EFFECT OF LIQUIDITY, LEVERAGE AND FIRM SIZE ON GOING-CONCERN AUDIT OPINION WITH PROFITABILITY AS MODERATING VARIABLES IN MANUFACTURING COMPANIES LISTED ON IDX PERIOD 2009-2018

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Abstract: The purpose of this study is to examine factors which affecting going concern audit opinion acceptance namely liquidity, leverage and firm size with profitability as a moderating variable. This research uses secondary data with a sample of 30 manufacturing companies listed on the Stock Exchange Indonesia used a purposive sampling method in the 2009-2018 time period. Data analysis techniques in this study used logistic regression analysis and test interaction for moderating variables using Stata 14. Result of this research shows liquidity partially has a significant negative effect on acceptance of going-concern audit opinion, and leverage have an effect significant positive on acceptance of going-concern audit opinion while firm size has no significant negative effect on going audit opinion concern. Interaction test results show that the profitability variable is not able to moderate the effect of liquidity and leverage on the acceptance of going audit opinion concern, but proved to be able to significantly moderate the effect of firm size on going concern audit opinion acceptance.

Keywords: Going Concern Audit Opinion, Liquidity, Leverage, Company Size, Stata.

1. INTRODUCTION
Companies are required to maintain business continuity in order to avoid bankruptcy. One of the most important things in maintaining business continuity is to present information about the company's condition through the company's financial statements that can be trusted fairness. Financial statements are an inseparable part of a company, because financial statements are one of the tools that can be used by companies to communicate financial information to interested parties. One of the parties concerned with the financial statements is the investor. When an investor will invest in a company first, investors need to know the company's financial condition, especially regarding the survival of the company. One reference that can be used by investors to determine the financial condition and survival of the company is an audit opinion on the company's financial statements provided by an independent auditor. An assessment by an independent auditor is used to prove whether the company’s financial statements reflect the company’s actual condition or not, as well as the company’s financial condition is good or bad. So that investors or other interested parties can find out and can make the right decisions and be more careful in investing. The financial statements are the most important part of the company in presenting financial position and annual financial performance that has fulfilled the legal requirements. Financial statements are also an important tool for investors to know the overall financial condition of the
company so that it can be a guideline for make investments (Ditlevsen, 2002). In general, if the company experiences profits, the company can maintain its survival and vice versa, the company’s financial condition can be reflected in the company’s financial statements. Financial statements are structured presentations of the financial position, financial performance of a company, and are prepared based on business continuity assumptions called going concern. The assumptions used in preparing financial statements are (Baridwan, 2007):

1. Going Concern
2. Business Unity (Economic Entity)
3. Use of Monetary Units
4. Time Period

This assumption requires that operational and financial economic entities have the ability to maintain business continuity, because the disclosure of information about the risks and uncertainties of business continuity has become an increasingly important part of financial reporting.

Regarding the acceptance of going concern audit opinion towards a company, there is a phenomenon in Indonesia, namely companies in the manufacturing company PT. Argo Pantes Tbk who received going concern audit opinion for the last 10 years. Examples of observations in the audit report on the 2018 financial statements which stated that based on notes 38 of the financial statements that indicated the company suffered a net loss of US $ 8,186,633 and a capital deficiency of US $ 80,074,538 as of December 31, 2018. These conditions indicated the existence of a material uncertainty that can cause significant doubts about the company's ability to maintain its business continuity. Even so, the company PT. Argo Pantes Tbk can still maintain its business and not go bankrupt until now. The concern is what is the real factor that really affects the company in maintaining business continuity related to going concern audit opinion. Based on these conditions, there is an interest to find out how the influence of financial conditions on going concern audit opinion in a company.

Going concern audit opinion is the audit opinion issued by the auditor in the disclosure that there are doubts about the company’s ability to carry out its business for a period not exceeding one year after the date of the financial statements. Going concern audit opinion is a modified audit opinion where in the auditor's judgment he doubts the ability of a company to maintain going concern, thus requiring the auditor to add an explanatory paragraph in the audit report, even though it does not affect unqualified opinions expressed by the auditor. Going concern audit opinion becomes one of the important aspects assessed by the auditor. Auditors are required to not only look at the things that appear in the financial statements, but also must look at other issues such as the existence and continuity of the entity. The financial condition of the company illustrates the true level of company health. The company’s financial condition gives an indication of whether the company is experiencing financial difficulties or not. Because going concern audit opinion is easier to predict using financial ratio variables (Mutchler, 1985; Feldmann, 2013). So based on the phenomenon above shows the importance of reviewing the factors that influence the provision of going concern audit opinion.
Liquidity is the position of a company’s cash that illustrates the company’s ability to meet short-term obligations or current liabilities on time, which can be measured by dividing current assets with current debt. The greater the ratio of current assets to current debt, the higher the company’s ability to cover its current debt (Kasmir, 2016).

Leverage is the use of assets and sources of funds by companies that have a fixed burden with a view to increasing shareholder profits. In addition, leverage is also defined as a financial ratio that measures the extent to which a company’s operational funding is funded from loans, a company will increasingly depend on loans in carrying out its business activities or in other words leverage is a ratio that shows the company’s ability to meet all its long-term obligations (as a result of the use of funds by the company) Such as interest payments on debt, payment of the final principal on debt and other fixed obligations. The key elements of leverage are earnings and earnings power which shows the ability to generate cash from operations (Subramanyam, 2010).

Firm size is basically a grouping of companies into large, medium and small companies. Firm scale is a measure used to reflect firm size based on total company assets (Suwito & Herawaty, 2005). The higher the assets, the higher the company’s ability to increase operating activities to generate higher revenues and profits. This in turn will make the company able to maintain the sustainability of its business. Therefore, companies that have high total assets tend not to accept going-concern audit opinions.

Based on the description of the phenomenon above, a study was conducted under the title “Effect of Liquidity, Leverage and Firm Size on Going Concern Audit Opinions with Profitability as Moderating Variables in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2009-2018”

2. LITERATURE REVIEW
2.1. Agency Theory
Agency theory is the agency relationship between one or more people or ‘principal’ asking another party ‘agent’ to do some work on behalf of the principal which involves the delegation of some decision making authority to the agent (Meckling, 1976; Mustapha, 2011). Information about companies is likely to be more owned by agents than principals, so that this information imbalance can lead to information asymmetry and cause agency problems. Where shareholders want high profits or increased investment while management wants adequate compensation income from work that has been done. Because of these differences in interests, a third party is required to function as a mediator between the principal and the agent. Auditors are parties who are considered to be able to mediate between the interests of principals and agents in managing company finances so that the auditor has the function of monitoring the work performed by a manager through financial statements and considering the viability of the company's business in carrying out its business activities (going concern). The auditor will evaluate the financial statements made by the agent about the reasonableness of the financial statements. This evaluation will produce an audit report. The audit opinion provided
by the auditor can be a measure or consideration for interested parties in assessing the performance of agents in managing the company.

2.2. Signalling Theory

Signalling theory is based on the assumption that the information received by each party is not the same. This theory is related to information asymmetry which shows information asymmetry between company management with parties concerned with information. Signal theory serves as a signal to reduce information asymmetry between agents and principals, because of this information asymmetry problem, stakeholders require independent auditors to function as intermediaries in providing information in the form of audit reports. Auditors are the most important part of signal theory because their opinions in the form of audit reports are very important for users of financial statements (Butler et al, 2004; Feldmann, 2013). Increased confidence in the information contained in financial statements can be done by using independent professionals who provide opinions about the company’s financial statements. Regarding the issuance of opinions by independent auditors including going-concern audit opinions, these opinions will provide a signal for investors to help determine investment decisions.

2.3. Audit Opinion Going concern

Going concern is the survival of an entity. With going concern, then an entity is considered able to maintain its business continuity in the long term and not be liquidated in the short term. An audit report with explanatory sentences about going concern is an indication that in the auditor’s judgment there is a risk that the auditee cannot maintain its business continuity. The auditor must consider the results of the company’s operations, economic conditions that affect the company, the ability to pay debts and future liquidity needs. Based on Generally Accepted Audit Standards, going concern is defined as a fundamental assumption in accounting and the auditor has the accountability to evaluate the going concern status from each of their clients. When there are substantial doubts about the continuation of business operations, the classification of assets and debt based on the assumption of business continuity, while these are not reported in the audit report, this can mislead users of financial statements in their estimates of the company (Kaplan, 2012; Salehi, 2018). In another sense, going concern audit opinion is an audit opinion issued by the auditor in expressing auditor's concern that there is substantial doubt about the company's ability to continue operating for a period not exceeding one year after the date of the financial statements (SA 570).

There are five types of audit opinions that auditors can provide after completing auditing of the auditee or company's financial statements are unqualified opinions, unqualified opinions with modified paragraphs, fair opinions with exceptions (qualified opinions), Adverse opinion (adverse opinion) and opinion does not provide an opinion (disclaimer of opinion). The auditor in addition to providing an opinion on the reasonableness of a financial statement, also has the responsibility to evaluate the going concern status of the company in each of its audit work as stated in explanatory sentences. This variable is measured using a
dummy variable. Companies that get going concern opinions are given code 1, while companies that do not get going concern opinions are given code 0.

2.4. Liquidity

Liquidity is a ratio that illustrates the ability of a company to meet obligations that must immediately be paid with current assets. Liquidity can be measured by dividing current assets by current debt. The greater the ratio of current assets to current debt, the higher the company's ability to cover current debt or short-term liabilities (Kasmir, 2016). The level of company liquidity can be measured through the current ratio which is calculated by means of current assets divided by current debt. This ratio shows the greater the ratio of current assets to current debt, the higher the company's ability to cover its short-term liabilities. The safer current ratio is if it is above 1 or above 100%.

2.5. Leverage

Leverage is the use of assets and sources of funds by companies that have a fixed burden with a view to increasing shareholder profits. Companies that use leverage have a goal so that the benefits obtained are greater than the interest as a fixed expense (Sjahrial, 2009). The measurement used in this study in measuring leverage is the Debt To Equity Ratio, this ratio is used because it provides an overview of the capital structure of the company and to see how much of each rupiah (IDR) of its own capital is used as collateral for long-term debt. In addition, DER can also describe the effect of many conditions such as the relationship with the investor, DER affects the distribution of dividends. The higher the DER level, the higher the composition of the debt, so that the company’s ability to pay Dividend Payout Ratio (DPR) is lower for shareholders.

2.6. Firm Size

Firm size is a scale where companies can be classified into large or small companies that can be expressed by total assets, sales and market capitalization (Sudarmadji, 2007). Firm size can be expressed in total assets, sales, and market capitalization. If the greater the total assets, sales, and market capitalization, the greater the firm size. Of the three variables, the value of assets is relatively more stable compared to market value and sales in measuring firm size, so this study uses the amount of assets owned by the company as a proxy of firm size. Asset values indicate the wealth owned by the company in carrying out its operations. So companies that have large-scale assets and positive growth give a sign that the less likely the company will go bankrupt and is considered able to maintain its business continuity.

2.7. Profitability

Profitability is the company’s ability to generate profits from income (earnings) associated with sales, assets and equity or in other words, Profitability is a ratio to assess the company’s ability to seek profits (Kasmir, 2016). This profitability ratio will provide an overview of the level of effectiveness in the management of the company and is required for recording financial transactions
that are usually valued by investors and creditors to assess the amount of investment profits to be obtained by investors and the amount of company profits to assess the company's ability to pay debts to creditors based on the level of use of assets and other resources so that the level of efficiency of the company is seen. The greater the profitability means the better, because the prosperity of a company increases with the greater profitability. Profitability ratios in this study are measured through Return On Assets (ROA). The greater the ratio shows the greater the company's ability to generate profits and vice versa. Positive ROA reflects the total assets used for the benefit of the company's operations are able to provide profit (profit), while negative ROA reflects the company that suffered losses. So that if the company gets a positive profit then it does not cause auditors doubts about the company's ability to continue its business (going concern).

2.8. Hypothesis

Based on the framework of the research concept, the research hypothesis is as follows:

H1: Liquidity has a negative effect on going concern audit opinion
H2: Leverage has a positive effect on going concern audit opinion
H3: Firm size has a negative effect on going concern audit opinion
H4: Profitability as a moderating variable is able to strengthen the effect of liquidity on going concern audit opinion
H5: Profitability as a moderating variable is able to strengthen the effect of leverage on going concern audit opinion
H6: Profitability as a moderating variable is able to strengthen the effect of firm size on going concern audit opinion

3. Research Method

This study uses quantitative (secondary) data where data is not obtained from the source directly but is obtained from other sources, for example through documents (Sugiyono, 2013). Secondary data in this study are annual reports and company audit reports obtained from the Indonesia Stock Exchange (IDX) accessed through www.idx.co.id. In this study, the effects studied include liquidity, leverage and firm size with going concern audit opinion as the dependent variable and profitability as moderation. In this study the population used was 147 companies and took 30 companies as a sample of the entire population based on purposive sampling on manufacturing companies listed on the Indonesia Stock Exchange in 2009 - 2018. Testing data using logistic regression and interaction testing on modification variable. In the logistic regression test does not require a normality test and the classic assumption test on the independent variable. Logistic regression test consists of testing the feasibility of the model, assessing the whole model, coefficient of determination and testing variables partially or simultaneously (Ghozali, 2016).

4. Results and Discussion

The test results with the overall model fit assessment are performed by comparing models without independent variables and models with independent
variables, indicated that the log likelihood value is 119.66212 with a chi square value of 63.74. A decrease in the value of -2LL is 119.62612 and significant at 0,000 shows that the model by entering independent variables is better than the model only by intercept alone. In other words, the model is said to be fit.

The test results with the Goodness of fit test are used to test the suitability of the data with the model used so that the model is said to be fit with the data. Or in other words to find out whether there are differences between the results of observations with the results of predictions. The model is said to be appropriate if there is no difference between the observations with the predicted results, indicating that the statistical value of Hosmer and Lemeshow's Chi-Squares is 15.33 with a probability value of 0.0531 so that it can be concluded that the results from the Goodness of Fit model are appropriate (there is no difference between the results observations with predictive results).

The coefficient of determination in this study is used to find out how much the percentage of the dependent variable is able to be explained by the independent variable and the remaining percentage that is explained by other variables outside the research model. The magnitude of the coefficient of determination is indicated by the value of Pseudo R-Square. Pseudo R-Square in the model is worth 0.2104 or 21.04%. This can indicate that the diversity of going concern audit options can be explained by Liquidity, Leverage, Company Size of 21.04%, or in other words the contribution of Liquidity, Leverage, Company Size to going concern audit opinion of 21.04%, while the remainder is 78.96% is the contribution of other variables not discussed in this study.

Partially the liquidity variable has a significant negative effect on the acceptance of going concern audit opinion, leverage has a significant positive effect on going concern audit opinion and the size of the company has a significant negative effect on the acceptance of going concern audit opinion.

Test Results of the Significance of Liquidity on Acceptance of Going Concern Audit Opinions

The Wald test value obtained on the effect of Liquidity on Going Concern Audit Opinion is -5.56 with a probability of 0.000. The test results show that the probability is <significant alpha (5% or 0.05). This means that there is a significant effect of Liquidity on Going Concern Audit Opinions. Coefficient value of -1.812331 (negative), meaning that increasing liquidity, the opportunity for companies to accept going-concern audit opinion decreases. This shows that the higher the liquidity value of a company, the company is considered capable of fulfilling its short-term obligations so that the auditor has no doubts about the survival of the company. This supports the first hypothesis in this study and is consistent with Kristiana's (2012) research and Aldy and Sri rahayu's (2015) research which shows that liquidity has a negative effect on going concern audit opinion.
Test Results The Significance of Leverage on Acceptance of Going Concern Audit Opinions

Wald test values obtained on the effect of Leverage on Going Concern Audit Opinion of 2.02 with a probability of 0.043. The test results show that the probability is <significant alpha (5% or 0.05). This means that there is a significant influence on leverage on Going Concern Audit Opinion. The coefficient value is 0.0510934 (positive). It means that the leverage increases, the opportunity for the company to receive going concern audit opinion is higher. This shows that the higher leverage ratio indicates that the greater the company's assets are funded by debt rather than owner-funded, so the risk to the company is also greater. This can cause auditors to doubt the company's ability to continue its business. In accordance with Petrus and Dewi's (2016) research and Tjahjani and Novianti's (2014) research which shows that leverage has a significant positive effect on going concern audit opinion.

Test Results Significance of Firm Size on Acceptance of Going Concern Audit Opinions

The Wald test value obtained on the effect of Firm Size on Going Concern Audit Opinion is -1.69 with a probability of 0.092. The test results show that the probability is > significant alpha (5% or 0.05). This means that at the 95% confidence level there is no significant effect of Firm Size on the Going Concern Audit Opinion. This means that the increasing firm size, the opportunity for companies to accept going-concern audit opinion decreases. This shows that the higher the value of firm size, the higher the company's ability to increase operations to generate higher revenues and profits. This in turn will make the company able to maintain the sustainability of its business. Therefore, companies that have high total assets are less likely to accept going concern audit opinions in accordance with Widyantari (2011) research which states that firm size does not have a significant negative effect on going concern audit opinion.

Test Results The Significance of Liquidity on Acceptance of Going Concern Audit Opinions moderated by Profitability

The Wald test value obtained on the effect of Liquidity * Profitability on Going Concern Audit Opinion is 0.51 with a probability of 0.608. The test results show that the probability is > significant alpha (5% or 0.05). This means that profitability is not able to moderate the effect of Liquidity on Going Concern Audit Opinion. In this case, a company that experiences a high level of profitability indicates being able to obtain high profits so that it will be able to manage costs efficiently and have sufficient funds to pay off current debts that occur in order to maintain the viability of the company (Indrayenti, 2016).

Test Results The Significance of Leverage on Acceptance of Going Concern Audit Opinions moderated by Profitability

Wald test values obtained on the effect of Leverage * Profitability on Going Concern Audit Opinion of -0.60 with a probability of 0.549. The test results show that the probability is > significant alpha (5% or 0.05). This means that profitability
is not able to moderate the effect of leverage on Going Concern Audit Opinion. In this case with a high level of profitability ratios the company will obtain high profits as well as a “strength” in reducing dependence on debt and cost management efficiency in order to maintain business continuity (going concern).

Test Results The Significance of Firm Size on Acceptance of Going Concern Audit Opinions is moderated by Profitability

Obtained Wald test value on the effect of Firm Size * Profitability on Going Concern Audit Opinions of 1.96 with a probability of 0.050. The test results show that the probability ≤ significant alpha (5% or 0.05). This means that profitability is able to moderate the effect of Firm Size on the Going Concern Audit Opinion. The resulting coefficient of 4.73388 (positive). This means that profitability is able to strengthen the effect of Firm Size on Going Concern Audit Opinions. With an increased level of profitability ratios indicate an increased profitability as well, so that the working capital turnover of a company is even faster, which will have a positive effect on firm size so that the maximum in maintaining business continuity.

5. CONCLUSIONS AND SUGGESTIONS

Based on data analysis and discussions that have been conducted partially, liquidity have a significant negative effect on going concern audit opinions, leverage has a significant positive effect on going concern audit opinions and firm size have a significant negative effect on going concern audit opinions, and based on moderating variables partially the profitability variable cannot moderate the effect of liquidity and leverage on going concern audit opinion but is able to significantly strengthen the effect of firm size on going concern audit opinion on manufacturing companies listed on the Indonesia Stock Exchange in 2009-2018.

Based on research that has been done for investors, it is expected that the results of this study can be used as a reference in considering the factors that influence going concern audit opinion in making investment decisions and it is expected for future researchers to be able to use other variables that can affect the going concern audit opinion like the previous year's audit opinion, auditor quality and other variables by using research objects in other companies on the Indonesia Stock Exchange if you want to continue this research, so as to provide better results.

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