	.000	.793	3.521
EAR_QUA	3.540	.138	-.466	-3.913	.000	.719	3.906
a. Dependent Variable: OP_AUD							

Source: Data processed by Researchers (2024)

In the table above, we can see that there are no independent variables that have a Tolerance value of less than 0.1 and there are no independent variables that have a Variance Inflation Factor (VIF) value of more than 10. So it can be concluded that there is no multicollinearity between independent variables in the regression model.

Autocorrelation Test

The following are the results of the Autocorrelation test

Table 6
Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.794[a]	.700	.695	.757	1.803
a. Predictors: (Constant), FIRM_VALUE, CONS, EAR_QUAL					
b. Dependent Variable: OP_AUD					

Source: Data processed by Researchers (2024)

The Durbin Watson value (d) in the data processing of this research result is 1.803, which means du < d < 4-du, namely: 1.6932 < 1.803 < 2.3068, this result shows that there is no autocorrelation in this research model.

Hypothesis Test

The following are the regression results.

Table 7
Regression Test

Coefficientsa					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.432	9.807		2.425	.016
FIRM_VALUE	1.527	.099	.587	5.323	.000
CONS	1.154	.279	.151	.120	.605
EAR_QUA	.527	.099	.587	4.323	.000
Dependent Variable: OP_AUD					

Source: Data processed by Researchers (2024)

Based on the results of this study, it shows that Firm Value and Earnings Quality has an effect on the Audit Opinion Going Concern, But Conservatism has not effect on Opinion Audit Going Concern. This explains that with the high value of the company, the tendency not to do a going concern audit opinion is greater, because a good company value is considered to be a stable profit generated by the company. So this will attract management's interest in practicing going concern audit opinions.

CONCLUSION

Based on the results of this study, it shows that Firm Value and Earnings Quality has an effect on the Audit Opinion Going Concern, But Conservatism has not effect on Opinion

Audit Going Concern. This explains that with the high value of the company, the tendency not to do a going concern audit opinion is greater, because a good company value is considered to be a stable profit generated by the company. So this will attract management's interest in practicing going concern audit opinions.

REFERENCES

Agoes, Sukrisno (2012) Auditing (Pemeriksaan Akuntan) oleh Kantor Akuntan Publik Edisi 4. Jakarta: Salemba Empat Alzoubi, E.S.S. (2016), "Audit quality and earnings management: evidence from Jordan", Journal of Applied Accounting Research, Vol. 17 No. 2, pp. 170-189.

Arnedo, L., Lizarraga, F. And Sanchez, S. (2008), "Going concern uncertainties in prebankrupt audit reports: new evidence regarding discretionary accruals and wording ambiguity", International Journal of Auditing, Vol. 12 No. 1, pp. 25-44.

Becker, C.L., M.L. Defond, J. Jiambalvo, K.R. Subramanyam. 1998. "The Effect of Audit Quality on Earnings Management". Contemporary Accounting Research Vol. 15 No. 1.

Butler, M., Leone, A.J. dan Willenborg, M. (2004), "An Empirical Analysis of Auditor Reporting and Its Association with Abnormal Accruals", Journal of Accounting and Economics, Vol. 37 No.2, Hlm. 139-165.

Cano-Rodriguez, M. (2010), "Big auditors, private firms, and accounting conservatism: Spanish evidence". European Accounting Review, Vol. 19 No. 1, pp. 131-159.

Dwiyanti, Rini. 2010. "Analisis Faktor-Faktor yang Mempengaruhi KetepatanWaktu Pelaporan Keuangan pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia". Skripsi. Universitas Diponegoro: Semarang

Fernando, R., Rusli, Y. M., & Hakki, T. W. (2023). Pengaruh Financial Distress, Litigation Risk Dan Capital Intensity Terhadap Accounting Conservatism. Prosiding Konferensi Ilmiah Akuntansi, 10.

Hakki, T. W., Cabelita, A. L., & Angelyn, A. (2024). Peran Manajemen Laba Dan Intellectual Capital Sebagai Moderasi Pengaruh Reputasi Kap Terhadap Perencanaan Pajak. *Jurnal Penelitian Akuntansi (JPA)*, *4*(2), 109-121.

Kasmir. (2009) Analisis Laporan Keuangan, Edisi kesatu. Jakarta: Rajawali Pers.

Kurniawati, K. (2017). Perubahan Opini Audit Dan Laba Takterduga Terhadap Waktu Penyampaian Laporan Keuangan (Studi Empiris Pada Perusahaan Basic Industry & Chemicals Yang Terdaftar Di Bursa Efek Indonesia Periode 2012-2014). Jurnal Akuntansi Bisnis, 9(1).

Kurniawati, K. (2017). Pengaruh Konvergensi Ifrs, Mekanisme Good Corporate Governance Dan Reputasi Kantor Akuntan Publik Terhadap Penyampaian Laporan Keuangan Tahunan Pada Perusahaan Publik Peraih Cgpi Awards Periode 2011-2012. *Jurnal Akuntansi Bisnis*, *8*(1).

Kusumo, M. I. R., Setiawan, T., & Bwarleling, T. H. (2023). Faktor penentu Nilai Perusahaan pada Perusahaan Manufaktur sub sektor Makanan dan Minuman. *Media Ilmiah Akuntansi*, *11*(1), 9-22.

Rusli, Y. M. (2016, October). Pengaruh kualitas audit dalam hubungan antara tax planning dengan nilai perusahaan. In Seminar Nasional Indocompac. Bakrie University. Scott, William R. (2000) Financial Accounting Theory, 2 nd Ed. Canada: Prentice-Hall

Rusli, Y. M., Dahlan, K. S. S., Rani, E. D., & Harianto, D. (2023). Factors Influencing Investor Responses to Earnings Related Announcements in The Pandemic Era of Covid 19. Dinasti International Journal of Economics, Finance & Accounting, 4(3), 516-528.

Santoso, Singgih (2013) Menguasai SPSS 21 di Era Informasi. Edisi 1. Jakarta: Gramedia, IKAPI.

Theresia, L., & Setiawan, T. (2023). Audit Tenure, Audit Lag, Opinion Shopping, Liquidity And Leverage, The Going Concern Audit Opinion. Jurnal Ekonomi, 12(3), 1064–1072.   Retrieved https://ejournal.seaninstitute.or.id/index.php/Ekonomi/article/view/2138 from Yulius
Kurnia Susanto, (2012) "Determinan Koefisien Respon Laba", Jurnal Akuntansi & Manajemen. Vol 23. (3). Hal 153-163