

THE EFFECT OF AUDIT QUALITY AND FINANCIAL CONDITIONS ON GOING CONCERN AUDIT OPINION (STUDY ON FOOD AND BEVERAGE MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE)

Dwi Kartika Sari*

STIE STAN Indonesia Mandiri

e-mail: uwikartika22@gmail.com

*Correspondence: uwikartika22@gmail.com

Submitted: 14 September 2021, Revised: 23 September 2021, Accepted: 27 September 2021

Abstract. This research was conducted to determine how to influence the quality of auditing and financial condition of the going concern audit opinion on the company Food and Beverages which is listed on the Stock Exchange in 2010-2014. The method used in this research is descriptive and verification. A descriptive study serves to illustrate the characteristics of a population. While research verification is used to reexamine the results of previous studies with this gracious purpose correctness of the results of previous studies. The population in this study amounted to 22 companies Food and Beverages in the study period from 2010 to 2014. Then the 10 companies in the sample were obtained by using the purposive sampling method of sample collection techniques with particular consideration. Data were obtained from the Indonesian Stock Exchange. Analysis of the data used in this research is the logistic regression analysis. Analysis of the study data processing using the software Microsoft Office Excel 2007 and SPSS for windows 20 o'clock. The coefficient of determination R² shows that the variable quality of auditing and financial condition is explained by the independent variable by 3.8% and 96.2% influenced by other factors outside the model. The variable quality audit has no significant effect on the going concern audit opinion. And financial condition variables, not significant affect ongoing concern audit opinion.

Keywords: quality audit; financial condition; going concern audit opinion.

INTRODUCTION

Vision and mission as well as the goals to be achieved together. The sustainability of the company's life (going concern) is considered necessary to be used as a reference in making decisions in the future. One measure to assess the sustainability of the company's life is to measure the important variables in it through the financial statements issued by the company ([Harris & Meiranto](#), 2015).

Going concern is the survival of a business entity and is an assumption in the financial reporting of an entity so that if an entity experiences the opposite condition, the entity becomes problematic ([Zulfikar & Syafruddin](#), 2013).

Auditors have an important role in bridging the interests of investors as users of financial statements and the important role of audit opinions going concern in companies as providers of financial statements ([Noverio & Dewayanto](#), 2011). Company data will be more easily trusted by investors and other users of financial statements if the financial statements reflect the performance and condition of the company and have received a fair statement from the auditor. By using audited financial statements, users of financial statements can make decisions correctly in accordance with the actual reality ([Ayuningtyas](#), 2018).

The audit opinion going concern issued by the auditor includes an assessment of the important variables in the financial statements as well as the factors that affect the possibility of receiving audit opinion going concern.

Factors that can affect the possibility

of receiving audit opinion going concern are Audit Quality, Financial Condition, Auditor Opinion, Company Growth, Company Size, Debt Default, Previous Year Audit and Opinion Shopping ([Irfana & Muid](#), 2012). The author is interested in researching the factors of audit quality and financial condition. Audit quality is the quality of an auditor as indicated by a reliable audit report and in accordance with auditing standards. Large audit firms have more incentives to detect and report problems of their going concern clients. Auditors are responsible for providing high quality information that will be useful for decision making by users of financial statements. Auditors who have good audit quality are more likely to issue audit opinion going concern if the client has a problem regarding going concern ([Aisiah & Pamudji](#), 2012).

While the financial condition describes the soundness of the company in the possibility of the company receiving audit opinion going concern. The company's financial condition is the true level of company health. In companies that are sick, there are many problems going concern ([Aisiah & Pamudji](#), 2012). According to ([Keown, A.J., Scott, D.F., Martin, J.D., Petty](#), 2011) stated that the more disturbed or deteriorating the company's condition is, the more likely it is that the company will receive audit opinion going concern. On the other hand, in companies that have never experienced financial difficulties, the auditor has never issued audit opinion going concern ([Nanda](#), 2015).

This research was conducted because of the inconsistency of the results of

previous studies regarding the factors that affect audit opinion going concern. According to research ([Dewayanto, 2011](#)) audit quality factors and financial condition affect audit opinion going concern.

According to ([Kartika, 2012](#)) From his research, the audit quality factors and financial condition have no significant effect on audit opinion going concern. The same thing was stated by ([Werastuti, 2013](#)) and ([Nanda, 2015](#)) in their research which resulted that the financial condition factor had no significant effect on audit opinion going-concern.

In another study, according ([Meriani & Krisnadewi, 2012](#)) it was found that the financial condition factor had a significant negative effect on audit opinion going-concern. This is supported by ([Azizah & Anisykurlillah, 2014](#)) from their research which results that financial conditions have a significant negative effect on audit opinions going concern.

In a study conducted by ([Effendi, 2019](#)) it was found that the audit quality factor had an insignificant effect and financial conditions had a significant negative effect on audit opinion going concern.

Based on the results of these inconsistencies, the authors are interested in conducting research with the title "Influence Of Audit Quality And Financial Conditions On Going Concern Audit Opinions" (Studies on Manufacturing Companies in the Sector Food and Beverages Listed on the Indonesia Stock Exchange).

METHODS

The research method used in this research is descriptive method and verification method. Descriptive method is a statistical method used to analyze data and describe or provide an overview of the object under study through sample or population data as it is, without analyzing and making conclusions that apply to the public ([Sugiyono, 2013](#)). The verification method is a method that shows the influence between several variables used to test ([Yani et al., n.d.](#)). The effect or the form of the causal relationship between the independent variable and the dependent variable can be known from the verification research method. This study uses 3 variables consisting of two independent variables (free), namely audit quality (X1) and financial condition (X2) and one dependent variable (bound) namely audit opinion going concern (Y). The three variables were analyzed using logistic regression analysis to determine the relationship between variables so that it can be seen whether the proposed hypothesis is correct or not.

In this study, samples were taken from the population using a purposive sampling method with the following criteria:

1. Manufacturing companies in the sector Food and Beverages listed on the Indonesia Stock Exchange (IDX) from 2010 to 2014.
2. Manufacturing companies in the sector Food and Beverages that has published all financial statements in full and attached an independent auditor's report during the observation period from 2010 to 2014.

3. Manufacturing companies in thesector Food and Beverages whose financial statements are presented in rupiah currency.

Sources of data used in this study is secondary data. This study uses secondary data sourced from the financial statements ofcompanies Food & Beverages that have been published on the Indonesia Stock Exchange (IDX) and data sources obtained from the Indonesian Capital Market Directory (ICMD) and the2015. Indonesian Stock Exchange (IDX) for the period 2010 to2014.

Data analysis in this study was conducted using logistic regression because the dependent variable isaudit opinion going concern which is qualitative data using variables dummy. ([Indarto & Ghozali](#), 2016) states that logistic regression is used to test whether the probability of the occurrence of the dependent variable can be predicted with the independent variable. The logistic regression analysis technique does not require the normality of the data on the independent variables. Logistic regression analysis was carried out using the SPSS (Statistical Package for Social Science) 22.0 for Windows program.

RESULTS AND DISCUSSION

This study used a sample ofcompanies Food and Beverages with research observation periods from 2010 to 2014 which issued annual financial reports with attached auditor reports. independent. From 22 populations, 10 samples of companies were obtained which were then used as data sources for analysis. The

sample in this study is as follows:

Table 1. Research Sample Data

No	Code	Company Name
1.	DLTA	PT. Delta Djakarta Tbk.
2.	FAST	PT. Fast Food Indonesia Tbk.
3.	INDF	PT. Indofood Sukses Makmur Tbk.
4.	MLBI	PT. Multi Bintang Indonesia Tbk.
5.	MYOR	PT. Mayora Indah Tbk.
6.	PSDN	PT. Prashida Aneka Niaga Tbk.
7.	PTSP	PT. Pioneerindo Gourmet International Tbk.
8.	SMAR	PT. Sinar Mas Argo Resources And Technology (SMART) Tbk.
9.	TBLA	PT. Tunas Baru Lampung Tbk.
10.	ULTJ	PT. Ultrajaya Milk Industry and Trading Company Tbk.

Source: Indonesia Stock Exchange that has been processed, 2014

Descriptive Statistics

To determine the effect of audit quality and company financial condition onaudit opinions going concern oncompanies Food and Beverages listed on the Indonesia Stock Exchange for the period 2010 to 2014, statistical calculations were carried out on the data- data that has been obtained. The statistics used in this study use descriptive statistics. Descriptive statistical analysis was performed by comparing the minimum value, maximum value, mean and standard deviation of the sample. Data processing using SPSS for windows version 20.0.

Audit Quality

Table 2. Audit Quality (ADTR)

Compan y Code	AUDIT QUALITY				
	20 10	20 11	20 12	20 13	20 14
DLTA	1	1	1	1	1
FAST	1	1	1	1	1
INDF	1	1	1	1	1
MLBI	1	1	1	1	1
MYOR	0	0	0	0	0
PSDN	1	1	1	1	1
PTSP	0	0	0	0	0
SMAR	0	0	0	0	0
TBLA	0	0	0	0	0
ULTJ	0	0	0	0	0

Source: processed data

Audit quality is measured using variable dummy where companies use the services of a Public Accounting Firm (KAP) large scale (Big Four) is given the number 1 and for companies that use the services of a small scale Public Accountant (KAP) (Non Big Four) given the number 0.

Based on table 2 above, thesector manufacturing companies food and beverages listed on the Indonesia Stock Exchange (IDX) from 10 samples of companies obtained in accordance with the sampling criteria, it can be seen that successively during the observation period from 2010 to in 2014 the company food and beverages that are listed on the Indonesia Stock Exchange (IDX) equally use the services of the Public Accounting firm (KAP) large scale(bigFour)and the Public Accounting firm (KAP) small scale (Nonbig Four) with scale ratio of 5: 5, five companies use the service

Large-scale Public Accounting Firm (KAP) (Big Four), namely PT. Delta Djakarta

Tbk, PT. Fast Food Indonesia Tbk, PT. Indofood Sukses Makmur Tbk, PT. Multi Bintang Indonesia Tbk and PT. Prasidha Aneka Niaga Tbk. While the five companies using the services of the Public Accounting Firm (KAP) small scale(Non Big Four) namely PT. Mayora Indah Tbk, PT. Pioneerindo Gourmet International Tbk, PT. Sinar Mas Argo Resources And Technology (SMART) Tbk, PT. Tunas Baru Lampung Tbk and PT. Ultrajaya Milk Industry TBK.

Financial Condition

Table 3. Financial Condition (Z)

Compan y Code	FINANCIAL CONDITION (Z)				
	20 10	20 11	20 12	20 13	20 14
DLTA	5.3 3	5.4 9	5.8 3	5.6 7	5.3 0
FAST	4.3 1	3.5 9	3.3 8	3.1 5	3.1 9
INDF	1.7 1	2.0 1	1.9 4	1.4 7	1.5 2
MLBI	3.8 5	3.9 5	3.4 1	5.7 5	3.1 9
MYOR	2.8 3	2.2 6	2.1 7	2.2 9	2, 15
PSDN	4.1 4	4.8 5	3.7 6	3.7 3	3.2 2
PTSP	3.8 7	4.0 9	3.4 4	2.9 9	2.3 4

SMAR	2.6	3.3	3.1	1.9	2.3
	9	9	4	5	0
TBLA	1.5	1.7	1.3	1.0	1.5
	2	8	6	2	3
ULTJ	2.5	2.4	3.2	3.3	3.8
	2	4	4	5	3

Source: processed data

Based on table 3 financial condition (Z) was measured using the prediction model Zscore Altman. The bankruptcy prediction model using financial ratios is more accurate than the auditor's opinion in classifying bankrupt or non-bankrupt companies. The model used in this study is as follows:

$$Z = 0.717Z1 + 0.874Z2 + 3.107Z3 + 0.420Z4 + 0.998Z5$$

Z1 = working capital/total assets

Z2 = retained earnings/total assets

Z3 = earnings before interest and taxes/total assets

Z4 = book value of equity/book value of debt

Z5 = sales/total assets

Manufacturing companies in the sector food and beverages listed on the Indonesia Stock Exchange (IDX) out of 10 samples used by PT. Delta Djakarta Tbk is a company that produces fluctuating financial conditions during the observation period from 2010 to 2014 with a minimum value of 5.30 and a maximum value of 5.83. This means that the company has a financial condition result above the value of 3, so it can be said that the company is safe from the possibility of receiving audit

opinion going concern.

Audit Opinion Going Concern

Table 4. Going Concern Audit Opinion

Company Code	Going Concern Audit Opinion				
	2010	2011	2012	2013	2014
DLTA	0	1	0	0	0
FAST	0	0	1	0	0
INDF	1	1	1	1	0
MLBI	0	0	0	1	1
MYOR	0	1	1	1	0
PSDN	0	1	1	0	0
PTSP	1	1	1	0	1
SMAR	0	1	1	0	0
TBLA	1	1	1	0	0
ULTJ	1	0	1	1	0

Source: processed data

audit opinion Going concern is a variable dummy. Companies that receive an audit opinion going concern are coded 1 and companies that receive an audit opinion non-going concern are coded 0.

Based on table 4 there are 10 samples used in this study, it can be seen that manufacturing companies in the sector food and beverages are listed on the Indonesia Stock Exchange. with an observation period from 2010 to 2014. In 2010 there were six companies that received audit opinions going-concern and four other companies received audit opinions non-going-concern. Then in 2011 there were seven companies that received an audit opinion going concern and three other companies received an audit opinion non going concern. In 2012 there were eight companies that received audit opinions going-concern and two other

companies received audit opinions non-going-concern. In 2013 companies that received audit opinions going-concern tended to decrease compared to the previous year, namely as many as four companies that received audit opinions going-concern and six other companies received audit opinions non-going-concern. In 2014 the number of companies that received audit opinions going-concern decreased again compared to previous years, namely only two companies that received audit opinions going-concern and eight other companies received audit opinions non-going-concern.

DISCUSSION

The Effect of Audit Quality on Audit Opinions Going Concern

In this study, the audit quality variable proxied by the Public Accounting Firm (KAP) shows a negative coefficient value of -0.282 with a significance level of 0.631 greater than 0.05 (5 percent). This means that H1 is not successfully supported, thus it can be concluded that audit quality has no significant effect on audit opinion going concern. This indicates that the quality of a Public Accounting Firm (KAP) reflects the quality of the guarantee it provides, the size of a Public Accounting Firm (KAP) does not affect the likelihood of the Public Accounting Firm (KAP) issuing audit opinion going concern.

The results of this study are not consistent with the results of research conducted by (Mutchler et al., 1997) who found evidence univariate that large-scale auditors are more likely to issue audit

opinion going concern on companies experiencing financial difficulties compared to small-scale auditors. However, the results (Kartika, 2012) where the auditor's scale variable (Big Four and Non Big Four) has no significant effect on the possibility of receiving audit opinion going concern by the auditor.

The Effect of Financial Condition on Audit Opinion Going Concern

In this study, the variable of the company's financial condition as proxied by The Altman Model/Zscore (bankruptcy prediction model) shows a coefficient value of -0.243 with a significance level of 0.300 greater than 0.05 (5 percent). This means that it can be concluded that H2 was not successfully supported, thus it can be concluded that financial condition has no significant effect on audit opinion going concern. Auditors will usually consider the financial condition when providing audit opinion going concern. This financial condition is described by financial ratios.

These results support research conducted by Andi Kartika, Desak Nyoman Sri, Nurul Ardiani Emrinaldi Nur DP and Nur Azlina which states that auditors almost never issue opinions going concern on companies that do not experience (financial distress financial distress).

CONCLUSIONS

Based on the results of research that has been carried out through various series ranging from data collection, data processing, data analysis, interpretation of analysis results regarding audit quality and

financial condition to audit opinions going concern, the following conclusions can be drawn, effect of audit quality on audit opinions going concern. The results of hypothesis testing state that audit quality (X1) has no significant effect on audit opinion going concern. The quality as measured by the size of the Public Accounting Firm (KAP) on a large (Big Four) and small (scale Non-Big Four) does not affect the quality of the audit provided by each scale of the Public Accounting Firm (KAP), Public Accounting Firm (KAP). large-scale (Big Four) and small-scale (Non-Big Four) will remain objective in providing audit opinions to their going-concern clients, so that they are not influenced by the size of the Public Accounting Firm (KAP). Effect of financial condition on audit opinion going concern. The results of hypothesis testing of financial condition (X2) on audit opinion going concern stated that financial condition had no significant effect on audit opinion going concern. This means that the auditor in providing an audit opinion going concern does not see the financial condition as proxied by financial ratios.

REFERENCES

- Aiisiah, N., & Pamudji, S. (2012). *The Effect of Audit Quality, Company Financial Condition, Audit Opinion of The Previous Year, Company Growth and Company Size Against The Tendency to Receive Audit Opinion Going Concern*. Fakultas Ekonomika dan Bisnis.
- Ayuningtyas, R. (2018). *Analysis of Factors That Affect Auditors In Providing Audit Opinion Going Concern*. Fakultas Ekonomi UNISSULA.
- Azizah, R., & Anisykurlillah, I. (2014). Influence of company size, debt default, and financial condition of the company on the acceptance of audit opinions going concern. *Accounting Analysis Journal*, 3(4). <https://doi.org/10.15294/aaj.v3i4.4215>
- Dewayanto, T. (2011). Analysis of factors affecting the acceptance of audit opinions going concern to manufacturing companies listed on the stock exchange. *Fokus Ekonomi: Jurnal Ilmiah Ekonomi*, 6(1). <https://doi.org/10.34152/fe.6.1.%25p>
- Effendi, B. (2019). Audit Quality, Financial Condition, Company Size and Acceptance of Audit Opinion Going Concern. *Owner: Riset Dan Jurnal Akuntansi*, 3(1), 9–15. <https://doi.org/10.33395/owner.v3i1.80>
- Harris, R., & Meiranto, W. (2015). *Effect of Debt Default, Disclosure, Audit Opinion of The Previous Year, Company Size, and Opinion Shopping On Receipt of Audit Opinion Going Concern (Empirical Study on Manufacturing Companies Listed on IDX In 2009-2013)*. Fakultas Ekonomika dan Bisnis.
- Indarto, S. L., & Ghozali, I. (2016). Fraud diamond: Detection analysis on the fraudulent financial reporting. *Risk Governance and Control: Financial Markets and Institutions*, 6(4Continued1), 116–123. <https://doi.org/10.22495/rcgv6i4c1art1>
- Irfana, M. J., & Muid, D. (2012). Analysis of the Effect of Default Debt, Audit Quality, Opinion Shopping and Company Ownership on The Acceptance of Audit Opinion Going Concern. Fakultas Ekonomika dan

- Bisnis.
- Kartika, A. (2012). The Effect of Financial and NonFinanic Conditions on The Acceptance of Opinions Going Concern To Manufacturing Companies in IDX. *Dinamika Akuntansi Keuangan Dan Perbankan*, 1(1).
- Keown, A.J., Scott, D.F., Martin, J.D., Petty, J. W. (2011). *Financial Statement*. Jakarta: PT. Indeks.
- Meriani, N. P., & Krisnadewi, K. A. (2012). The Effect of Financial Condition, Company Growth, and Auditor Reputation on Audit Opinion Disclosure Going Concern. *Jurnal Ilmiah Akuntansi Dan Bisnis*, 7(1), 1–28.
- Mutchler, J. F., Hopwood, W., & McKeown, J. M. (1997). The influence of contrary information and mitigating factors on audit opinion decisions on bankrupt companies. *Journal of Accounting Research*, 35(2), 295–310. <https://doi.org/10.2307/2491367>
- Nanda, F. R. (2015). Effect of Audit Tenure, Disclosure, KAP Measure, Default Debt, Opinion Shopping and Financial Consensus on Receipt of Audit Opinion Going Concern On Companies Listed on Sharia Index IDX. *Jurnal Ekonomi KIAT*, 26(1), 41–64. [https://doi.org/10.25299/kiat.2015.vol26\(1\).2888](https://doi.org/10.25299/kiat.2015.vol26(1).2888)
- Noverio, R., & Dewayanto, T. (2011). *Analysis of The Effect of Auditor Quality, Liquidity, Profitability and Solvency on Audit Opinion Going Concern on Manufacturing Companies Listed on the Indonesia Stock Exchange*. Universitas Diponegoro.
- Sugiyono. (2013). Educational Research Methods Quantitative, Qualitative, and R&D Approaches. In *Bandung: Alfabeta*.
- Werastuti, D. N. S. (2013). Influence of auditor client tenure, debt default, auditor reputation, client size and financial condition on audit quality through audit opinion going concern. *Vokasi: Jurnal Riset Akuntansi*, 2(1). <http://dx.doi.org/10.23887/vjra.v2i1.1066><http://dx.doi.org/10.23887/vjra.v2i1.1066>
- Yani, A., Mangkunegara, A. A. A. P., Revisi, P. K. E., & Aditama, R. (n.d.). *Sugiyono. 2011. Qualitative Quantitative Research Methods and R&D*. Bandung: Alfabeta.
- Zulfikar, M., & Syafruddin, M. (2013). *Effect of NonFinanic Factors on Receipt of Audit Opinion Going Concern*. Fakultas Ekonomika dan Bisnis.



© 2021 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY SA) license (<https://creativecommons.org/licenses/by-sa/4.0/>).