

## **ANALYSIS OF GOING CONCERN FACTORS FOR COMPANIES**

Catur Fatchu Ukhriyawati<sup>1</sup>, Sam Feri Purwanto<sup>2</sup>, Edwin Agung Wibowo<sup>3</sup>, Rahman Hasibuan<sup>4</sup>, Oktavianti<sup>5</sup>

<sup>1,2,3,4,5</sup>Universitas Riau Kepulauan

Email: [caturfu354@gmail.com](mailto:caturfu354@gmail.com)<sup>1</sup>, [samferi82@gmail.com](mailto:samferi82@gmail.com)<sup>2</sup>, [eawibowo@live.com](mailto:eawibowo@live.com)<sup>3</sup>,  
[rahmanhasibuan65@gmail.com](mailto:rahmanhasibuan65@gmail.com)<sup>4</sup>, [vianti\\_310@yahoo.com](mailto:vianti_310@yahoo.com)<sup>5</sup>

\*Corresponding Author

### **ABSTRACT**

This study aims to determine the effect of financial distress, profitability, leverage, liquidity and company growth on going concern audit opinions companies in the 2018-2021 period listed on the Indonesia Stock Exchange. Purposive sampling was used as a sample selection method. So that there are 228 samples of company data listed on the Indonesia Stock Exchange for the 2018-2021 period. Logistic regression is used as a method of data analysis because the dependent variable uses a dummy variable as a measuring instrument. The results show that financial distress has an effect on going concern, profitability has an effect on going concern, leverage has an effect on going concern, liquidity has an effect on going concern and growth has an effect on going concern.

**Keywords:** Going Concern, Factors, Companies

### **INTRODUCTION**

The success of a company in running its business can be influenced by the environmental conditions of the company. A good economic condition of a country can spur better company performance. Meanwhile, the country's unfavorable economic conditions will hinder the company from developing its business. Deteriorating economic conditions can affect the viability of a company. Deteriorating economic conditions have forced investors to be more careful in making investments. Financial statements are one of the tools that can be used by investors to obtain information about the company that is useful in making business and investment decisions. Financial statements aim to provide reliable information about changes in the net worth of companies as a result of business activities.

The current economic condition is unstable both globally and within Indonesia itself, this is caused by world oil prices which tend to experience a significant decline in early 2017 and coupled with the Covid-19 pandemic condition in early 2020 which has a very negative impact. in all fields, especially in the health and economic fields of society. Currently, the global economy, including Indonesia, is experiencing uncertainty and is leading to an economic recession due to the COVID-19 pandemic. This slowdown in economic growth will inevitably cause a domino effect from health to social and economic problems. This triggered a lot of unemployment from workers who were laid off by their companies, lack of income, the bankruptcy of entrepreneurs, and those who were more concerned about closing their companies.

Going concern is one of the basic assumptions used in preparing financial statements. This assumption requires that the company operationally has the ability to maintain its viability and will continue its business in the future. Therefore, it is assumed that a company does not intend to liquidate or materially reduce the scale of its business. The going concern capability of a company is very important because the going concern audit opinion is very useful for users of financial statements to make the right investment decisions in investing, because when an investor is going to invest, investors need to understand the condition of the company both from internal and external information. , especially regarding the viability of the company. In evaluating whether a company has big doubts about the company's ability to maintain its viability (going concern), the auditor must pay attention to aspects of profitability, liquidity, solvency, and company growth. The financial condition of the company can show the company's ability to survive in a certain period. Companies that have big names tend to have a better survival ability. Companies that have big names are seen as better in the eyes of investors. The financial condition of the company can show the company's ability to survive in a certain period. Companies that have big names tend to have a better survival ability. Companies that have big names are seen as better in the eyes of investors. The financial condition of the company can show the company's ability to survive in a certain period. Companies that have big names tend to have a better survival ability. Companies that have big names are seen as better in the eyes of investors.

**Table 1. Company Problems**

No	Problem	Reason
1	Delisting	The condition for removing shares of the issuer or company by the Indonesia Stock Exchange (IDX) which can be done voluntarily or by force.
2	Bankruptcy	Conditions in companies that have two or more creditors and are unable to pay debts that are due and collectible.
3	Bankruptcy	Conditions for companies that suffer large losses that make their financial condition unhealthy and force the company to stop operating.

Source: [www.idxchannel.com](http://www.idxchannel.com)

PT. Asia Natural Resources Tbk experienced delisting from the Indonesia Stock Exchange because it does not have a business continuity (going concern), PT. Asia Natural Resources is said to have suffered losses of up to Rp357.33 billion, while Davomas shareholders saw that there had been a decline in investment value since the company defaulted on bonds worth US\$238 million in 2008. In this regard, pursuant to Rule Number II concerning Delisting and Relisting of Shares on the Exchange, the Indonesia Stock Exchange shall write off shares.

A number of well-known companies in 2020 were discussed regarding requests for postponement of debt payment obligations (PKPU) and bankruptcy including:

1. PT. Sentul City Tbk, in a statement at the press conference of the management of PT. Sentul City Tbk revealed that the company did not carry out its obligations regarding the sale and purchase of land plots in accordance with the bankruptcy lawsuit that was filed with the Commercial Court of the Central Jakarta District Court on 7 August 2020 with case number 35 /Pdt.Sus- Bankruptcy/2020/PN Niaga Central Jakarta.
2. PT.Hanson International Tbk, that Hanson International has been declared bankrupt based on the results of the trial of the Panel of Judges Examining the Company's Cases at the Commercial Court of the Central Jakarta District Court on August 12, 2020 based on the application of Laany Nofianti and Erwin Yoggie Salim.
3. PT. Trans Retail Indonesia, and the application for postponement of debt payment obligations (PKPU) was carried out because Trans Retail Indonesia still had invoices from PT. Tritunggal Adyabuana that were due and had not been paid.
4. PT. Ace Hardware Indonesia Tbk. The application for the postponement of the debt payment obligation (PKPU) was made because Ace Hardware had bills that were due and had not been paid to Wibowo and Partners which were posted on October 6, 2020.
5. In 2017 PT.Berau Coal Energy Tbk and PT. Permata Prima Sakti Tbk. as companies engaged in coal mining were delisted from the IDX, due to financial difficulties (financial distress). In 2019 PT. Bara Jaya International Tbk was also delisted from the IDX due to the company's going concern problem. In 2020, PT Borneo Lumbung Energi & Metal Tbk must also be delisted from the IDX due to financial distress. This confirms that coal mining companies are experiencing financial distress problems that can lead to bankruptcy.

Audit reports related to going concern can provide an early warning for users of financial statements, especially investors, in order to avoid mistakes in making decisions. The audit report is very important in an audit or other attestation process because the audit report provides information to users of financial statements about what the auditor has done and what conclusions he has reached. In this study going concern audit opinion will be assessed from several factors including financial distress, profitability, leverage, liquidity and company growth.

When a company experiences financial difficulties and even business failures to the point of being threatened with bankruptcy, the company is believed to be experiencing problems, so that the company is doubtful in maintaining its viability. The condition where the company experiences financial difficulties and is threatened with bankruptcy is known as financial distress, this is in accordance with the results of research that financial distress affects going concern audit opinions (Utama, 2021).

Profitability shows the company's ability to earn profits or a measure of the effectiveness of the company's management (Wiagustini, 2014). Profitability can be measured by the rate of return on assets or Return on Assets (ROA), namely by comparing the profit before tax with the total assets. A positive ROA reflects the total assets used for the company's operations are able to provide profits, therefore profitability has an influence on going concern audit opinions (Setiawan, 2015).

Leverage ratios are commonly used to determine the ability of a company to meet its financial obligations both short and long term or to measure the extent to which the company is financed with debt (Wiagustini, 2014). A company that has sufficient wealth or assets to finance all its obligations or debts is called a solvable company. Previous research also stated that leverage has an effect on going concern audit opinions (Wdiatmika, 2021).

Liquidity is a ratio to measure the company's ability to meet its financial obligations in the short term with available current funds (Wiagustini, 2014). This ratio is measured using the current ratio, namely by comparing current assets with current liabilities. The lower the current ratio, the lower the company's ability to meet its short-term obligations. Previous research also stated that liquidity has an influence on going concern audit opinions (Wdiatmika, 2021).

## **LITERATURE REVIEW**

### **Financial Distress**

The definition of financial distress is a condition where the company's operating cash flow is insufficient to meet its current obligations and can lead to potential bankruptcy (Solikhah, 2016). Financial distress can be described from two extreme points, namely short-term to insolvable liquidity difficulties. Financial distress indicators can be seen from cash flow analysis, company strategy analysis, and company financial statements (Noeriyanto, 2019).

According to Ellen & Juniarti (2013) defines financial distress as a condition where the company experiences financial irregularities and pressures that will gradually lead to bankruptcy, while according to Fatmawati (2017) states that financial distress is described as the company's inability to pay financial obligations that have matured. Therefore, financial distress risk is a condition where the company experiences financial difficulties and is threatened with bankruptcy.

One of the indications of a going concern audit opinion is financial distress risk, which a company faces is an indicator that the company will experience bankruptcy. At this stage the company has the potential to suffer losses in the long term and continuously before bankruptcy occurs (Nugroho et al 2018). When there is financial distress or financial difficulty in the company, the company has the opportunity to obtain a going concern audit opinion from the auditor because the company is doubtful for its business continuity in the short and long term.

### **Profitability**

Kasmir (2013) defines the profitability ratio as a ratio to assess the company's ability to seek profit. This ratio also provides a measure of the effectiveness of a company's management. This is indicated by the profit generated from sales and investment income. This will encourage stock prices to rise to a higher level, companies that have a high level of profitability will be more attractive to investors than companies with a low level of profitability.

According to Hanafi (2014), the profitability ratio is used to measure the company's ability to generate profits at a certain level of sales, assets, and share capital. High profitability also indicates a better prospect for the company, which will create positive sentiment for shareholders and increase company value. Profitability provides an objective value regarding the value of investment in a company. Therefore, the company's profit is an expectation for investors, but investors must also be careful in making investment decisions because if it is not right, investors will not only lose returns but all the initial capital invested will also be lost (Astuti and Setiawati, 2014).

Profitability shows the company's ability to earn profits or a measure of the effectiveness of the company's management (Wiagustini, 2014). Profitability can be measured by the rate of return on assets or Return on Assets (ROA), namely by comparing the profit before tax with the total assets. A positive ROA reflects the total assets used for the benefit of the company's operations that are able to provide profits, while a negative ROA reflects a company experiencing losses.

### **Leverage**

According to Syamsudin (2013), leverage is usually used to describe a company's ability to use fixed cost assets or funds to increase the level of income (return) for company owners. This level of leverage may vary from one company to another, or from one period to another within a company, but clearly, the higher the leverage level, the higher the risk faced and the greater the rate of return or income earned. expected.

According to Fahmi (2013), the notion of the leverage ratio is to measure how much the company is financed with debt. The use of debt that is too high will endanger the company because it will fall into the category

of extreme leverage, namely the company is trapped in a high level of debt and it is difficult to release the debt burden. Therefore the company should have to balance how much debt is worth taking and which sources can be used to pay off debt.

According to Wiagustini (2014) the leverage ratio is commonly used to determine the ability of a company to meet its financial obligations both short and long term or to measure the extent to which the company is financed with debt. A company that has sufficient wealth or assets to finance all its obligations or debts is called a solvable company. On the other hand, when a company does not have sufficient wealth or assets to pay its obligations or debts, then the company is an insolvable company. Debt ratio is used to measure leverage ratio.

### **Liquidity**

According to the Financial Services Authority (OJK), liquidity is the ability to meet all obligations that must be paid off immediately in a short time. A company is said to be liquid if it has a payment instrument in the form of current assets that are greater than all of its obligations. According to Harahap (2013), the liquidity ratio is used to describe the company's ability to meet short-term obligations using current assets. The level of company liquidity can be measured through the current ratio. The current ratio is calculated by dividing current assets by current liabilities. This ratio shows the extent to which current assets and current liabilities cover current liabilities. The greater the ratio of current assets to current liabilities, the higher the company's ability to cover its short-term obligations. This ratio can be in the form of a number of times or in the form of a percentage. If the current ratio is 1:1 or 100%, it means that current assets can cover all current liabilities. A safer current ratio is if it is above 1 or above 100%. This means that current assets must be far above the amount of current debt.

According to Wiagustini (2014) Liquidity is a ratio to measure the company's ability to meet its financial obligations in the short term with available current funds. This ratio is measured using the current ratio, namely by comparing current assets with current liabilities. The lower the current ratio, the lower the company's ability to meet its short-term obligations.

Based on some of the definitions above, it can be concluded that liquidity is the company's ability to pay off the company's short-term debt by selling the company's assets to get cash in a short time, or analyzing the short-term financial capabilities of the company. The liquidity ratio is a ratio used to measure the company's ability to pay off short-term debt in relation to current assets and cash

### **Company Growth**

Company growth is a condition that shows the company's ability to maintain its economic position in the midst of economic growth and its business sector. Company growth can describe whether a company will develop or not. Growth is expressed as total asset growth where past asset growth will describe future profitability and future growth (Suardika and Mustanda, 2017).

Growth is a change (decrease or increase) in total assets owned by the company. Asset growth is calculated as the percentage change in assets at a certain time against the previous year. Growth is a change in total assets in the form of an increase or decrease experienced by the company during a period (one year). Asset growth describes the growth of company assets that will affect the profitability of the company who believes that the percentage change in total assets is a better indicator in measuring company growth (Suardika and Mustanda, 2017).

Growth is how far the company puts itself in the overall economic system or the economic system for the same industry. The company's growth can also be an indicator of the company's profitability and success. In this case, the growth of the company is representative for the availability of internal funds. If the company is successful and makes a profit, then sufficient internal funds are available for investment needs (Dewi & Sudhiarta, 2017).

The company's growth can be seen based on a high assessment of the company's external parties to the assets owned by the company and the growth of the stock market, it explains that the company's growth can be seen based on a high assessment of the company's external parties to the assets owned by the company and the growth of the stock market (Noviani et al. al, 2019).

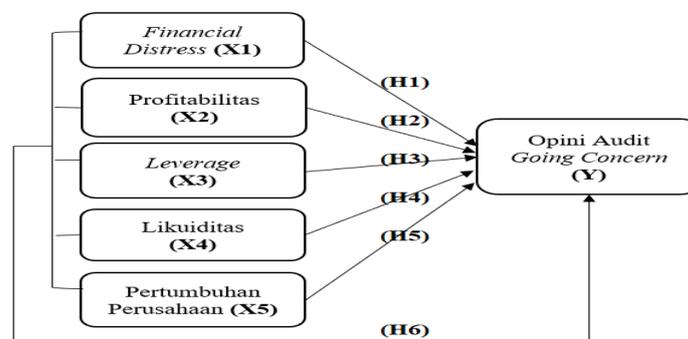
The company's growth is measured by the proportion of changes in assets, to compare the increase or decrease in the total assets owned by the company. Assets are assets used for the company's operational activities. The greater the assets, the greater the operational results generated by the company. An increase in assets followed by an increase in operating results will further increase the confidence of outsiders in the company. With the increasing trust of outsiders (creditors) to the company, the proportion of debt is getting bigger than its own capital.

## Opinion Going Concern

Audit audit opinion is a symbol of public confidence in the credibility and reliability of the information contained in a financial report. Audit audit opinion has developed which causes the role of audit audit opinion to be important in relation to the company's image in the eyes of users of financial statements, including shareholders, investors, creditors, government, and the general public. There are various factors that influence the audit opinion on the audit, including changes in the board of directors, audit committee, and the company's financial health condition.

In accordance with generally accepted auditing standards set by the Indonesian Institute of Certified Public Accountants (IAPI), the auditor is required to provide users of the report with important information that the auditor considers necessary to be disclosed. The information is submitted by the auditor through the audit report. The audit report is a tool used by the auditor to convey the conclusions of the audit results that have been carried out. The audit opinion given is a statement of fairness, in all material respects, the financial position and results of operations and cash flows in accordance with Financial Accounting Standards (IAPI, 2018).

Going concerns is an assumption in the preparation of financial statements that indicates that an entity will carry out its operations for a long period of time to realize its projects, responsibilities, and activities (Indriastuti, 2016). When a company is considered able to maintain its business continuity in the long term and is not liquidated in the near future, the company is assumed to be a going concern. Capital providers will consider the decision to invest, one of which is by looking at the company's going concern ability, meaning that an entity is considered capable of maintaining its business in the long term and will not be liquidated. Financial statements measure information about an entity's financial position and results of operations. The auditor's report adds a qualitative dimension to the information.



**Figure 1. Thinking Framework**

## METHOD

The type of data used in this research is quantitative data. Quantitative data is data in the form of numbers that can be measured in units of calculation (Ningsih, 2019). Quantitative data used in this study is the financial statements of companies published by the Indonesia Stock Exchange (IDX). The population object of this study are companies listed on the Indonesia Stock Exchange (IDX). In this study, the authors prioritize companies that are in the 2018-2021 period. The sampling technique was carried out using a purposive sampling technique. Purposive sampling is a sampling technique with certain considerations (Sugiyono 2014). The criteria used in determining the sample are:

1. Companies listed on the Indonesia Stock Exchange (IDX) during 2018-2021.
2. Companies that have suffered losses of at least 3 consecutive financial reporting periods on the Indonesia Stock Exchange (IDX) in 2018-2021.
3. Companies that publish annual reports that have been audited completely and consecutively from 2018-2021.
4. Companies that have complete data on research variables during 2018-2021.

From the sample criteria that have been determined above, the number of samples taken is 57 companies. Logistic regression analysis was used to test the effect of two or more independent variables on the dependent variable. Where the dependent variable is measured using a dummy variable (Ningsih, 2019). The multiple regression equation is written:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

Information :

Y : Going Concern Audit Opinion

a : Constant

b : Regression coefficient of each variable

X1 : Financial Distress

X2 : Profitability

X3 : Leverage

X4 : Liquidity

X5 : Company Growth

## RESULTS AND DISCUSSION

### Descriptive Analysis

**Table 2. Descriptive Analysis**

Descriptive Statistics					
	N	Minimum	Maximum	mean	Std. Deviation
Financial Distress	228	-132.7225	28.3460	-2.552560	18.0808597
Profitability	228	-4.7987	.0014	-.216220	.5762547
Leverage	228	-55.7293	362.3969	5.129569	31.7058058
Liquidity	228	-.0369	39.6623	1.577859	3.9631972
Growth	228	-485.2310	857.4513	-3.944853	100.4749055
Opinion Going Concern	228	.00	1.00	.2237	.41763
Valid N (listwise)	228				

*Source: Processed secondary data, 2022*

The table above describes the descriptive analysis of the research results. In the financial distress variable, the minimum score is -132.7225 with a maximum score of 28.3460. The average value of financial distress is -2.5525 ( $\pm 18.0808$ ). In the profitability variable, the minimum score is -4.7987 with a maximum score of 0.0014. The average value of profitability is -0.2162 ( $\pm 0.5762$ ). In the leverage variable, the minimum score is -55,7293 with a maximum score of 362,3969. The average leverage value is 5.1295 ( $\pm 31.7058$ ). In the liquidity variable, the minimum score is -0.0369 with a maximum score of 39.6623. The average value of liquidity is 1.5778 ( $\pm 3.9632$ ). In the growth variable, the minimum score is -485.2310 with a maximum score of 857.4513. The average value of growth is -3.9448 ( $\pm 100.4749$ ). In the Going concern variable, the measurement uses a dummy variable,

### Regression Feasibility Test

The first analysis is to assess the feasibility of the logistic regression model to be used. This test uses the Goodness of fit test which is measured by the Chi-Square value at the bottom of the Hosmer and Lemeshow Test. The results of statistical calculations are shown in table 3.

**Table 3. Hosmer Test and Lemeshow Test**

Step	Chi-square	df	Sig.
1	3.868	8	.869

*Source: Processed secondary data, 2022*

The feasibility of the regression model was assessed using the Hosmer and Lemeshow Goodness of Fit Test. The spss output display shows that the strategic value of Hosmer and Lemeshow Goodness of Fit Test is 3.868 with a significant probability of 0.869 whose value is above 0.05. Thus it can be concluded that the model is said to be fit and the model can be accepted. This means that the regression model is feasible to use in subsequent analysis, because there is no significant difference between the predicted classification and the observed classification.

**Testing the Overall Model (Overall Model Fit)**

In this test, it 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). The decrease in the value between -2LL (Initial -2LL Function) and -2LL value in the next step (final -2LL) indicates that the hypothesized model fits the data (Ghozali, 2005). The following processed results from the overall model fit test are contained in table 4.

**Table 4. Overall Model Fit Test**  
**Iteration History<sup>a,b,c,d</sup>**

Iteration		-2 Logs likelihood	Coefficients					
			Constant	X1	X2	X3	X4	X5
Step 1	1	214.911	-1.284	.026	-.500	-.002	.100	.002
	2	193.474	-1.751	.067	-1.154	-.005	.275	.004
	3	165,291	-2.298	.224	-2.282	-.007	.518	.004
	4	115,520	-2,649	.801	-3.116	-.013	.369	.003
	5	77.986	-3.554	1,744	-4.927	-.023	.145	.002
	6	53.917	-4.962	3.101	-7.411	-.041	.017	.001
	7	38,928	-7.129	4,994	-10,624	-.069	.024	.000
	8	30,795	-9,898	7.383	-12.867	-.098	.053	-.002
	9	27,182	-13.018	10,040	-14,223	-.117	.055	-.003
	10	26.076	-15,801	12,375	-15,027	-.124	.041	-.004
	11	25,926	-17,258	13,590	-15,235	-.123	.028	-.005
	12	25,923	-17,531	13,816	-15,256	-.122	.025	-.005
	13	25,923	-17.539	13,823	-15,257	-.122	.025	-.005
	14	25,923	-17.539	13,823	-15,257	-.122	.025	-.005

*Source: Processed secondary data, 2022*

Table 4 shows the comparison between the initial -2LL (Block Number = 0) with the value of -2 log likelihood (-2LL) is 214.911. While at the end (Block Number = 1), it decreased to 25,923. This decrease in likelihood indicates a better regression model or in other words the hypothesized model fits the data. This shows as a good model or in other words the hypothesized model fits the data

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

The following is the pseudo-determination coefficient test (Nagelkerke R Square).

**Table 5. Value of Coefficient of Determination**

Model Summary			
Step	-2 Logs likelihood	Cox & Snell R Square	Nagelkerke R Square
1	25,923 <sup>a</sup>	.613	.936

a. Estimate terminated at iteration number 14 because parameter estimates changed by less than .001.

Source: *Processed secondary data, 2022*

Judging from the SPSS output, the Nagelkerke R Square value is 0,936 and the value of Nagelkerke R Square is 0.936, which means that the variability of the dependent variable explained by the variability of the independent variable is 93.6%, this means that the variability of the independent variable can be explained by the variability of the independent variable and the remaining 6.2% is explained by other variables outside the research model.

**Testing the Regression Coefficient**

The logistic regression model formed is presented in the following table:

**Table 6. Regression Coefficient**

Variables in the Equation		B	SE	Wald	df	Sig.	Exp(B)
Step 1 <sup>a</sup>	X1	13,823	4.071	11,528	1	.001	1007344,693
	X2	-15,257	15,322	.991	1	.319	.000
	X3	-.122	.201	.368	1	.544	.885
	X4	.025	.454	.003	1	.956	1.026
	X5	-.005	.005	.899	1	.343	.995
	Constant	-17.539	5.044	12.090	1	.001	.000

a. Variable(s) entered on step 1: X1, X2, X3, X4, X5

Source: *Processed secondary data, 2022*

Based on the table above, it can be seen that the logistic regression equation is as follows:

$$\text{Going Concern} = -17.539 + 0.13.823X1 - 15.527X2 - 0.122X3 + 0.025X4 - 0.005X5 + e$$

Information:

Y : Going Concern Audit Opinion

a : Constant

b : Regression coefficient of each variable

X1 : Financial Distress

X2 : Profitability

X3 : Leverage

X4 : Liquidity

X5 : Company Growth

Based on Table 6 the test results with logistic regression can be concluded that:

- a. The constant is -17.539 which means that without the influence of financial distress, profitability, leverage, liquidity and company growth, the going concern decreases by 17.539 points.
- b. The financial distress variable shows a positive regression coefficient of 13.823, this means that if financial distress increases, going concern will increase by 13.823 points. And judging by the significance level of 0.001 which is smaller than 0.05, financial distress has a significant effect on going concern.
- c. The profitability variable shows the regression coefficient of 15.527 is negative, this means that if profitability decreases, going concern will increase by 15.527 points. And judging by the significance level of 0.319 greater than 0.05, profitability has no significant effect on going concern.
- d. The leverage variable shows the regression coefficient of 0.122 is negative, this means that if the leverage decreases, the going concern will increase by 0.122 points. And seen based on the significance level of 0.544 greater than 0.05, leverage has no significant effect on going concern.
- e. The liquidity variable shows a positive regression coefficient of 0.025, this means that if liquidity increases, going concern will increase by 0.025 points. And judging by the significance level of 0.956, which is greater than 0.05, liquidity has no significant effect on going concern.
- f. The company growth variable shows the regression coefficient of 0.005 is negative, this means that if the company's growth decreases, the going concern will increase by 0.005 points. And judging by the significance level of 0.343 greater than 0.05, the company's growth has no significant effect on going concern.

### **The Effect of Financial Distress on Going Concern Opinion**

The results showed that financial distress had a significant effect on going concern. Financial distress is a condition where the company's operating cash flow is insufficient to meet its current obligations and can lead to potential bankruptcy. Financial distress can be described from two extreme points, namely short-term to insolvable liquidity difficulties. Financial distress indicators can be seen from cash flow analysis, company strategy analysis, and company financial statements. One of the indications of a going concern audit opinion is financial distress risk, which a company faces is an indicator that the company will experience bankruptcy. At this stage the company has the potential to suffer losses in the long term and continuously before bankruptcy occurs (Nugroho et al 2018). When there is financial distress or financial difficulty in the company, the company has the opportunity to obtain a going concern audit opinion from the auditor because the company is doubtful for its business continuity in the short and long term. This is in accordance with the results of research that financial distress has an effect on going concern audit opinions (Utama, 2021). The results of this study are in accordance with the Statement of Auditing Standards No. 30 regarding the conditions that need to be considered by the auditor in assessing the viability of a company, where in one of the points it is mentioned about the possibility of a company experiencing financial difficulties such as recording operating losses and negative cash flows from operating activities. Financial distress conditions indicate that the company is unable to pay financial obligations that have matured (Fatmawati, 2017). This condition triggers demands from creditors related to company bankruptcy which means the company can stop operating (Hidayah & Firmansyah, 2020). Giving a going concern audit opinion is an indication for the company to improve its performance, so that there is stakeholder confidence such as creditors related to the company's sustainability in the future, including the opportunity to restructure maturing debts to creditors.

### **The Effect of Profitability on Going Concern Opinion**

The results showed that profitability had no significant effect on going concern. Profitability shows the company's ability to earn profits or a measure of the effectiveness of the company's management (Wiagustini, 2014). Profitability can be measured by the rate of return on assets or Return on Assets (ROA), namely by comparing the profit before tax with the total assets. A positive ROA reflects the total assets used for the benefit of the company's operations that are able to provide profits, while a negative ROA reflects a company experiencing losses. ROA value can be interpreted as the percentage of profit generated in the utilization of company assets. A low ROA value does not mean it is bad. If the company makes an investment that causes a low ROA value, auditors need to assess how the company's risk management actions in assessing and dealing with the causes and

effects of these uncertainties. If the management plan has sufficient disclosure to reduce risk at the beginning of the project, the company can still develop the potential of its assets to generate profits.

### **Effect of Leverage on Going Concern**

Going concern audit opinion is an opinion issued by the auditor to provide certainty whether a company can maintain its business continuity. The audit report is very important in an audit or other attestation process because the audit report provides information to users of financial statements about what the auditor has done. In addition to the audit opinion related to the fairness of the presentation of financial statements, there is a going concern audit opinion for companies experiencing potential bankruptcy. This information is considered important for stakeholders, especially investors in making investment decisions. Related to this, leverage can be an indication that the company gets a going concern audit opinion or not. Leverage reflects the level of debt of a company and the increased risk of the company's failure to pay obligations. However, this condition depends on the company's management in mitigating these risks. In the company's condition that there is a business continuity failure, it can be considered by the auditor in issuing a going concern audit opinion. The auditor considers that although the company has funding sources that tend to come from debt, as long as the cost of capital that arises can still be paid off by the company, it is not a concern for the auditor to issue a going concern opinion. Companies are still considered to have a high level of credibility that makes investors or creditors believe in channeling funds to the company and makes auditors lower their doubts in assessing the viability of the company. In addition, banking companies have a good debt management system with the characteristics of a capital structure with a high level of debt. Therefore, high debt is not an indicator in determining the level of company sustainability in the future.

### **The Effect of Liquidity on Going Concern**

The results showed that liquidity had no significant effect on going concern. One indication that a company can maintain its business continuity is by maintaining a high level of liquidity. Liquidity shows the ability of a company to pay off its short-term obligations using its current assets. The lower the company's liquidity level, the lower the company's ability to pay off its short-term obligations using the company's current assets. Conversely, if the company's liquidity increases, the greater the company's ability to pay off its short-term obligations on time. Companies that have low liquidity indicate the company is getting lower as well as its ability to pay off its short-term obligations on time, thereby increasing the potential for auditors to issue going-concern audit opinions. Companies that have a low liquidity ratio should doubt their business continuity in the future, so it is very likely that the company will receive a going concern audit opinion. However, the auditor does not only consider the company's ability to fulfill its short-term obligations in issuing a going concern audit opinion, but also considers the company's ability to pay all of its obligations. Companies that have a low liquidity ratio should doubt their business continuity in the future, so it is very likely that the company will receive a going concern audit opinion. However, the auditor does not only consider the company's ability to fulfill its short-term obligations in issuing a going concern audit opinion, but also considers the company's ability to pay all of its obligations.

### **The Effect of Company Growth on Going Concern Opinion**

The results show that the company's growth has no significant effect on going concern. The company's growth is the ability of an entity to increase the number of assets and profits. Company growth describes the level of expansion carried out by the company and refers to the growth of assets used in the company's business activities. The company's growth is shown by how well the company maintains its economic position in the industry and overall economic activity. The company's growth can be seen from the positive profit growth ratio. Companies that have a positive profit growth ratio tend to have greater potential to get a good opinion. Profit growth shows the company's ability to survive in competitive conditions. Companies with negative growth indicate a greater tendency towards bankruptcy. To measure the growth of the company, in this study the researchers used the ratio of profit growth. The profit growth ratio is used because it can describe the state of the company that is in good condition. If the profit growth ratio is positive, the auditor tends not to issue a going concern audit opinion

## **CONCLUSION**

### **Conclusion**

Based on the results of the research analysis, it can be concluded that:

1. Financial distress has a significant effect on going concern
2. Profitability has no significant effect on going concern
3. Leverage has no significant effect on going concern
4. Liquidity has no significant effect on going concern
5. The company's growth has no significant effect on going concern

#### **Suggestion**

There needs to be a more in-depth study of the factors that can affect other going concerns such as dividend policy, stock prices and share ownership.

#### **REFERENCES**

- Agustina TA, Zulaikha. 2013. Factors Affecting the Audit Opinion Decision Going Concern Auditors on Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX). *Journal of Accounting Diponegoro University* 02: 1-14.
- Azhar A, Hardy, Ricky RS. 2014. The Effect of Audit Lag, Profitability, and Audit Quality on Giving Going Concern Audit Opinions to Wholesale and Retail Trade Companies Listed on the IDX for the 2010-2012 Period. *Journal of Economics and Business Education, University of Riau* 06: 73-85.
- Astuti SE. 2014. Analysis of the Effect of Profitability, Dividend Policy, Debt Policy, and Managerial Ownership on the Value of Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period 2010 – 2012. *National Seminar and Call Paper* 01: 325 – 336.
- Cashmere. 2013. *Analysis of Financial Statements*. Jakarta: Rajawali Press.
- Dewi D, Sudiartha G. 2017. The Effect of Profitability, Company Size, and Asset Growth on Capital Structure and Firm Value. *Udayana University Management E-Journal* 6: 2222–2252.
- Data on Manufacturing Companies registered on the Indonesia Stock Exchange, accessed from <http://www.idx.co.id> on May 25, 2022.
- Ellen, Juniarti. 2013. Implementation of Good Corporate Governance, Its Impact on Prediction of Financial Distress in the Various Industries and Consumer Goods Sector. *Business Accounting Review* 01:1-13.
- Fahmi I, 2013. *Analysis of Financial Statements*. Bandung: Alfabeta.
- Fatmawati A. 2017. Factors Affecting Financial Distress (Study on Manufacturing Companies on the IDX). *Journal of Accounting Science and Research (JIRA)* 06:1-17.
- Ghozali I. 2016. *Application of Multivariate Analysis With IBM SPSS Program* 23. Semarang: Diponegoro University Publishing Agency.
- GW Succession, Lastanti HS. 2016. The Effect of Previous Year's Audit Opinion, Auditor Reputation, Company Size, Profitability, Liquidity, And Solvency on Giving Going Concern Audit Opinions, *Trisakti University Economic Journal*. 10:01-15.
- Hanafi, Mamduh M, Halim A. 2014, *Analysis of Financial Statements 2nd Edition*. Yogyakarta: UPP AMP YKPN.
- Harjito Y. 2015. Analysis of the Trend of Accepting Going Concern Audit Opinions in Manufacturing Companies. *Journal of Accounting University of Muhammadiyah Surakarta* 19: 31-49.
- Hidayah, N., & Firmansyah, A. 2020. Implementation of corporate liquidation in Indonesia: accounting and juridical studies. *Scientific Journal of Wahana Accounting*, 15(2), 184-196
- Hutagaol J, Manurung E, Simanjuntak DN. 2021. Analysis of the Effect of Company Size, Auditor Quality, Profitability, and Liquidity on Going Concern Audit Opinions on Service Companies Listed on the Indonesia Stock Exchange for the 2016-2018 Period. *Indonesian Adventist University Accounting Journal* 14: 111-123.
- Indonesian Institute of Accountants (IAI). 2015. *Statement of Financial Accounting Standards Number 1 Concerning the Presentation of Financial Statements*. Jakarta: IAI.

- Indriastuti, M. 2016. The Effect of Profitability and Liquidity on the Acceptance of Going Concern Audit Opinions. *Scientific Journal of Economics*, 11:1-12.
- Indonesian Institute of Certified Public Accountants (IAPI), 2011. *Statement of Auditing Standards (PSA) No. 30 concerning the Auditor's Consideration of the Entity's Ability to Maintain as a going concern*. Jakarta: IAPI.
- Krissindiasuti M, Rasmini NK. 2016. Factors Affecting Going Concern Audit Opinion. *Journal of Economics, Udayana University*, 14: 451-481.
- Mulyadi. 2013. *Accounting System*. Jakarta: Salemba Empat.
- Ningsih AW. 2019. The Effect of Profitability, Leverage, Company Size and Book Tax Difference on Earnings Management (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange 2015-2017). *Journal of Accounting and Taxes*, 19:1-7.
- Noeriyanto MHR. 2019. *The Effect of Profitability, Leverage, and Liquidity to Predict Financial Distress in the Mining Sector Listed on the IDX 2013–2017*. Dissertation is not published. Surabaya: STIE Perbanas Postgraduate Program.
- Nugroho L, Nurrohmah S, Anasta, L. 2018. Factors Affecting Going Concern Audit Opinions. *Journal of Attitude* 02: 96-111.
- Nugeraheny N, Ghozali I. 2019. Analysis of the Factors Influencing the Issuance of Going Concern Warnings (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange in 2017). *Journal of Accounting Diponegoro University* 8: 01-12.
- Qintara YN. 2020. The Effect of Financial Distress and Company Size on the Acceptance of Going Concern Audit Opinions. *Islamic University Accounting Journal '45'*, accessed from Online Media in December 2020.
- Please SS. 2013. *Critical Analysis of Financial Statements*. Jakarta: PT Raja Grafindo Persada.
- Rahman HA. 2020. Acceptance of Going Concern Audit Opinion Based on Leverage And Financial Distress. *Journal of Economics, University of Mercu Buana*, 11: 15-22.
- Scott WR. 2015. *Financial Accounting Theory Seventh Edition*. Canada: Library And Archives Canada Cataloging In Publication.
- Selviani A, Heni. 2017. *The Effect of Profitability, Leverage, and Company Size on Earnings Management (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange 2014-2016)*. Unpublished Thesis. Yogyakarta: Faculty of Economics and Business, Sanata Dharma University.
- Setiawan AA, Rahayu S. 2015. The Effect of Profitability, Liquidity, and Company Growth on the Acceptance of Going Concern Modified Audit Opinions (Study on Transportation Sector Companies Listed on the IDX for the 2009-2013 Period). *Telkom University Accounting Journal* 02: 402-409.
- Solikhah, B. 2016. Auditor Considerations in Giving Going Concern Audit Opinions. *Journal of Economics and Finance*, 20:129-150.
- Sugiyono. 2014. *Quantitative, Qualitative and R&D Research Methods*. Bandung: Alfabeta.
- Surya AB, Merawati LK, Munidewi IAB. 2021. Effect of Profitability, Liquidity, Leverage, and Good Corporate Governance (GCG) on Going Concern Audit Opinions of Manufacturing Companies Listed on the Indonesia Stock Exchange 2015-2018. *Mahasaraswati University Journal of Economics* 01: 1289-1300.
- Suardika INA, Mustanda IK. 2017. The Effect of Leverage, Company Size, Company Growth, and Profitability on Company Value in Property Companies. *Udayana Management Journal* 06:1248–1277.
- Syamsuddin, Lukman, 2011. *Financial Management*. Jakarta: Raja Grafindo Persada.
- Utama YW, Syakur A, Firmansyah A. 2021. Audit Opinion Going Concern: Liquidity Perspective, Leverage, Financial Distress Risk, Tax Risk. *Journal of State Finance Polytechnic Accounting STAN*. 01:122-140.
- Widiatmika IWA, Novitasari NLG, Dewi NLPS. 2021. The Effect of Company Growth, Leverage, Liquidity, Auditor Reputation and Financial Distress on the Acceptance of Going Concern Audit Opinions in Manufacturing Companies. *Mahasaraswati University Journal of Economics* 03:296-305.
- Yuliyani NMA, Erawati NMA. 2017. Effect of Financial Distress, Profitability, Leverage and Liquidity on Going Concern Audit Opinion. *Journal of Accounting Udayana University* 19: 1490-1520.

Wiagustini, Putu L. 2014. *Fundamentals of Financial Management*. Denpasar: Udayana University Press.

Yuliyani NMA, Erawati MA. 2017. Effect of Financial Distress, Profitability, Leverage and Liquidity on Going Concern Audit Opinion. *Journal of Accounting Udayana University 19*: 1490-1520.