

---

## THE INFLUENCE OF AUDIT QUALITY, COMPANY SIZE AND PROFITABILITY ON GOING CONCERN AUDIT OPINION

---

**Sayu Made Anggreni**

Universitas Udayana, Jl. P.B. Sudirman, Denpasar-Bali

E-mail: [sayumadeanggraini@gmail.com](mailto:sayumadeanggraini@gmail.com)

### ABSTRACT

The purpose of this research is to see the effect given by audit quality, company size and profitability on Going Concern Opinions in Property and Real Estate companies listed on the IDX. Used secondary data which was then analyzed using descriptive statistical analysis with the help of logistic regression method. The population of this study consisted of 76 companies and the sampling method was carried out by purposive sampling method a sample of 65 companies was obtained. The results showed that simultaneously the variables of audit quality, company size and profitability had an effect on going concern audit opinion. Partially, audit quality has no effect on going-concern audit opinion, firm size has a positive effect on going-concern audit opinion and profitability has a negative effect on going-concern audit opinion.

**Keywords:** Audit Quality, Company Size, Profitability and Going Concern Audit Opinion.

### INTRODUCTION

The company was built with the aim of being able to continue operating or going concern for an undetermined period of time. With regard to the life of the company, it will always be related to the performance of management in managing it, considering that this is what investors will always consider when making a decision. The existence of the Covid-19 pandemic has forced many companies to close and reduce sales levels. Therefore, it will be difficult for auditors to assess whether this pandemic situation raises doubts about the company's ability to continue its business continuity.

**Table 1.1 Companies that are delisted 2020-2021**

No	Company Code	Delisting Date
1	BORN	January 20, 2020
2	GREN	November 23, 2020
3	APOL	April 06, 2020
4	SCBD	April 20, 2020
5	ITTG	January 23, 2020
6	CKRA	August 28, 2020
7	FINN	March 02, 2021

Source: [www.idx.co.id](http://www.idx.co.id)

Based on data from the Indonesia Stock Exchange (IDX), there were 7 companies that were delisted from the IDX in the 2020-2021 period. The delisting was caused by going concern issues, mergers with other companies, and poor company performance.

Indonesia's economic growth has been greatly affected by the presence of Covid-19, one of the industrial sectors affected is the property and real estate companies. Several property issuers were at the top in terms of percentage, the biggest decline from a row of other issuers, due to excess property stock due to a significant decline in demand. (Febriyanti et al., 2021).

Going concern audit opinion is an audit opinion from the auditor on the company being audited if there are doubts regarding the company's ability to continue its business within less than one year since

its financial statements have been audited (IAPI, SPAP: 2013). This opinion is bad news for companies, considering that investors and other financial services will think before investing in this company (Putra et al, 2021).

Audit quality is any possibility that in the financial statements there are errors with regard to material and the auditor will find and make mistakes that occur in the form of audited financial reports. Auditors with this large scale provide the willingness of auditors to complete audit quality better than small companies. Large scale brings opportunities in providing going concern audits (Effendi, 2019). Research from Pardede, (2021) states that audit quality has no effect on going concern audit opinions, while research results from Oktaviani & Challen, (2020) state that audit quality has a positive and significant effect on the acceptance of going concern audit opinions.

The size of the company can be determined from the size of the company's assets (Suryani, 2020). For large-scale companies, the opinion in the company's going-concern audit tends to be small considering that the auditor's trust in large companies is easier to overcome the financial difficulties they want to face than small companies. Research from Ardianti, (2018) states that company size has a positive effect on the acceptance of going concern audit opinions. Research from Sunarwijaya & Arizona, (2019) states that company size has a negative and insignificant effect on receiving going concern audit opinions

Profitability is a ratio that will be used as a reference in assessing how effective management is in managing the company so that it gets financial results. In profitability research, it is proxied by ROA. Companies that have a negative ROA value give rise to the company's Going Concern considering that a negative ROA means the company loses money and has an impact on the company's sustainability. Research from Andini et al., (2021) states that profitability has a negative and significant effect on the acceptance of going concern audit opinions. Meanwhile, research from Sari, (2020) and Lie et al., (2016) states that profitability has no effect on receiving going concern audit opinions. Other research from Hutagaol and Manurung, (2021) states that profitability has a negative but not significant effect on the acceptance of going concern audit opinions.

Based on this explanation, the following problems are formulated: (a) Does audit quality, company size and profitability partially affect the acceptance of going concern audit opinions? (b) Does audit quality, firm size and profitability simultaneously influence the acceptance of a going concern audit opinion?

## **THEORETICAL FRAMEWORK**

In this study, researchers used signaling theory. Brigham & Houston, (2014) This signal theory has a goal so that companies can increase their value through signals that can be provided through financial reports or the company's annual report. The financial statement information presented must be reliable, and to check the reliability of this information an auditor's services are needed.

Audit quality is any possibility of finding violations in the company's accounting system and reporting them in the form of financial reports that have been audited by auditors (Junaidi & Nurdiono, 2016). Auditors who have competence, professionalism, and independence or who are not biased in producing quality financial reports. Auditors who have quality tend to issue Going Concern to clients who are facing financial problems (Rakatenda & Putra, 2016).

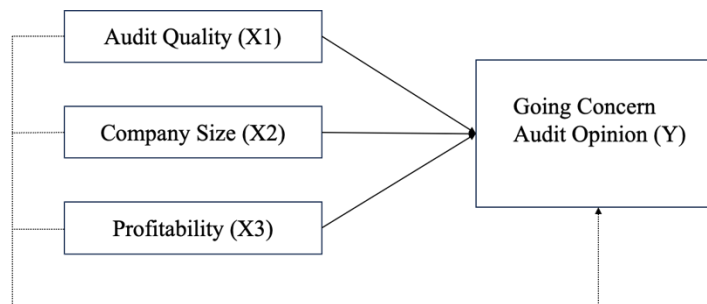
Company size is classified into small, medium and large companies. Suryani (2020) provides a statement "that company size is seen from the size of the company. Companies of any size allow Going Concern to occur, but large companies have smaller going concern potential. Companies with a large scale, the opinion in the company's going concern audit tends to be small considering that large companies are more capable of solving problems.

$$\text{Company Size} = \text{Ln} (\text{Total Assets})$$

According to Henry (2016) "Profitability is the ratio that is used as a reference in assessing how effective management is in managing the company so that it gets financial results. In profitability research, it is proxied by ROA". Companies that have negative ROA values in a row will give rise to Going Concern for the company considering that a negative ROA means the company loses money and has an impact on the sustainability of the company (Suryani, 2020).

$$ROA = \frac{\text{net income}}{\text{total asset}} \times 100\%$$

According to Henry, (2015) "going concern is a standing company that cannot be disbanded in the short term but was established with the aim of continuing to operate in the long term". going concern is an audit opinion from the auditor on the company being audited if there are doubts regarding the company's ability to continue its business within less than one year since its financial statements have been audited (IAPI, SPAP: 2013). This opinion is bad news for companies, considering that investors and other financial services will think before investing in this company (Putra et al, 2021).



**Figure 1.** Conceptual Framework

#### **Effect of Audit Quality on Going Concern Audit Opinion.**

The auditor requires consideration to give a going concern opinion because it is not easy to give such an opinion. The decision to give a Going Concern audit opinion, the determination of which rests with the Auditor. Auditors with good quality tend to issue Going Concern to clients with financial problems. Oktaviani and Challen (2020) found that audit quality has an impact on going concern audit opinion.

**H1: Audit quality has a positive effect on acceptance of going concern audit opinion.**

#### **Effect of Company Size on Going Concern Audit Opinion**

Company size is classified into small, medium and large companies. Suryani (2020) provides a statement that "company size is seen from the size of the company. Companies of any size allow Going Concern to occur, but large companies have smaller potential going concern. Ardianti, (2018) get the result that company size has an impact on Going Concern.

**H2: : Company size has a negative effect on acceptance of going concern audit opinion**

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

According to Henry (2016) "Profitability is a ratio that will be used as a reference in assessing how effectively management manages the company so that it gets financial results." Andini et al., (2021) get profitability results impact going concern audit opinion.

**H3 : Profitability has a negative effect on receiving going-concern audit opinions.**

#### **Effect of Audit Quality, Company Size and Profitability on Going Concern Audit Opinion**

The auditor requires consideration regarding a going concern audit opinion considering that it is not easy to give such an opinion. Auditors tend to issue Going Concern to clients with financial problems. The size of the company is seen from the size of the company. Companies of any size make Going Concern possible. Profitability is a ratio that will be used as a reference in assessing how effective management is in managing the company so that it gets financial results. Profitability is proxied by ROA.

**H4 : Audit quality, company size and profitability influence the acceptance of going concern audit opinion simultaneously.**

**RESEARCH METHODS**

Research was conducted on companies in the Property and Real Estate companies on the IDX through the website [www.idx.com](http://www.idx.com). The population was determined as many as 76 populations and 65 samples were taken by purposive sampling technique, namely by categorizing companies based on certain criteria. The quantitative data used is the financial statements obtained on the official website of company and IDX. Secondary data obtained from the official website [www.idx.co.id](http://www.idx.co.id).

Data analysis techniques were used, namely quantitative descriptive using the classic assumption test and then linear regression tests were carried out which included the F test to test the feasibility of the data, t test, and the coefficient of determination. The following logistic regression equation is formulated as follows:

$$Ln \frac{OGC}{1-OGC} = \alpha + \beta_1KA + \beta_2SIZE + \beta_3ROA$$

Information:

- OGC = Audit Opinion *going concern* (Dummy variable, 1 if Audit Opinion *going concern*, 0 if non *Going concern* Audit Opinion)
- $\alpha$  = constant
- $\beta_1-\beta_3$  = Regression coefficient of each factor
- ka = Audit Quality
- SIZE = Firm Size
- ROA = Profitability

**RESULTS AND DISCUSSION**

**Descriptive Statistical Analysis**

Descriptive analysis was used to describe the summary of the research variables without providing comparisons with other variables. The following is the descriptive statistical value of each research variable including:

**Table 1**  
**Descriptive statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Kualitas Audit	65	0	1	0,12	0,331
Ukuran Perusahaan	65	15,5959	31,7396	26,716	3,4005931
Profitabilitas	65	-0,3751	0,1997	-0,011	0,0720342
Opini Audit <i>Going Concern</i>	65	0	1	0,12	0,331

Source: SPSS Output Results version 26

Based on the table, it can be interpreted as follows:

1. The audit quality variable has a minimum value of 0 and a maximum of 1. The overall average is 0.12 and the std deviation is 0.331.
2. The company size variable has a minimum value of 15.5959 and a maximum of 31.7396. The overall mean is 26.716 and the std deviation is 3.4005931.
3. The profitability variable has a minimum value of -0.3751 and a maximum of 0.1997. Overall average -0.011 std deviation of 0.0720342.
4. The going concern audit opinion variable has a minimum value of 0 and a maximum of 1. The overall average is 0.12 and the std deviation is 0.331.

### Regression Model Feasibility Test (Hosmer and Lemeshow's Goodness of Fit Test)

The feasibility of the logistic regression model in predicting the condition of the company does not contain an audit concern opinion using Hosmer's and Lemeshow's Chi Square test.

**Tabel 2**  
**Chi Square Hosmer And Lemeshow**

Step	Chi-square	df	Sig.
1	3,231	7	0,863

Source: SPSS Output Results version 26

Based on the table, the value is obtained *Chi Square* 3.231 and sig 0.863. This means that this logistic regression model can be used in further analysis.

### Assessing the Overall Model (Overall Mode Fit)

Used value *-2 log likelihoods* if there is a decrease *-2 log likelihoods* the second block from the first, as shown in the following table:

**Tabel 3**  
**-2 Log Likelihood**  
**Block 0 : Beginning Block**

Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	50.125	-1.508
	2	48.520	-1.900
	3	48.491	-1.962
	4	48.491	-1.964
	5	48.491	-1.964

Sumber: Hasil Output SPSS versi 26

**Block 1: Method = Entre**

Iteration		-2 Log likelihood	Coefficients			
			Constant	Kualitas Audit	Ukuran Perusahaan	Profitabilitas
Step 1	1	44.110	-4.626	-.260	.115	-6.341
	2	36.775	-10.346	-.835	.304	-13.744
	3	33.917	-16.542	-1.825	.514	-20.534
	4	33.275	-20.286	-2.910	.639	-24.581
	5	33.173	-21.154	-3.942	.668	-25.574
	6	33.142	-21.194	-4.951	.670	-25.622
	7	33.130	-21.195	-5.955	.670	-25.622
	8	33.126	-21.195	-6.956	.670	-25.622
	9	33.125	-21.195	-7.957	.670	-25.622
	10	33.124	-21.195	-8.957	.670	-25.622
	11	33.124	-21.195	-9.957	.670	-25.622
	12	33.124	-21.195	-10.957	.670	-25.622
	13	33.124	-21.195	-11.957	.670	-25.622
	14	33.124	-21.195	-12.957	.670	-25.622
	15	33.124	-21.195	-13.957	.670	-25.622
	16	33.124	-21.195	-14.957	.670	-25.622
	17	33.124	-21.195	-15.957	.670	-25.622
	18	33.124	-21.195	-16.957	.670	-25.622
	19	33.124	-21.195	-17.957	.670	-25.622
	20	33.124	-21.195	-18.957	.670	-25.622

Sumber: Hasil Output SPSS versi 26

Based on the table is known -2 log likelihood in block number 0 was 48.491, and after 3 independent variables were included, the -2 log likelihood value in block number 1 decreased to 33.124. This means that the hypothesis is fit with the data or good for predicting variables.

**Coefficient of Determination (Naglekerke R Square)**

*Nagelkerka R Square* namely the modification of the Cox&Snell R Square coefficient. This is done by dividing the Cox&Snell R Square value by the R2 value in multiple regression.

**Table 4  
Cox&Snell and Nagelkerke**

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	33.124 <sup>a</sup>	.211	.400

Source: SPSS Output Results version 26

Based on this table, it is known that the influence given is 40% while the rest is influenced by other variables outside the research.

**Simultaneous Test**

**Tabel 6  
Omnibus Test**

		Chi-square	df	Sig.
Step 1	Step	15.167	3	.002
	Block	15.167	3	.002
	Model	15.167	3	.002

Sumber: Hasil Output SPSS versi 26

Based on this table, the Omnibus Test 15.167 is obtained. All independent variables have a simultaneous effect on Going Concern Audit Opinion with sig 0.002 < 0.05 with a sig level of 5%

**Logistic Regression Models and Hypothesis Testing**

**Tabel 7  
Analisis Regresi Logistik**

Step		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1 <sup>a</sup>	Kualitas Audit	-18,957	11575,140	0,000	1	0,999	0,000
	Ukuran Perusahaan	0,670	0,268	6,233	1	0,013	1,1954
	Profitabilitas	-25,622	0,664	7,030	1	0,008	0,000
	Constant	-21,195	7,892	7,212	1	0,007	0,000

Sumber: Hasil Output SPSS versi 26

Based on this table, a logistic regression analysis model is obtained with the following equation:

$$\begin{aligned}
 \ln \frac{OGC}{1-OGC} &= \alpha + \beta_1 KA + \beta_2 SIZE + \beta_3 ROA \\
 &= -21.195 - 18.957KA + 0.670SIZE - 25.622ROA
 \end{aligned}$$

**Interpretation of Research Results**

**Testing the first hypothesis (H1) (audit quality has a positive effect on acceptance of going-concern audit opinion)**

The table shows a coefficient of -18.957 and sig 0.999 > 0.05. This means that there is a negative effect of audit quality on going concern audits. This means that H0 is accepted and H1 is rejected. So that auditors who are members of KAP The Big Four or Non The Big Four have an independent attitude in issuing opinions. When a company is experiencing bankruptcy or financial problems there is a chance of going concern audit opinion. Pasaribu, (2015) And Chandra et al., (2019) also found similar results.

### **Testing the second hypothesis (H2) (firm size has a positive effect on acceptance Going Concern Audit Opinion)**

The value of the regression coefficient is 0.670 and sig 0.013 < 0.05. Which means there is an influence on the going concern audit opinion. This means that H0 is rejected, H2 is accepted. This means that company size is indeed one of the factors that has an impact on the Going Concern audit opinion, this size is a value that reflects the size of a company which can clearly be seen based on the equity value that the company has. The sale value and asset value are the measurement of the service products that the company produces. A company with high profits can maintain its business continuity for at least the next 12 months Siregar & Nurmala, (2019) And Yulianto et al., (2020) get similar results.

### **Testing the third hypothesis (H3) (Profitability has a negative effect on acceptance of going-concern audit opinion)**

Obtained a profitability value of -25.622 and sig 0.008 < 0.05. This means that H0 is rejected, H3 is accepted. This profitability makes an indication of the company's success in one study period. Thus the auditor can focus on company profitability. If profitability increases, the going concern audit opinion will decrease. The existence of a Going Concern audit opinion indicates that the company is in a bad financial position. Utami et al., (2017) and Kusumawardhani, (2018) obtained the result that profitability has an impact on going-concern audit opinion.

## **CONCLUSIONS**

Based on the results of the logistic regression analysis to Audit quality has a negative and insignificant effect on acceptance of going concern audit opinion, this means that companies that use KAP Big Four or Non Big Four do not influence the auditor in giving a going concern audit opinion. Firm size has a positive and significant effect on acceptance of going concern audit opinion, this means that company size influences the auditor to give a going concern audit opinion. Profitability has a negative and significant effect on acceptance of going concern audit opinion, this means that the higher the level of profitability, the less likely the auditor is to give a going-concern audit opinion. Audit quality, company size, and profitability simultaneously influence the acceptance of going-concern audit opinions. This is shown from the significant value of 0.002 < 0.05.

## **REFERENCES**

- Andini, B. Nurcahyo, Soebandi, & Peringwaningsih, Y. (2021). The Influence of Profitability, Liquidity, Company Size, and Company Growth on Going Concern Audit Opinion (Study of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2014-2017). *Media Mahardhika*, 19(2), 380–394.
- Ardianti, E. (2018). The Effect of Company Size, Previous Year's Audit Opinion, Leverage and Company Growth on Going Concern Audit Opinion (Study of Manufacturing Companies Listed on the IDX in 2012-2016). 16.
- Averio, T. (2021), "The analysis of influencing factors on the going concern audit opinion – a study in manufacturing firms in Indonesia", *Asian Journal of Accounting Research*, Vol. 6 No. 2, pp. 152-164. <https://doi.org/10.1108/AJAR-09-2020-0078>
- Brigham, EF, & Houston, JF (2014). *Fundamentals of Financial Management* (11th ed.). Salemba Four.
- Bursa Efek Indonesia, [www.idx.co.id](http://www.idx.co.id)

- Chandra, I., Cianata, S., Rahmi, NU, Zai, FS, Alvina, A., & Batubara, M. (2019). The Influence of Audit Quality, Debt Default and Company Size on Acceptance of Going Concern Audit Opinions in the Textile & Garment Company Subsector Listed on the Indonesian Stock Exchange in the 2014-2017 Period. *Owners*, 3(2), 289.
- Effendi, B. (2019). Audit Quality, Financial Condition, Company Size and Acceptance of Going Concern Audit Opinion. *Owner*, 3(1), 9. <https://doi.org/10.33395/owner.v3i1.80>
- Febriyanti, AR, Maslichah, & Afifudin. (2021). Effect of Earning Per Share (Eps), Price Book Value (Pbv), Debt To Equity Ratio (Der), and Return On Assets (Roa) on Stock Prices in the Property and Real Estate Sector Listed in Bei during the Covid-19 Pandemic. 10(09), 42–54.
- Harry. (2015). *Auditing and Insurance*. Grasindo.
- Harry. (2016). *Basic Accounting*. Grasindo.
- Hutagaol, J., & Manurung, E. (2021). Analysis of the Influence of Company Size, Auditor Quality, Profitability and Liquidity on Going Concern Opinions in Service Companies. *Scientific Journal of Management, Business and Accounting Students (JIMMBA)*, 3(3), 474–483.
- Indonesian Accountants Association. (2011). Public Accountant Professional Standards (SPAP) section 341: Auditor's Consideration of Entity's Ability to Sustain as a Going Concern (EDITION I). Salemba Four.
- Junaidi, & Nurdiono. (2016). *Audit Quality ; Going Concern Opinion Perspective* (B. Hartadi (ed.)).
- Kusumawardhani, I. (2018). The Effect of Financial Conditions, Financial Distress, Profitability and Company Size on Going Concern Audit Opinions. *Economic Bulletin*, 16(1), 121–136.
- Lie, C., Wardani, R. P., & Pikir, T. W. (2016). The Influence of Liquidity, Solvency, Profitability, and Management Plans on Going Concern Audit Opinions (Empirical Study of Manufacturing Companies on the IDX). *Indonesian Accounting and Finance Periodical*, 1(2), 84–105.
- Oktaviani, O., & Challen, AE (2020). Effect of Auditor Quality, Audit Tenure and Default Debt on Acceptance of Going Concern Audit Opinion. *Journal of Accounting and Finance*, 8(2), 83.
- Pardede, Y. R. G. (2021). The Influence Of Audit Quality, Shopping Opinion, Going Concern Opinion In The Previous Year, And Solvability On The Acceptance Of Going Concern Opinion. *Feb Student Scientific Journal* 9.2, 2–24.
- Pasaribu, AM (2015). The Effect of Auditor Quality, Liquidity, Solvency and Profitability on Going Concern Audit Opinion in the Food and Beverage Sub-Sector Listed on the Indonesian Stock Exchange. *JRAK: Journal of Accounting Research & Accounting Computerization*, 6(02), 80–92.
- Putra, YS, Asmeri, R., & Meriyani. (2021). The Influence of Audit Quality, Previous Year's Audit Opinion and Company Size on Going Concern Audit Opinions in Manufacturing Companies Listed on the Indonesian Stock Exchange. 3(1), 189–206.
- Rakatenda, GN, & Putra, IW (2016). Going Concern Audit Opinion and Factors Influencing It. 16, 1347–1375.
- Sari, P. C. (2020). The Influence of Audit Lag, Profitability and Liquidity on Going Concern Audit Opinions in Manufacturing Companies Listed on the Indonesian Stock Exchange. *Warmadewa Accounting Research Journal*, 1(1), 1–7.
- Siregar, H., & Nurmala, P. (2019). The Influence of Company Size and Acceptance of Going Concern Opinion on Stock Prices. *Journal of Financial and Accounting Research*, 4(2).
- Suciati, UL, & Triani, NNA (2019). The Influence of Audit Tenure, Auditor Specialization, Cap Size and Workload on Audit Quality. 1–21.

- Sunarwijaya, I. K., & Arizona, I. P. E. (2019). Going Concern Audit Opinion and Factors That Influence It. *Widya Accounting and Finance*, 1(1), 24–43.
- Syriac. (2020). Effect of Profitability, Company Size, Debt Default and Audit Tenure on Going Concern Audit Opinion. November.
- Utami, MAJP, Sari, MMR, & Astika, IBP (2017). The ability of Prior Opinion Moderates the Influence of Profitability, Leverage, Liquidity, Company Growth and Activity Ratio on Going Concern Audit Opinion. *Udayana University Economics and Business E-Journal*, 7, 2861.
- Yulianto, Y., Tutuko, B., & Larasati, M. (2020). The Effect of Company Size, Profitability, Previous Year's Audit Opinion, and Liquidity on Going Concern Audit Opinion in Mining and Agriculture Companies Listed on the Indonesia Stock Exchange in 2014-2018. *JEA17: Journal of Accounting Economics*, 5(2), 29–40.