Jurnal Ilmiah Dan Karya Mahasiswa
Vol. 1 No. 5 Oktober 2023
e-ISSN :2985-7732, p-ISSN :2985-6329, Hal 336-344
DOI: https://doi.org/10.54066/jikma.v1i5.888

The Influence Of Audit Firm Size, Leverage, And Disclosure On Going Concern Audit Opinions

Adinda Zahwa Cynthia Andhanie
Universitas Negeri Surabaya, Surabaya, Indonesia
E-mail: adinda.19035@mhs.unesa.ac.id

Ni Nyoman Alit Triani
Universitas Negeri Surabaya, Surabaya, Indonesia
E-mail: nyomanalit@unesa.ac.id

Abstract. Examining how audit firm size, leverage, and disclosure affect the issuing of going-concern audit opinions across sector-wide corporations listed on the Indonesia Stock Exchange during the year 2021 is the main goal of this study (IDX). This research adopts a quantitative methodology, incorporating three independent variables, specifically audit firm size, leverage, and voluntary disclosure levels, while the issue of going-concern audit opinions is the dependent variable under consideration. The results of the investigation show that the size of the audit firm has a favorable effect on the chance of issuing a going-concern opinion. Conversely, the leverage of the company does not show a statistically significant impact on whether going-concern opinions are issued. Furthermore, it is discovered that there is a bad correlation between the level of disclosure and the inclination to provide going-concern audit opinions.

Keywords: Audit Firm Size, Leverage, Disclosure, Going-concern Audit Opinions

INTRODUCTION

In the annual report of a company, the audit process is a crucial aspect. Its significance lies in its ability to reflect the fundamental financial condition of the client (DeFond & Zhang, 2014). Users of financial reports expect auditors to provide accurate information and to disclose in the audit report any financial performance deterioration (Gallizo & Saladrigues, 2016). Auditors are obligated to evaluate any concerns regarding the entity's capacity to continue operating for a reasonable amount of time during this procedure. (Messier, 2017). According to Carson (2013), auditors must provide a going-concern audit opinion when a company is unsure about its ability to continue operating. Larger audit firms tend to provide such opinions when dealing with companies that may face sustainability challenges in the future, aiming to uphold their reputation and integrity, as mentioned in the study by Winata et al. (2022).

Moreover, a company's financial status reflects its overall financial well-being. Ross et al. (2019) argued that financial difficulties within a company can be an early warning sign of potential bankruptcy, especially when its operating cash flow cannot cover its obligations. Additionally, in accordance with Tihar et al. (2021), auditors ought to take consideration into account management's disclosure of information when

Revised Juni 30, 2023, Revised Agustus 30, 2023; Accepted September 16, 2023
* Adinda Zahwa Cynthia Andhanie, adinda.19035@mhs.unesa.ac.id

identifying whether they should submit a going-concern audit opinion. This includes information about management's plans to address company issues. A high level of disclosure results in more information being available. A company providing extensive information, especially when in poor financial health, facilitates auditors in finding evidence to assess going-concern audit opinions (Jamaluddin, 2018). This suggests that a greater disclosure ratio is linked to a greater chance of a corporation earning a going-concern audit opinion. For firms from all industries listed on the Indonesia Stock Exchange (IDX) in 2021, this study aims to investigate the effects of audit firm size (KAP), leverage, and disclosure on the issue of going-concern audit opinions, both concurrently and separately. The study employs audit firm size (KAP), leverage, and disclosure as independent variables to assess their impact on going-concern audit opinions as the dependent variable. The research hypothesis posits that audit firm size (KAP), leverage, and Going-concern audit opinions are simultaneously and partially impacted by disclosure. In result, this study aims to investigate whether audit firm size (KAP), leverage, and disclosure interact with one another and with disclosure's simultaneous and partial effects on going-concern audit views for IDX-listed companies in 2021.

Different results about the impact of independent variables on the dependent variable were seen in earlier investigations. In their study, Gallizo & Saladrigues (2016) discovered that the size of audit firms (KAP) had an impact on the issue of going-concern audit opinions. Miraningtyas & Yudowati (2019) discovered that the size of audit firms has little bearing on whether going-concern audit opinions are issued. They did, however, draw attention to the fact that disclosure standards do affect the publication of such opinions. In contrast, Santoso and Wiyono's research in 2013 suggested that because a company's financial health plays a key role in this decision, leverage does have an effect on the issue of going-concern audit findings. Notably, the size of the audit firm where auditors are employed does not affect this process, likely due to the ethical codes of conduct that auditors adhere to. In terms of audit firm size (KAP), this study obtained results contrary to those of Elmawati & Yuyetta (2014), while regarding the disclosure variable, this research demonstrates that disclosure does have an impact on going-concern audit opinions. Additionally, Averio (2020) stated that leverage affects going-concern audit opinions, a result consistent with Simamora & Hendarjatno's (2019) findings.

METHODS

This research employs a quantitative methodology. Quantitative methodology is a scientific approach that assumes a reality can be classified, observed, measured, and analyzed in terms of cause-and-effect relationships, and its data are numerical and statistical in nature, as articulated by Sugiyono (2015). It may be deduced from the study's information sources that the data used are secondary data. These data are sourced from financial reports, annual reports, and independent audit reports of companies across all sectors listed during the research period, which is the year 2021, obtained from the Indonesia Stock Exchange (IDX) website at www.idx.co.id.

Population and Sample

All of the businesses that were listed during the research period, which was the year 2021, on the Indonesia Stock Exchange (IDX) are included in the study's population. Utilizing a cross-sectional research design, the objective is to examine correlations among risk factors and their effects. This design involves data collection, observation, or assessment at a single point in time. The sample used for this study consists of companies from all sectors listed on the BEI, totaling 768 companies. However, during the data collection process, it was observed that some companies had been delisted, did not update their financial data, or had inaccessible data. Consequently, this research employed 670 companies as its sample.

Operational Definition

The operational definitions in this study can be explained through the following table.

Table 1. Operational Definition

Variables	Measurement	Scale
Audit Firm Size (X_1)	Audit Firm First Tier, Audit Firm Second Tier, Audit Firm Third Tier	Nominal (Dummy)
Leverage (X_2)	$Debt\ to\ Total\ Assets = \frac{Debt\ Total}{Assets\ Total}$	Ratio
Disclosure (X_3)	$Disclosure\ Level = \frac{Disclosure\ Score}{Total\ Disclosure\ Score}$	Ratio
Going-concern Audit Opinions	Going-concern and Non Going-concern	Nominal (Dummy)

Analysis Techique

During the data analysis process, the researcher used the logistic regression analysis method. Logistic regression analysis was chosen due to the presence of dummy variables to measure the dependent variable, as well as the utilization of non-metric data. The logistic regression model employed is described as follows:

$$Ln\frac{GC}{1-GC} = \alpha + \beta_1 UKR + \beta_1 LEV + \beta_1 DIS + \varepsilon$$

Description:

$Ln\frac{GC}{1-GC}$ = Probability of Going-Concern Opinion (1 = going-concern opinion and 0 = non-going-concern opinion)

UKR = Audit Firm Size

LEV = Leverage

DIS = Disclosure Level

ε = error

RESULT AND DISCUSSIONS

The data collected by the researcher from the annual reports of companies include Audit Firm Size (KAP), Leverage, and Disclosure as independent variables, and Going-Concern Audit Opinion as the dependent variable. Using the SPSS 24 program, data gathered from the company's annual reports were organized into a dataset for study. The test findings that followed are as follows:

Assessing the Suitability of the Regression Model

Table 2. Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	10,640	8	0,223

A significant probability value of 0.223, which is higher than 0.05, is shown in Table 2. This value implies that the null hypothesis is accepted, and the data in this study are deemed suitable for further analysis.

Results of the Simultaneous Hypothesis Test

Table 3. Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	30,686	3	0,000
	Block	30,686	3	0,000
	Model	30,686	3	0,000

Table 3 shows a chi-square value of 30.686 with 3 degrees of freedom and a significance value of 0.000. This can be interpreted as rejecting H_{o1} and accepting H_{a1}. In conclusion, it can be inferred that when considering auditor reputation, leverage, and disclosure collectively (simultaneously), these variables have a substantial impact on the going-concern audit opinion variable.

Results of the Partial Hypothesis Test

Table 4. Logistic Regression Analysis Results

Variables in the Equation

	B	S.E.	Wald	df	Sig.
X1	0,655	0,193	11,522	1	0,001
X2	0,002	0,001	1,436	1	0,231
X3	-17,642	5,219	11,427	1	0,001
Constant	2,508	1,853	1,832	1	0,176

According to Table 4's test findings, the regression model equation is as follows:

$$Ln\frac{GC}{1-GC} = 2{,}508 + 0{,}655(UKR) + 0{,}002(LEV) - 17{,}642(DIS) + \varepsilon$$

Discussion

The Influence of Audit Firm Size (KAP) on Going-Concern Audit Opinion

A regression coefficient of 0.655 with a significance value of 0.001, or less than 0.05, was found in the results of the testing for the audit firm size variable. This result supports the acceptance of H1 by indicating that the audit firm size variable does, in fact, affect the going-concern audit opinion. Larger audit firms with better monitoring skills seem to have an impact on the issue of going-concern audit conclusions. Large-scale audit firms employ auditors with enhanced expertise and abilities, providing them with training and development support. Additionally, large-scale audit firms tend to have advanced technology to aid auditors in conducting thorough audit processes and data analysis.

These findings support previous research by Gallizo & Saladrigues (2016), Elmawati & Yuyetta (2014), Francis et al. (1999), and Carcello et al. (2002), which also found that audit firm size (KAP) has an impact on going-concern audit opinions.

The Influence of Leverage on Going-Concern Audit Opinion

Leverage test results show a regression coefficient of 0.002 with a level of significance of 0.231, which is greater than 0.05. The going-concern audit conclusion can therefore be deduced to be unaffected by the leverage variable, leading to the rejection of H1. This result may be attributed to a company's effective asset management, enabling it to generate income regardless of its leverage level, allowing it to meet its obligations using current assets. Additionally, there are other variables affecting financial conditions that were not included in this study, such as capital deficits.

Furthermore, it's essential to note that leverage in a company is not inherently negative. In some cases, leverage can aid a company in optimizing capital returns and growth (Myers, S. C., & Majluf, N. S., 1984). Similar results were also found by Dewi et al. (2019) and Aisyah et al. (2017), who also stated that a company's financial problems is not much affected by leverage.

These findings align with previous research conducted by Laksmita & Sukirman (2020), Kartikasari & Muid (2022), and Pakpahan & Rohman (2023), all of which found that leverage is unlikely to have a major impact on the going-concern opinion of the audit.

The Influence of Disclosure on Going-Concern Audit Opinion

The value of -17.642 is displayed in the test outcomes for the disclosure parameter with a level of significance of 0.001, which is less than 0.05. The going-concern audit opinion is negatively impacted by the disclosure variable, thereby accepting H1. This implies that disclosure has an inverse relationship, or in other words, this implies that when the level of disclosure is lower, getting an audit opinion on a going-concern basis is more likely. These results support the findings of Brett & Jeff (2019), who uncovered that companies receiving going-concern audit opinions are incentivized to disclose their annual reports more openly or communicatively when facing the likelihood of not receiving a going-concern audit opinion. Hence, it can be concluded that when a company's annual report disclosure is more limited or narrower in scope, getting an audit opinion on a going-concern basis is more likely.

These findings reinforce agency theory, where differences in the amount of information between management and principals can increase the probability of manipulation or conflicts between the two parties. Therefore, the greater the information disclosed by management, the higher the trust between principals and auditors as intermediaries between these parties.

These results support prior research conducted by Jamaluddin (2018), Ashari & Suryani (2019), and Abdirrahman (2020), all of which found that disclosure significantly influences the going-concern audit opinion.

CONCLUSION

The going-concern audit opinion is positively impacted by the audit firm size variable, according to the data analysis conducted for this study, however the leverage variable has little to no effect on the going-concern audit conclusion. Additionally, the going-concern audit opinion is adversely impacted by the disclosure variable.

Leverage, as one of several financial ratios, is used to evaluate a company's financial condition. However, to address unfavorable leverage ratios, companies can develop comprehensive financial plans to manage their assets effectively and protect themselves from going-concern threats. Additionally, when providing going-concern audit opinions, auditors also consider whether leverage can assist companies in optimizing capital returns and fostering growth.

REFERENCES

Abdirrahman, M. I. (2020). Pengaruh Reputasi Auditor, Disclosure, Dan Profitabilitas Terhadap Opini Going Concern. Skripsi Sarjana Akuntansi Fakultas Ekonomi Dan Bisnis Universitas Hasanuddin Makasar, (Studi Kasus Pada Perusahaan Sub Sektor Pertambangan Yang Terdaftar Di Bursa Efek Indonesia).

Aisyah, N. N., Kristanti, F. T., Zultilisna, D. (2017). Pengaruh Rasio Likuiditas, Rasio Aktivitas, Rasio Profitabilitas, Dan Rasio Leverage Terhadap Financial Distress (Studi pada Perusahaan Tekstil Dan Garmen yang terdaftar di Bursa EfekIndonesia tahun 2011-2015). e-Proceeding of Management, 4(1), 411-419.

Ashari, P. N., Suryani, E. (2019). Analisis Pengaruh FinancialDistress, Disclosure, Kepemilikan Institusional Terhadap Penerimaan Opini Audit Going Concern (Studi Empiris pada Perusahaan Sektor Infrastruktur, Utilitas, dan Transportasi yang Terdaftar di BEI tahun 2014-2017). e-Proceeding of Management, 6(2), 2947-2954.

Averio, T. (2020). The analysis of influencing factors on the going concern audit opinion – a study in manufacturing firms in Indonesia. Asian Journal of Accounting Research, 6(2), 152–164. https://doi.org/10.1108/AJAR-09-2020-0078

Carcello, J. V., Hermanson, D. R., & Ye, Z. (2002). The market's assessment of auditor quality: Evidence from initial public offerings. Auditing: A Journal of Practice & Theory, 21(1), 69-83.

Carcello, J. V., Hermanson, D. R., & Ye, Z. (2002). The market's assessment of auditor quality: Evidence from initial public offerings. Auditing: A Journal of Practice & Theory, 21(1), 69- 83.

DeFond, M., & Zhang, J. (2014). A review of archival auditing research. Journal of Accounting and Economics, 58(2–3), 275–326. https://doi.org/10.1016/j.jacceco.2014.09.002

Dewi, N. L. P. A., Endiana, I. D. M., & Arizona, I. P. E. (2019). Pengaruh Rasio Likuiditas, Rasio Leverage, Dan Rasio Profitabilitas Terhadap Financial Distress Pada Perusahaan Manufaktur. KHARISMA: Kumpulan Hasil Riset Mahasiswa Akuntansi, 1(1), 322-333.

Elmawati, D., & Yuyetta, E. N. A. (2014). Opini Audit Going Concern. *Diponegoro Journal of Accounting*, *3*(2), 1–10. http://ejournal-s1.undip.ac.id/index.php/accounting

Francis, J. R., Maydew, E. L., & Sparks, H. C. (1999). The role of Big 6 auditors in the credible reporting of accruals. Auditing: A Journal of Practice & Theory, 18(2), 17-34.

Gallizo, J. L., & Saladrigues, R. (2016). An analysis of determinants of going concern audit opinion: Evidence from Spain stock exchange. *Intangible Capital*, *12*(1), 1–16. https://doi.org/10.3926/ic.683

Jamaluddin, M. (2018). The Effect Of Financial Distress And Disclosure On Going Concern Opinion Of The Banking Company Listing In Indonesian Stock Exchange. International Journal of Scientific Research and Management, 6(01), 64–70. https://doi.org/10.18535/ijsrm/v6i1.em10

Kartikasari, B. A., & Muid, D. (2022). Faktor-Faktor Yang Mempengaruhi Opini Audit Going Concern (Studi Empiris pada Perusahaan Industri dasar dan kimia di BEI Tahun 2015-2020). Diponegoro Journal of Accounting, 11(2).

Laksmita, B., & Sukirman, S. (2020). Financial Distress Moderates the Effect of KAP Reputation, Auditor Switching, and Leverage on the Acceptance of Going Concern Opinions. *Accounting Analysis Journal*, *9*(3), 200-207. https://doi.org/10.15294/aaj.v9i3.39563

Messier, W. F. (2017). Auditing And Assurance Services: A Systematic Approach (10th) Ed.). New York: Mcgraw-Hill Education.

Miraningtyas, A. S. A., & Yudowati, S. P. (2019). Pengaruh Likuiditas, Reputasi Auditor Dan Disclosure Terhadap Pemberian Opini Audit Going Concern. Jurnal Ilmiah MEA (Manajemen, Ekonomi, & Akuntansi), 3(3), 76–85. https://doi.org/10.31955/mea.vol4.iss1.pp76-85

Myers, S. C., & Majluf, N. S. (1984). Corporate financing and investment decisions when firms have information that investors do not have. Journal of Financial Economics, 13(2), 187-221.

Pakpahan, R. T., & Rohman, A. (2023). Pengaruh Likuiditas, Leverage, Debt Default, Audit Tenure, Audit Lag Dan Opinion Shopping Terhadap Penerimaan Opini Audit Going Concern (Studi Empiris Pada Perusahaan Indeks LQ 45 Yang Terdaftar Di Bursa Efek Indonesia Periode 2017- 2021). Diponegoro Journal of Accounting, 12(2).

Ross, S., Randolph, W., Jaffe, J., & Jordan, B. (2019). Corporate Finance (12th) Ed.). New York: Mcgraw Hill

Santoso, E. B., & Wiyono, I. Y. (2013). Pengaruh Reputasi Auditor, Prediksi Kebangkrutan, Disclosure Dan Leverage Terhadap Penerimaan Opini Audit Going Concern. AKRUAL Jurnal Akuntansi, 2(2), 139–154.

Simamora, R. A., & Hendarjatno, H. (2019). The effects of audit client tenure, audit lag, opinion shopping, liquidity ratio, and leverage to the going concern audit opinion. Asian Journal of Accounting Research, 4(1), 145–156. https://doi.org/10.1108/AJAR-05-2019-0038

Sugiyono. (2015). Metode Penelitian Kuantitatif, Kualitatif dan R&D. Bandung: Alfabeta.

Tihar, A., Sari, I. P., & Handoko, B. L. (2021). Effect of Debt Default, Disclosure, and Financial Distress on the Receiving of Going Concern Audit Opinions. The Winners, 22(2), 155–161. https://doi.org/10.21512/tw.v22i2.7072

Winata, A., Meiden, C., Suhartono, S., Dema, Y., & Apriwenni, P. (2022). Determinants of the Acceptance of Going Concern Audit Opinions. Budapest International Research and Critics Institute (BIRCI-Journal), 5(2). 8132–8140. https://doi.org/10.33258/birci.v5i2.4596