THE INFLUENCE OF LEVERAGE, DEBT DEFAULT, COMPANY SIZE, AND THE PREVIOUS YEAR'S AUDIT OPINION ON THE ACCEPTANCE OF GOING CONCERN AUDIT OPINIONS

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ABSTRACT

This study investigates the factors influencing the acceptance of going concern audit opinions, focusing on leverage, debt default, company size, and the preceding year's audit opinion. The research is based on the financial reports of 38 manufacturing companies listed on the Indonesia Stock Exchange (BEI), spanning a period of 5 years. Employing a purposive sampling method, logistic regression analysis is applied to assess the impact of these variables. The findings for the period 2017-2021 indicate that debt default, company size, and the previous year's audit opinion play a significant role in influencing the acceptance of going concern audit opinions. However, leverage does not exhibit a statistically significant effect on the acceptance of such opinions during this period. Contrastingly, the results for the years 2020-2021 reveal that the previous year's audit opinion is the sole influential factor affecting the acceptance of going-concern audit opinions. Leverage, debt default, and company size do not demonstrate a significant impact on the acceptance of going concern audit opinions during this specific timeframe. This research contributes valuable insights into the dynamics shaping the acceptance of going concern audit opinions, shedding light on the nuanced interplay of financial variables within the context of manufacturing companies listed on the Indonesia Stock Exchange.

Keywords: Leverage, Debt Default, Company Size, Previous Year Audit Opinion, Going Concern

INTRODUCTION

According to the Statement of Financial Accounting Standards (PSAK) 1, financial reports are a structured presentation of the financial position and performance of an entity. In general, financial reports have the aim of providing information to company management or other parties who have an interest in the company. To ensure the quality of a company's financial reports, an audit needs to be carried out by an external auditor. The function of the audit itself is to express an opinion regarding obligations in all material matters, financial position, business results, changes in equity, and cash flows by generally accepted accounting principles in Indonesia (Ghea Windy Suksesi, 2016).

Auditors must be careful in analyzing all factors that indicate going concern problems and determining whether management has the right plan to overcome the going concern. A going concern audit opinion is an opinion issued by the auditor to ascertain whether the company can maintain its survival (SPAP, 2011). According to Putranto (2018), the company was founded with the hope of being able to operate for a long period, the survival of the company is an important thing for business players including investors to pay attention to. A going concern audit opinion has an impact on the perspective of external parties on the company's ability and sustainability, the better the assumptions on the company's financial statements, the more confident investors will have to invest (Nugroho et al., 2018).

Research conducted by (Ardika & Ekayani, 2013) shows that one of the factors that can influence going concern audit opinion is leverage, a company is said to have a high leverage

ratio, if the total assets owned by the company are less than the total assets of its creditors, therefore From calculating the leverage ratio, we can measure whether a company is in good condition or not, because the greater the leverage, the higher the risk of the company defaulting on payments to its creditors. A condition where a company cannot pay off its debt is called debt default often called debt failure (Tyas, 2018). This is a condition where the company is unable to pay off its debt and interest to creditors according to the agreed due date (Surianti & Purba, 2020). The size of a company is also often used as a benchmark for a company to obtain a going concern audit opinion because auditors believe that larger companies have more ability to resolve financial difficulties compared to smaller companies (Rahmawati et al., 2018). The previous year's audit opinion can also be used as a factor that causes a company to receive a going concern audit opinion in the current year. This is possible because the company may still be experiencing the same financial condition as the previous year (Challen & Khalita, 2023).

This research aims to determine the influence of leverage, debt default, company size, and the previous year's audit opinion on the receipt of going concern audit opinions in manufacturing companies listed on the IDX for the 2017-2021 period and the comparison year 2020-2021 for the year affected by Covid 19 (Simamora & Hendarjatno, 2019). It was carried out testing for 2020-2021 as a comparison because in 2020-2021 there was the Covid-19 pandemic, where many financial reports experienced a decline. These 2 test results were carried out so that the test results were not biased.

METHOD

The type of research used in this research is quantitative research. Quantitative research methods are a type of research whose specifications are systematic, planned, and structured from the start until the creation of the research design. Quantitative research methods, as stated bySugiyono (2015), are: "Research methods based on the philosophy of positivism, used to research certain populations or samples, data collection using research instruments, quantitative/statistical data analysis, to test the hypothesis has been established". This research is a type of empirical research where the research is based on empirical facts obtained through observation and experience. In this research, empirical facts were obtained through testing secondary data of companies listed on the IDX in 2017-2021. The research design of this study is classified as conclusive causal research because it is used to test the influence of the independent variable on the dependent variable (Rahman, 2020).

The dependent variable in this research concern audit opinion. The going concern audit opinion variable is measured using a dummy variable. Code 1 is for companies that receive a going concern audit opinion and code 0 is for non-going concern companies. The leverage ratio can be measured using the debt-to-asset ratio to compare the company's total debt and total assets. To find out whether a company is experiencing debt default status, you can use the current ratio by comparing current assets and the current ratio. If the result is negative then the company is experiencing debt default, if it is positive it means nondebt default (Martens et al., 2008). Company size in this study was measured using Ln Total Assets. The previous year's audit opinion variable was measured using a dummy variable, code 1 for going concern audit opinion in the previous year and code 0 for ongoing concern audit opinion in the previous year.

Table 1 Summary of Sample Selection Procedures

No.	Criteria	Accumulation
1	Manufacturing companies listed consecutively on the Indonesia Stock Exchange for the 2017-2021 period	169
2	Companies that are not in the consumer goods industry sector	(131)
	Number of samples	38
	The number of sample data used was	190

Based on Table 1, 38 companies were taken as samples for the 2017-2021 research, so the number of observations was 190 observations. The analysis technique in this research uses logistic regression analysis using the Eviews 12 program. The logistic regression model in this research is as follows:

$$Ln\frac{GC}{1 - GC} = a + b1X1 + b2X2 + b3X3 + b4X4 + \varepsilon$$

Information :

GC = Going concern audit opinion

α = Constant

b1x1 = Leverage

b2x2 = Default debt

b3x3 = Company size

b4x4 = Previous year audit opinion

ε = Error of term

RESULTS AND DISCUSSION

Descriptive statistical tests in this study used the average value (mean), middle value (median), maximum value, minimum value, and standard deviation (Fauzan and Purwanto 2017).

Table 2 Descriptive Statistics Test Results 2017-2021

Point	Going Concern		Debt Default		Prior Year	
	Frequency	*Percent*	*Frequency*	*Percent*	*Frequency*	*Percent*
0	173	91%	171	90%	176	93%
1	17	9%	19	10%	14	7%
Total	190	100%	190	100%	190	100%

	Leverage	Company Size
Mean	0.402632	28.48137
Maximum	1	32.40000
Minimum	0.030000	25.36000
Std. Dev.	0.200464	1.594233

The frequency of companies that received a going concern audit opinion was 17 companies with a percentage of 9% which is depicted with point 1, while for companies that did not receive a going concern audit opinion was 173 companies with a percentage of 91% which is depicted with point 0.

The average value of the leverage ratio is 0.402632 which is proxied by the debt-to-asset ratio the maximum value is 1.00 and the minimum value is 0.03. The average value is less than 1. This shows that the average total debt company is smaller than the total assets owned by the company. The standard deviation of this variable is 0.200464.

The frequency of companies that experienced debt default was 19 companies with a percentage of 10% which is depicted in point 1, while for companies that did not experience debt default was 171 companies with a percentage of 90% which is depicted in point 0.

The average value of company size is 28.48137 with a maximum and minimum value of 32.40 and 25.36 respectively. The larger the ratio, the larger the company size of the 190 samples. The standard deviation of this variable is 1.594233.

The frequency of companies that received a going concern audit opinion in the previous year was 7 companies with a percentage of 7% which is depicted in point 1, while for companies that did not receive a going concern audit opinion in the previous year was 176 companies with a percentage of 93% which is depicted in point 0.

Table 3 Descriptive Statistics Test Results for 2020-2021

Point	*Going Concern*		*Debt Default*		*Prior Year*	
	Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
0	68	89%	67	88%	68	89%
1	8	11%	9	12%	8	11%
Total	76	100%	76	100%	76	100%

	Leverage	**Company Size**
Mean	0.409868	28.60171
Maximum	0.930000	32.40000
Minimum	0.110000	25.36000
Std. Dev.	0.183350	1.627131

The frequency of companies that received a going concern audit opinion was 8 companies with a percentage of 11% which is depicted with point 1, while for companies that did not receive a going concern audit opinion was 68 companies with a percentage of 89% which is depicted with point 0.

The average value of the leverage ratio is 0.409868 which is proxied by the debt-to-asset ratio the maximum value is 0.93 and the minimum value is 0.11. The average value is less than 1. This shows that the company's total debt is smaller than the total assets owned by the company. The standard deviation of this variable is 0.183350.

The frequency of companies that experienced debt default was 9 companies with a percentage of 12% which is depicted in point 1, while for companies that did not experience debt default was 67 companies with a percentage of 88% which is depicted in point 0.

The average value of company size is 28.60171 with a maximum and minimum value of 32.40 and 25.36 respectively. The larger the ratio, the larger the company size of the 76 samples. The standard deviation of this variable is 1.627131.

The frequency of companies that received a going concern audit opinion in the previous year was 8 companies with a percentage of 11% which is depicted in point 1, while for companies that did not receive a going concern audit opinion in the previous year was 68 companies with a percentage of 89% which is depicted in point 0.

Table 4 Joint Significance Test Results 2017-2021

LR Statistic	83.30408
Prob (LR statistic)	0.000000

Based on the table above, the LR statistic value is 83.30408 with a probability value (LR statistic) of 0.000000. This shows that the model fits the data because the probability is smaller than 0.05. With the conclusion that leverage, debt default, company size, and the previous year's audit opinion together have a significant effect on the acceptance of going-concern audit opinions.

Table 5 Joint Significance Test Results 2020-2021

LR Statistic	41.40571
Prob (LR statistic)	0.000000

Based on the table above, the LR statistic value is 27.70664 with a probability value (LR statistic) of 0.000000. This shows that the model fits the data because the probability is smaller than 0.05. With the conclusion that leverage, debt default, company size, and the previous year's audit opinion together have a significant effect on the acceptance of going-concern audit opinions.

Table 6 Coefficient of Determination Test Results 2017-2021

McFadden R Square	0.727540

The R Square value is 0.727540, meaning that the independent variables leverage, debt default, company size, and previous year's audit opinion can explain the variation in the dependent variable going concern audit opinion by 73%, while the remainder is explained by other factors outside this research of 27 %.

Table 7 Coefficient of Determination Test Results for 2020-2021

McFadden R Square	0.809538

The R Square value is 0.809538, meaning that the independent variables leverage, debt default, company size, and previous year's audit opinion can explain the variation in the

dependent variable of going concern audit opinion by 81%, while the remainder is explained
by other factors outside this research of 19 %.

Table 8 2017-2021 Classification Results

Dep. Value	Count	Percentage
0	173	91%
1	17	9%

Of the 190 company
samples, 17 samples received a going concern audit opinion, while the remaining 173 samples
did not receive a going concern audit opinion.

Table 9 2020-2021 Classification Results

Dep. Value	Count	Percentage
0	68	89%
1	8	11%

Of the 76 company samples, 8 samples received a going concern audit opinion, while the
remaining 68 samples did not receive a going concern audit opinion.

Table 10 Multicollinearity Test Results 2017-2021

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.045139	364.4939	NA
X1	0.003636	5.923452	1.171817
X2	0.001862	1.503677	1.353309
X3	5.47E-05	359.5613	1.117079
X4	0.002360	1.404359	1.300880

It is known that the VIF value for the leverage variable is 1.171817, debt default is 1.353309,
company size is 1.117079 and the previous year's audit opinion is 1.300880 where the VIF
value of each variable is <10.00 and it can be concluded that the data there are no symptoms
of multicollinearity.

Table 11 Multicollinearity Test Results 2020-2021

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.123347	377.1629	NA
X1	0.011682	7.191854	1.190966
X2	0.004300	1.556986	1.372606
X3	0.000149	374.5742	1.192314
X4	0.004993	1.607078	1.437912

It is known that the VIF value for the leverage variable is 1.190966, debt default is 1.372606, company size is 1.192314 and the previous year's audit opinion is 1.437912 where the VIF value of each variable is <10.00 and it can be concluded that the data there are no symptoms of multicollinearity.

Table 12 Logit Regression Model Test for 2017-2021

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	23.51550	12.36171	1.902285	0.0571
X1	1.106742	2.844678	0.389057	0.6972
X2	3.339937	1.250181	2.671562	0.0075
X3	-1.025896	0.461344	-2.223709	0.0262
X4	4.920199	1.285571	3.827249	0.0001

The test results show that the leverage variable has a coefficient of 1.106742 with a significance level of 0.6972 which is greater than α (0.05). Based on the test results, it can be concluded that the leverage variable has no significant effect on the acceptance of going concern audit opinions, or in other words, H1 is rejected.

The test results show that the debt default variable has a coefficient of 3.339937 and a significance level of 0.0075 which is smaller than α (0.05). Based on the test results, it can be concluded that the debt default variable has a significant effect on the acceptance of going concern audit opinion, or in other words H2 is accepted. The results of this research reveal that the more often a company gets debt default status, the greater the possibility of the company getting a going concern audit opinion.

The test results show that the company size variable has a negative coefficient of -1.025896 with a significance level of 0.0262 which is smaller than α (0.05). Based on the test results, it can be concluded that the company size variable has a significant negative effect on the acceptance of going concern audit opinions, or in other words, H3 is accepted. The results of this research reveal that the smaller the company, the greater the possibility of the company getting a going concern audit opinion because small companies are considered unable to maintain the continuity of their business (Tan et al., 2020).

The test results show that the previous year's audit opinion variable had a positive coefficient of 4.920199 with a significance level of 0.0001 which is smaller than α (0.05). Based on the test results, it can be concluded that the previous year's audit opinion variable has a significant effect on the acceptance of going concern audit opinion, or in other words, H4 is accepted. The results of this research show that the more often a company receives a going concern audit opinion in the previous year, the more likely the company is to receive a going concern audit opinion in the current year.

Table 13 Logit Regression Model Test for 2020-2021

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	66.91780	46.98116	1.424354	0.1543
X1	1.920057	5.556428	0.345556	0.7297
X2	4.533589	3.219640	1.408104	0.1591
X3	-2.662513	1.798147	-1.480698	0.1387
X4	5.201685	2.516329	2.067172	0.0387

The test results show that the leverage variable has a negative coefficient of -1.920057 with a significance level of 0.7297 which is greater than α (0.05). Based on the test results, it can be concluded that the leverage variable has no significant effect on the acceptance of going concern audit opinions, or in other words, H1 is rejected (Harris & Merianto, 2015).

The test results show that the debt default variable has a positive coefficient of 4.533589 with a significance level of 0.1591 which is greater than α (0.05). Based on the test results, it can be concluded that the debt default variable has no significant effect on the acceptance of going concern audit opinions, or in other words, H2 is rejected. The research results in 2020-2021 are not in line with research in 2017-2021, perhaps because there are other factors besides debt default in providing company-concern audit opinions (Maffei et al., 2020).

The test results show that the company size variable has a negative coefficient of -2.662513 with a significance level of 0.3772 which is greater than α (0.05). Based on the test results, it can be concluded that the company size variable has no significant effect on the acceptance of going concern audit opinions, or in other words, H3 is rejected (KHADDAFI, 2015). The results of this research reveal that small companies are also able to maintain business continuity during the Covid-19 pandemic.

The test results show that the previous year's audit opinion variable had a positive coefficient of 5.201685 with a significance level of 0.0387 which is smaller than α (0.05). Based on the test results, it can be concluded that the previous year's audit opinion variable has a significant effect on the acceptance of going concern audit opinion, or in other words, H4 is accepted. The results of this research are in line with the results of the 2017-2021 research.

CONCLUSION

This research also shows 2 results, namely from 2017-2021 and 2020-2021 as a comparison because in 2020-2021 there was the Covid-19 pandemic, where many financial reports experienced a decline. These 2 test results were carried out so that the test results were not biased. Based on the results of binary logistic regression analysis. For the 2017-2021 and 2020-2021 research years, the same results show that the previous year's audit opinion variable has a significant effect on the giving of a going concern audit opinion by the auditor. The debt default variable in 2017-2021 and 2020-2021 shows different results. In 2017-2021 debt default had a significant effect on receiving going concern audit opinions, while in 2020-2021 debt default did not affect receiving going concern audit opinions. The company size variable shows different results in 2017-2021 and 2020-2021. In 2017-2021 the research results show that company size has a significant effect on providing going concern audit opinions, while the results for 2020-2021 show that company size does not have a significant effect on providing

going concern audit opinions with a significance value of 0.3772 > 0 .05. This can show that during the Covid 19 pandemic, small companies were able to maintain business continuity if an entity managed the company so that it was able to survive and utilize its resources optimally. The leverage variable in 2017-2021 and 2020-2021 shows the same results that leverage does not have a significant effect on providing going concern audit opinions.

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