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ANALYSIS OF DETERMINANTS AFFECTING GOING CONCERN AUDIT OPINION

(Empirical Study on Consumer Cyclicals Companies Listed on Indonesia Stock Exchange 2020-2023)

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ABSTRACT

Determining a going concern opinion can be challenging due to the complexity and variability that must be assessed. This study aims to analyze and describe the effect of Profitability, Liquidity, Leverage, Firm Size, Audit Quality, and Audit Lag on the acceptance of going concern audit opinions in consumer cyclicals companies listed on Indonesia Stock Exchange (IDX) from the period 2020 to 2023.

This study uses secondary data derived from the financial statements of all consumer cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023. The research sampling was carried out using purposive sampling method with certain criteria in sampling. A total of 56 companies were tested with details of 224 samples throughout the four years research span. The analysis method used is logistic regression analysis.

The results of this study shows that: (1) Profitability has no significant effect on the acceptance of going concern audit opinion; (2) Liquidity has a negative influence on the acceptance of going concern audit opinion; (3) Leverage has no significant effect on the acceptance of going concern audit opinion; (4) Firm size has no significant effect on the acceptance of going concern audit opinion; (5) Audit quality has a negative influence on the acceptance of going concern audit opinion; (6) Audit lag has no significant effect on the acceptance of going concern audit opinion. The results obtained from the Nagelkerke R Square test were 32.1%. It can be concluded that there are 67.9% of other independent variables that influence the acceptance of going concern audit opinions, outside of the independent variables that have been tested in research.

Keywords: Going Concern Audit Opinion, Profitability, Liquidity, Leverage, Firm Size, Audit Quality, Audit Lag.

INTRODUCTION

Financial statements are documented record that must be generated by a company or entity at the end of each period. Reason being, is that financial statements serve as an important purpose in providing a summary of a company's financial situation and performance during a given time frame (Biduri & Tjahjadi, 2024). Based on the *Pernyataan Standar Akuntansi Keuangan* (PSAK) No. 1, "financial report aims to convey information regarding a company's financial condition, the financial performance, and the company's cash flow, which can be helpful if presented accurately and on time". This helps variety of users such as investors, regulators, financial analysts, and other stakeholders in making an informed economical decision (Averio, 2020).

Financial statements are both historical and forward looking. This statement means that while financial statement primarily focus on past performance, it also provides insights into the entity's future prospects. The balance sheet, profit and loss report, statement of changes in equity, and notes to the financial statements are the components of a financial statement in compliance with *Pernyataan Standar Akuntansi Keuangan* (PSAK) No. 1. The accountants create this by collecting relevant financial information and communicate it through the financial reports. These documents serve as a reflection of the monetary worth of economic resources under the company's control and how these resources have been applied to create value. The financial statements also consist the

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explanatory notes that describes the accounting methods and policies that were used, which are crucial for interpreting the company's results (Buckle et al., 2014).

The going concern concept in financial reporting makes the assumption that a company will continue to operate for the foreseeable future without seeking to liquidate or severely reduce its operational activities (Institut Akuntan Publik Indonesia, 2013). This assumption is foundational to the preparation of financial statements. However, if a company's financial condition contradicts this assumption, it may indicate significant problems with the entity's ability to remain viable (Nyoman et al., 2017). As explained in *Standar Audit* 570 paragraph 6 by the *Institut Akuntan Publik Indonesia* (IAPI), the auditor is only responsible for obtaining audit evidence related to providing going concern assumptions in presenting financial statements, as well as obtaining uncertainty concerning the entity's capacity to maintain its business continuity so that management can make improvements to the company.

This assumption underpins financial statement preparation, where a company is expected to operate without the risk of liquidation in the near term (Nyoman et al., 2017). The issuance of a going concern audit opinion reflects the auditor's professional judgment on whether the company can continue its business operations without facing imminent financial distress. A going concern audit opinion is often a modified audit opinion, in which the auditor highlights substantial doubts regarding the company's future. But before an auditor give a going concern opinion, the auditor must first assess the company's financial statements and assign one of the main five types of audit opinions. As stated by *Standar Profesional Akuntan Publik* (SPAP), unqualified opinion, modified unqualified opinion, qualified opinion, adverse opinion, and the disclaimer of opinion are the five types of audit opinions. These opinions provide overall judgment on the accuracy and fairness of the company's financial reports.

A going concern opinion serves as a cautionary signal to financial statements users, indicating that the entity's financial condition is unstable and may lead to bankruptcy if left unresolved. For stakeholders relying on financial statements, receiving a going concern opinion is often perceived as an unfavorable news (Feldmann & Read, 2013). Accurately determining a going concern opinion is challenging, as there are few established criteria or definitive studies to serve as clear guidelines (Kartika, 2012). Nonetheless, the auditor's assessment of a company's inability to maintain continuity can be strengthened by incorporating additional factors as supporting indicators.

In 2020, Indonesia, like many other countries, was severely affected by the COVID-19 outbreak. This event led to significant changes in policy and regulations that were enforced by the government, which had a direct effect on businesses across various sectors, including the consumer cyclicals. During this crisis, countries worldwide has imposed complete or partial lockdowns, prohibited both domestic and international flight, and various ways to prevent the spread of the epidemic throughout this time (Sun et al., 2024). Due to this newly enforced regulations and policy, many companies faced operational disruptions, reduced consumer demand, and supply chain challenges. These factors then in turn, resulting a significant impact on the global economic (Bajary et al., 2023).

Prior to COVID-19 pandemic, however, Indonesia's economy demonstrated consistent growth, maintaining an annual rate of approximately 5% through the end of 2019. This stability was supported by cyclical patterns that fostered quarterly economic improvements. However, in the first quarter of 2020, the onset of the global pandemic led to a significant downturn. The year-on-year growth declined to 3%, a notable drop from the usual 5% (Habir & Wardana, 2020). This contraction was marked by deteriorating external conditions and weakened domestic demand, reflecting a declining business and consumer sentiment. The pandemic's impact was further evidenced by a 2.41% quarter-on-quarter decline, with overall economic growth decreasing to 2.97% (Wuryandani, 2020). These downturns were primarily due to the widespread disruption of economic activities across various sectors in Indonesia, underscoring the profound impact of the COVID-19 outbreak on the nation's economic stability.

The lockdown in Indonesia, commonly known as *Pembatasan Sosial Berskala Besar* (PSBB), significantly altered consumer behavior during the COVID-19 outbreak. Economic uncertainty, heightened unemployment, and market disruptions led consumers to become more cautious with their spending. Economic uncertainty, heightened unemployment, and market disruptions led consumers to become more cautious with their spending (Naedi & Iksan, 2021). This period also saw a marked acceleration in the shift to online shopping, driven by health concerns and movement restrictions that limited in store purchases (Antara & Sri Sumarniasih, 2022).

Despite the challenges, household expectations of future income remained positive though diminished due to financial uncertainties. This economic landscape compelled households to adjust their purchasing decisions accordingly (Ridhwan et al., 2024). Consumer cyclical industries, which produce and distribute non-essential goods and services, are particularly vulnerable to economic downturns, such as pandemics. During these periods, consumers tend to prioritize essential goods and services. Conversely, the non-primary consumption sector experienced a significant decline in spending on non-essential and discretionary items. Consumers were less inclined to splurge on luxury goods and entertainment, often opting for more affordable alternatives (Das et al., 2022). This decreased demand can lead to financial difficulties for companies in the consumer cyclical category.

This research seeks to determine factors influencing going concern audit opinions in Indonesian consumer cyclical companies listed on the Indonesia Stock Exchange (IDX) between 2020 and 2023. Given the significant economic shifts and challenges faced by the consumer cyclical sector during this period, this research is expected to offer new and relevant findings for this sector.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

This part talks about the research theory, the structure that shows how the research factors are related, and how research predictions were made.

Agency Theory

The agency theory describe the correlation between the principal and the agent. As introduced by Jensen & Meckling (1976), agency theory defines the relationship as a contract or interaction between one or more principals and an agent. The principal, typically the shareholders or the owners of the company, or the decision making authority then delegates this decision making power to the agents. According to this theory, agents are anticipated to behave in a manner that serves the principal’s best interest. The goal of the contract is to maximize the outcome for both parties.

As the company grows, disputes frequently arise between principals, such as investors or shareholders, and agents, such as managers and directors. The assumption that management constantly tries to maximize its value is not always met. This is because agents may have personal interests at odds with the principal’s interests, resulting in problems called agency dilemmas due to the asymmetrical information. The principal gives authority to the agent to manage the business so that the agent is better knowledgeable about the company compared to the owner (Muna & Haris, 2018).

In such cases, principals may feel disconnected from the company’s actual condition and unaware of the contributions managers make toward advancing the company’s progress. However, managers may withhold certain information from principals for various reasons, leading to an imbalance in information. This situation results in information asymmetry between the two parties. To address this, mechanisms such as audits and financial reporting are employed to bridge the informational gap and align the interests of both parties.

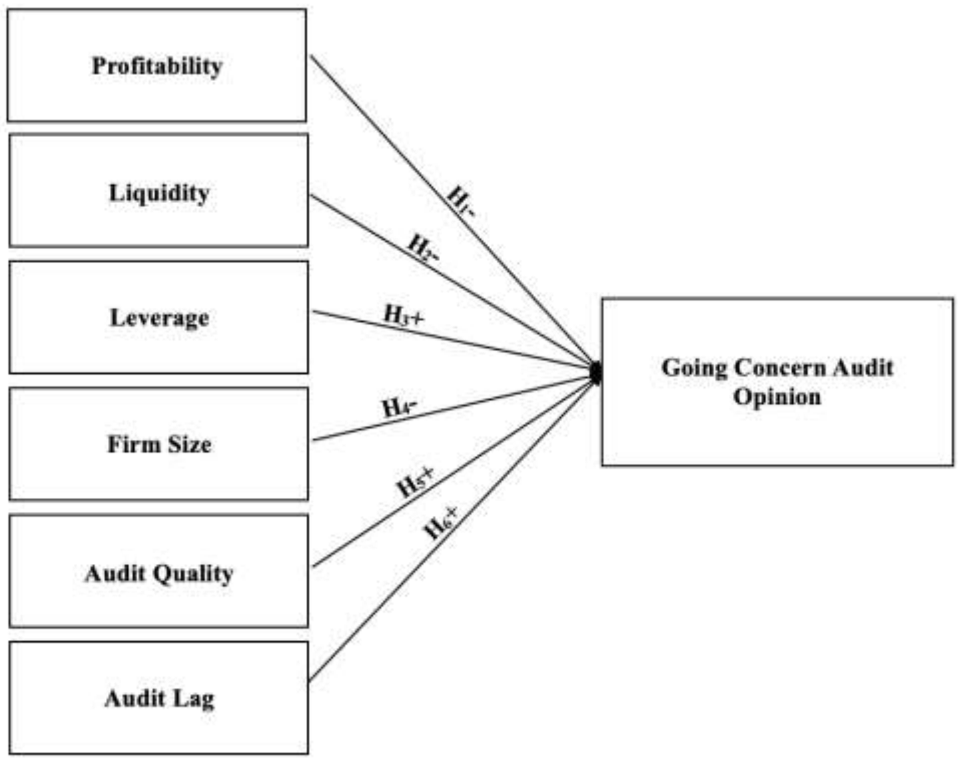
This theory states the necessity of an unbiased entity, which in this case, is the auditor. Using the financial report as a tool, auditors perform the duty of monitoring the managers’ work activities. The auditor is responsible for rendering an assessment concerning the integrity of financial statements. Principals will be more likely to trust an entity's information if the financial statements that accurately describe the entity's performance and financial condition have been given a fair assessment from the auditor.

The link between agency theory and the acceptance of going concern opinion lies in the auditor responsibility to oversee the agent's performance regarding the suitability of their actions with the principal's interests in their mandate to run the business. The means of accountability in the form of financial reports will be evaluated by the auditor to trace the possibility of information asymmetry or moral hazard in manipulating data and to reveal the going concern problems faced by the entity through the provision of an audit opinion. If the entity is considered capable of maintaining its business continuity, the auditor will issue a non-going concern opinion. Conversely, if the entity is considered incapable of maintaining its business continuity, the auditor will issue a going concern opinion.

Theoretical Framework

This section describes the relationship scheme between the dependent variable (Y) and the independent variable (X). The Y variable in this research is the Going Concern Audit Opinion. Profitability, liquidity, leverage, firm size, audit quality, and audit lag are the X variables in this research. The graphic below provides an illustration of the research framework based on the relationship between the variables previously described:

Figure 1 Theoretical Framework



Hypothesis Development

The Effect of Profitability on Going Concern Audit Opinion

Profitability measures how effectively a company can generate earnings over a specific period and can impact the issuance of going concern audit opinion by auditors. Profitability can be served as an important indicator of a company's financial health, companies that are in an excellent financial condition are more profitability and typically have fair financial reports, which increases the likelihood that they will be viewed favorably in contrast to those with low profitability (Averio, 2020). As stated by Jensen & Meckling (1976) in accordance to agency theory, high profitability can reduce conflicts of interest that occurs between the principal and the agent. A company's possibility of obtaining a going concern audit opinion reduces with its level of profitability because profitable enterprises do not record losses and, as a result, do not face concerns with continuity (Gallizo & Saladrigues, 2016).

In this context, auditors may view highly profitable companies as having a lower financial risk and a stronger likelihood of continuity. Conversely, low profitability may raise the chance of obtaining a going concern opinion, as insufficient earnings can indicate financial instabilities, which may interfere the company's operational continuity (Averio, 2020). Studies by Suryani (2020) found that companies with lower profitability levels tend to carry higher financial risks, which leads to the auditor issuing a going concern audit opinion. Additionally, research done by Averio (2020) has shown that companies with low profitability experience greater financial pressure, thus making them more likely to receive going concern audit opinion. Based on the explanation before, the proposed hypothesis:

H_1: Higher profitability reduces the likelihood on the issuance of a going concern audit opinion.

The Effect of Liquidity on Going Concern Audit Opinion

Liquidity reflects a company's capacity to meet its short-term debts with its most liquid assets, such as cash or equivalents. A company's capacity to settle its short-term debts with its existing assets would decrease as its liquidity declines. On the other hand, a company that has more liquidity will also be better able to pay down its short-term debts on schedule (Nugroho et al., 2018). Therefore, higher liquidity levels can enhance confidence in the company's ongoing viability and reduce the probability of receiving a going concern audit opinion.

Agency theory underpins the connection between liquidity and going concern opinions by explaining how high liquidity reduces the risk of managements (agents) encountering financial problems that would impact the owners (principals). When liquidity is strong, management is better positioned to manage day to day expenses, lowering the potential for conflicts or misalignments between agents and principals. This aligns with Jensen & Meckling (1976) agency theory's concept of reducing information asymmetry and ensuring that both parties' interests are protected through financial stability. Studies by Averio (2020) indicate that companies with low level of liquidity reflects that the company is unable to guarantee the payment of debts that becomes its financial obligations, which shows how badly its finances are doing, leading to a higher likelihood of financial distress, and subsequently, a going concern audit opinion.

H_2: Higher liquidity reduces the likelihood on the issuance of a going concern audit opinion.

The Effect of Leverage on Going Concern Audit Opinion

Leverage measures the degree to which a company depends on debt to finance its operations. A higher leverage ratio indicates a heavier reliance on debt, which can signal increased financial risk and potential difficulty in meeting debt obligations (Anggarini & Zulfikar, 2022). High leverage levels make a company more vulnerable to economic downturns, as greater portions of its resources are committed to interest and debt payments, potentially heightening financial distress and increasing the likelihood of receiving a going concern audit opinion. As a result, when performing their audit obligations, auditors must be concerned about this.

From the perspective of agency theory, leverage plays a significant role in managing principal-agent relationships. When leverage is high, creditors, as well as shareholders (principals), become increasingly concerned about the company's capacity to honor its financial commitments. In order to guarantee that resources are distributed efficiently and to prevent needless risk that might threaten the company's bankruptcy, this frequently results in increased scrutiny of management actions (agents). This aligns with agency theory, which focuses on reducing conflicts and information asymmetry between principals and agents (Meckling & Jensen, 1976).

Studies done by Simamora & Hendarjatno (2019) shows that companies with high leverage are at a greater risk of financial instability, making them more likely to receive a going concern audit opinion. Similarly, Averio (2020) argue that a high debt ratio suggests that the majority of the company's funding comes from loans, which is quite dangerous. The company's ability to continue operating may be called into question if it is not backed by strong financial performance, as it is likely to fail on its loans. As a result, auditors frequently provide a modified unqualified opinion in terms of the company's capacity to continue as going concern. Based on the explanation before, the hypothesis is for this variable is:

H_3: Higher leverage increases the likelihood on the issuance of a going concern audit opinion.

The Effect of Firm Size on Going Concern Audit Opinion

Firm size can be observed from the financial status of the company, including the overall value of its assets (Junaidi & Hartono, 2010). In accordance to Mutchler (1985), auditors tend to give going concern opinions more frequently to small firms because they think that large firms are better able to overcome their financial challenges. Larger firms generally possess greater financial stability, broader access to financing, and diversified revenue streams, all of which contribute to reducing financial risk. Because of those resources, larger companies are often less likely to face financial distress, which can reduce the chance of obtaining a going concern audit opinion. Big company suggest that their financial situation is in good condition that they are less likely to obtain a going concern audit opinion, while small company suggest that their resources are so limited and their financial distress potential is so high that they are more likely to obtain a going concern audit opinion (Junaidi & Hartono, 2010).

In the context of agency theory, firm size also affects the principal-agent relationship. In larger firms, the separation between ownership (principals) and management (agents) can become more pronounced, leading to greater information asymmetry. However, larger firms typically adopt more robust governance structures and are more likely to implement effective monitoring systems to align management's actions with shareholders' interests. This aspect of agency theory suggests that larger companies might also have the resources to mitigate potential conflicts and maintain operations through economic challenges (Meckling & Jensen, 1976).

Studies by Anggraeni & Nugroho (2021) found that larger firms were less likely to obtain a going concern audit opinion, this is most likely due to their ability to access more resources in time of financial hardship. Conversely, Pradika & Sukirno (2017) suggests that smaller company, facing limited resources and higher operation risks, may be more prone to financial strain, thus increasing the potential of a going concern assessment by auditors. Based on the explanation before, the hypothesis for this variable is:

H_4: Larger firm size reduces the likelihood on the issuance of a going concern audit opinion.

The Effect of Audit Quality on Going Concern Audit Opinion

Audit quality reflects the level of accuracy and reliability in the financial statement assessments provided by an auditor. Simply put, it shows how well the auditors were able to identify and disclose any fraud, financial issues, or irregularities in the client's accounting system (Budianto & Setiawan, 2024). The size of audit firm has a direct impact on audit quality; the more clients an auditor has, the less incentive they have to take advantage of opportunities, and the higher the audit quality is perceived to be (DeAngelo, 1981). High audit quality often comes from larger auditing firms, such as the Big Four (Deloitte, PwC, EY, and KPMG), which typically possess more resources, skilled personnel, and access to specialized industry knowledge.

Audit quality is a vital factor in the audit process and the resulting opinions provided by auditors. The thoroughness of the audit and the evidence reviewed objectively reflect the quality of the audit, with auditors maintaining integrity, professionalism, and adherence to ethical standards throughout the process. Consequently, opinions formed with objectivity and independence accurately represent the entity's true condition. High audit quality is also evident when the audit processes are meticulously executed, enabling the detection of fraud within the entity. If such fraud poses a risk to the business's continuity, the auditor will issue a going concern opinion.

In relation to agency theory, the quality of an audit strengthens the principal-agent relationship by reducing the information asymmetry between shareholders (principals) and managers (agents). High-quality audits act as an effective monitoring tool, ensuring that managers accurately represent the company's financial health, and signalling potential financial distress that may compromise the company's sustainability. This alignment between audit quality and agency theory suggests that high-quality audits help protect the interests of shareholders by enabling auditors to issue going concern opinions when financial stability is uncertain. Studies done by Anggarini & Zulfikar (2022) found that going concern audit opinions are positively impacted by the audit quality,. This demonstrates that the size of the audit firm indicates the quality of the audit; larger audit firms also have a tendency to disclose existing issues since they are more resilient to lawsuit risk, which implies that large audit firms have a stronger incentive to identify and report client going concern issues.

H_5: Higher audit quality increases the likelihood on the issuance of a going concern audit opinion.

The Effect of Audit Lag on Going Concern Audit Opinion

Audit lag refers to the number of days between the financial statement's closing date and the audit report's release date (Ryu & Roh, 2007). Audit lag is the gap in days from the end of the fiscal year or closing year (31 December of the corresponding year) of a company to the date of the audit report on the independent's auditor report. A longer audit lag can indicate issues within the audit process, such as complexities in evaluating financial statements or difficulties encountered by the auditor, often linked to the company's financial health and can lead to the company receiving a going concern audit opinion (Gama & Astuti, 2014). Such delays may also suggest lack of efficiency within the company's internal controls or potential red flags regarding the financial, which can affect stakeholders' confidence. Consequently, shorter audit lags are typically viewed as a positive signal, indicating a smoother audit process and suggesting greater transparency and effective corporate governance.

In the context of agency theory, a delay in audit reporting can exacerbate information asymmetry between the management (agent) and the shareholders (principal). When the audit report is delayed, shareholders may lack timely insights into the company's financial status, potentially leading to mistrust and reducing investor confidence (Meckling & Jensen, 1976). Research by Bahtiar et al. (2021) has demonstrated that while delays can represent uncertainties and dangers in financial stability, firms with longer audit lags are more likely to receive a going concern audit opinion. The company receiving the going concern audit opinion was given more time by the auditor to address its own financial issues until it was able to preserve the company's ability to continue as a going concern. Similarly, findings from Januarti (2009) which provide empirical evidence that audit lag could be because the managers and the auditors are negotiating to avoid issuing a going concern audit opinion.

The researcher hypothesize that the time required to complete the audited financial statements is able to explain the financial health of the company. This is then linked to the company's chances of receiving an opinion containing a statement regarding its business continuity. The longer the audit time, the greater the likelihood that the auditor will communicate business continuity issues. The final hypothesis of this study according to these considerations is:

H_6: Higher audit lag increases the likelihood on the issuance of a going concern audit opinion.

RESEARCH METHODOLOGY

This section provides an explanation of the study population and sample, the variables used and their measurements, as well as the research model.

Population and Sample

The research population for this research consist of consumer cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) between the year 2020 to 2023. The period from 2020 to 2023 was chosen for this research because it encompasses significant economic fluctuations due to the impacts of COVID-19 pandemic and the subsequent recovery period. These years provide a comprehensive view of how consumer cyclical sector companies navigated through periods of economic uncertainty and recovery, making it a relevant timeframe for analyzing factors that influence going concern audit opinions.

Additionally, the consumer cyclicals sector is known for its sensitivity to economic cycles, which makes it an interesting subject for studying the determinants of going concern audit opinions, as companies in this sector may exhibit more pronounced financial fluctuations. The period from 2020 to 2023 also saw various regulatory changes and government interventions aimed at stabilizing the economy, providing an opportunity to examine how these measures impacted financial reporting and audit outcomes. Moreover, companies listed on the IDX are required to publish detailed financial reports, ensuring the availability of reliable data for analysis. Lastly, the consumer cyclicals sector encompasses a diverse range of industries such as automotive, retail, and entertainment, allowing for a comprehensive analysis of the factors affecting going concern audit opinions across different types of businesses.

In sample sorting, purposive sampling approach is applied to select samples through specific criteria. Some of the criteria applied include:

1. Companies in the consumer cyclicals category listed on the Indonesia Stock Exchange (IDX) during 2020-2023.
2. Consumer cyclicals sector companies that provide financial data needed to measure the test variables during the period 2020-2023.
3. Consumer cyclicals sector companies that experienced losses for at least two years out of the four years of research.
4. Consumer cyclicals sector companies that do not delist during the period 2020-2023.

Data Analysis Method

In this research, the logistic regression models seeks to explore how variables including profitability, liquidity, leverage, firm size, audit quality, and audit lag affect the probability of a company obtaining a going concern audit opinion. The logistic regression model is:

$$\mathbf{GCO = \alpha + \beta 1PROF + \beta 2LIQ + \beta 3LEV + \beta 4SIZE + \beta 5QUALITY + \beta 6LAG + e}$$

GCO = Going Concern Audit Opinion
α = Constanta
PROF = Profitability
LIQ = Liquidity
LEV = Leverage
SIZE = Firm Size
QUALITY = Audit Quality
LAG = Audit Lag
e = Error

FINDINGS AND ANALYSIS

Description of Research Object

Table 1
Sample Details

No.	Criteria	Amount
1.	Consumer cyclicals sector companies listed on the IDX during 2020-2023 period	166
2.	Consumer cyclicals sector companies that fail to provide at least one single data for the variable from the Bloomberg	(36)
3.	Consumer cyclicals sector companies that did not issue an audited financial report or an annal report for the period for at least one year during the four years period of this study on the IDX	(26)
4.	Consumer cyclicals sector companies that did not experience losses for at least two years during the four years period of this study	(48)
	Total number of companies	56
	Total number of observations (56 x 5)	224

Descriptive Statistics

This analysis displays data based on various measurement, such as standard deviation, average, minimum, and maximum. This analysis is used to provide explanations and information related to the variables used. The statistic variables consist of:

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Table 2
Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
PROFITABILITY	224	-,70	,14	-,0538	,10721
LIQUIDITY	224	,00	139,44	2,8267	12,59590
LEVERAGE	224	,00	2,00	,2805	,27117
FIRM SIZE	224	24.00	32.00	27.3795	1.51635
AUDIT LAG	224	31.00	785.00	105.6607	55.62842
Valid N (listwise)	224				

Source: Output from IBM SPSS 26, 2024

Table 3
Descriptive Statistics Dummy Variable

Variable Dummy	Category	Definition	Amount	Percentage (%)
Going Concern Audit Opinion	1	Sample of companies that received audit opinions that focused on issues related to the company's potential inability to continue operating (going concern audit opinion)	47	20.98
	0	Sample of companies that received an unqualified opinion and no emphasis on a matter (non-going concern opinion)	177	79.02
Audit Quality	1	Sample of companies audited by one of the Big 4 companies	27	12.05
	0	Sample of companies not audited by one of the Big 4 companies	197	87.95

Source: Secondary data processed, 2024

Table 3 shows that going concern audit opinion is measured as a dummy variable with score of 0 and 1. Companies that received going concern audit opinion are 20.98% of the total observations. Table 2 provides descriptive statistics for the research variables. Profitability, measured by the Return on Assets (ROA) has a minimum value of -0.70, maximum value of 0.14, mean value of -0.0538, and a standard deviation value of 0.10721. Liquidity, measured by the Quick Ratio has a minimum value of 0.00, maximum value of 139.44, mean value of 2.8267, and a standard deviation of 12.59590. Leverage, measured by the Debt to Asset Ratio (DAR) has a minimum value of 0.00, maximum value of 2.00, mean value of 0.2805, and a standard deviation of 0.27117. Firm size, represented by the total assets, has a minimum value of 24.00, maximum value of 32.00, mean value of 27.3795, and a standard deviation of 1.51635. The audit quality through the dummy variable has a value of 0 and 1. There are 12.05% of sample companies audited by Big 4 companies. The audit lag variable shows that the minimum value is 31.00, the maximum value is 785.00, the mean value is 105.6607, with a standard deviation of 55.62842.

Research Results

Table 4
Goodness of Fit Test

Hosmer and Lemeshow Test			
Step	Chi-square	df	Sig.
1	14.140	8	.078

Source: Output from IBM SPSS 26, 2024

The findings from Table 4 displays that the chi-square value is 14.140 and has a significance value of 0.078. It can be concluded that the model is considered a good fit since the significant value is greater than 0.05 and therefore, the model is appropriate for explaining the relationship between the two categories of variables being used in this research.

Table 5
Overall Model Fit

Iteration		-2 LL	Coefficients						
			Constant	PROF	LIQ	LEV	SIZE	QUALITY	LAG
Step 1	1	216.560	-.500	-1.058	-.012	.793	-.040	-.798	.003
	2	210.062	-.142	-1.300	-.037	.983	-.062	-1.515	.003
	3	203.682	.443	-1.366	-.133	.850	-.079	-2.006	.003
	4	192.152	1.821	-1.704	-.463	.487	-.114	-2.243	.003
	5	183.796	2.751	-2.137	-.965	.248	-.135	-2.335	.002
	6	179.338	3.130	-2.494	-1.605	.046	-.135	-2.416	.002
	7	178.467	3.099	-2.711	-2.020	-.048	-.127	-2.456	.001
	8	178.439	3.059	-2.745	-2.107	-.060	-.125	-2.462	.001
	9	178.439	3.057	-2.746	-2.111	-.060	-.125	-2.462	.001
	10	178.439	3.057	-2.746	-2.111	-.060	-.125	-2.462	.001
a. Method: Enter									
b. Constant is included in the model.									
c. Initial -2 Log Likelihood: 230.147									
d. Estimation terminated at iteration number 10 because parameter estimates changed by less than .001.									

Source: Output from IBM SPSS 26, 2024

The test was conducted to assess the goodness of fit between the research data and the regression model, considering the potential interdependence among the variables analyzed. The initial -2 Log Likelihood value was 230.147. After including the independent variables in the model, the final -2 Log Likelihood value decreased to 178.439 at iteration 10. This significant reduction of 51.708 indicates an improvement in the model's fit with the data. The estimation process terminated at iteration 10 as the parameter estimates changed by less than 0.001, demonstrating the stability of the model.

Table 6
Determinations of Coefficient Test (Nagelkerke R Square)

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	178.439[a]	.206	.321

a. Estimation terminated at iteration number 10 because parameter estimates changed by less than .001.

Source: Output from IBM SPSS 26, 2024

Table 6 shows that the result of the test value is 0.321. It indicates that the independent variables can affect the dependent variable for 32.1%, whereas the remaining 67.9% affected other factors outside the variables being studied.

Table 7
Logistic Regression Test

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	PROF	-2.746	1.921	2.044	1	.153	.064	.001	2.769
	LIQ	-2.111	.576	13.403	1	.000	.121	.039	.375
	LEV	-.060	.757	.006	1	.936	.941	.214	4.151
	SIZE	-.125	.143	.758	1	.384	.883	.667	1.169
	QUALITY	-2.462	1.063	5.371	1	.020	.085	.011	.684
	LAG	.001	.003	.125	1	.724	1.001	.995	1.007
	Constant	3.057	3.837	.635	1	.426	21.267		

a. Variable(s) entered on step 1: PROFITABILITY, LIQUIDITY, LEVERAGE, FIRM SIZE, AUDIT QUALITY, AUDIT LAG.

Source: Output from IBM SPSS 26, 2024

The following regression model was constructed using this table:

$$\mathbf{GCAO = 3.057 - 2.746PROF - 2.111LIQ - 0.06LEV - 0.125SIZE - 2.462QUALITY + 0.001LAG}$$

The Effect of Profitability on the Acceptance of Going Concern Opinions

The findings of this research suggest that profitability, which is measured by Return on Assets (ROA), does not have a significant effect on the likelihood of receiving a going concern audit opinion. This conclusion is concluded from Table 7 which shows that the significance value of ROA is greater than 0.05 (Sig. = 0.153). In this research, many companies in the sample experienced negative average ROA values. This is due to the sampling criteria, which include companies that reported losses for at least two out of the four years in the study period (2020-2023). Among the companies analyzed, a significant portion experienced financial distress, which contributed to the low profitability ratio.

The findings of this study are consistent with those of Nugroho et al. (2018) and Anggraeni & Nugroho (2021), which also concluded that the use of ROA to measure profitability has no significant impact on the issuance of going concern audit opinion. However, this study contrasts with Bahtiar et al. (2021) and Tania et al. (2021), which discovered a negative correlation between profitability and going concern audit opinion.

The Effect of Liquidity on the Acceptance of Going Concern Opinions

The study's findings show that liquidity, as assessed by the current ratio, has a considerable negative effect on the likelihood of obtaining a going concern audit opinion. As what was shown in Table 7, the significance value for liquidity is 0.000, which is below the 0.05 threshold, and the coefficient value is negative at -2.111. Liquidity refers to a company's capacity to fulfil its short-term obligations with current assets. Companies with low liquidity may struggle to sustain operations and meet creditors demands, leading to higher audit risk and an increased likelihood of a going concern audit opinion. On the opposite, companies with strong liquidity demonstrate greater financial stability, which reassures auditors about their ability to continue operating in the foreseeable future.

This finding supports prior research by Bahtiar et al. (2021) and Averio (2020), which reported a significant relationship between liquidity and going concern opinions. However, it contradicts studies by Simamora & Hendarjatno (2019) and Nugroho et al. (2018), which found no significant effect of liquidity on going concern audit opinions.

The Effect of Leverage on the Acceptance of Going Concern Opinions

The results show that leverage, measured by the debt-to-equity ratio, does not significantly influence the likelihood of receiving a going concern audit opinion. Table 7 indicates a significance value of 0.941, which exceeds the 0.05 threshold. Leverage reflects the extent to which a company’s operations are financed through debt. High leverage can signal financial instability, as a substantial portion of earnings may be allocated to interest payments. However, in this study, leverage does not play a significant role in influencing auditors’ assessments. This may be because auditors consider additional factors, such as profitability and liquidity, when forming their opinions.

The findings are consistent with Bahtiar et al., (2021) and Kamil & Maksum (2023), which also concluded that leverage does not significantly affect going concern audit opinions. However, they contradict the studies of Budianto & Setiawan (2024), which found a positive relationship between

The Effect of Firm Size on the Acceptance of Going Concern Opinions

The study finds that firm size, calculated by using the natural logarithm of total assets, does not significantly impact the probability of receiving a going concern audit opinion. As shown in Table 7, the significance value for firm size is 0.384, which is greater than 0.05. Firm size is often associated with financial stability, as larger firms typically have greater access to resources and capital markets, which can reduce the likelihood of financial distress. However, the findings suggest that auditors may not place significant weight on firm size alone when evaluating going concern risks, focusing instead on financial ratios such as liquidity and profitability.

These findings are in line with investigations by Nugroho et al. (2018) and Averio (2020), which found no significant relationship between firm size and going concern audit opinions. However, they differ from the findings of Anggraeni & Nugroho (2021), which reported a significant negative relationship.

The Effect of Audit Quality on the Acceptance of Going Concern Opinions

Audit quality, measured by whether the auditor is a Big 4 firm, has a significant negative impact on the probability of receiving a going concern audit opinion. As shown in Table 7, the significance value for audit quality is 0.02, and the coefficient is negative (-2.462). This indicates that companies audited by Big 4 firms are less probable to receive a going concern audit opinion. The results indicate that Big 4 auditors, known for their strict audit standards and access to superior resources, conduct more rigorous evaluations of a company’s financial condition. This thorough scrutiny may lead to better mitigation or resolution of potential financial issues before they escalate to a level that requires a going concern opinion. Supporting this, the frequency distribution data in Table 4.4 shows that only 12.05% of the companies in the sample were audited by Big 4 firms, yet these companies displayed stronger financial resilience overall.

The findings align with studies by Averio (2020), which found that there is a significant relationship between audit quality and going concern opinions, but contradict to the findings by Simamora & Hendarjatno (2019), which reported that audit quality has no influence on the acceptance of going concern audit opinions. This discrepancy, which highlights the complex role of audit quality in forming going concern opinions, may result from variations in sample characteristics or industry focus. The substantial impact found in this study emphasizes how crucial Big 4 corporations' strict audit procedures are to preserving financial stability and accountability.

The Effect of Audit Lag on the Acceptance of Going Concern Opinions

The study reveals that audit lag, assessed by the duration of days that pass between the fiscal year-end and the auditor's report date, has no significant effect on the likelihood of receiving a going concern audit opinion. Table 7 shows a significance value of 1.00, which is far above 0.05. Audit lag often reflects the complexity of the audit process. However, the results suggest that the duration of the audit does not directly influence the auditor’s decision regarding going concern risks.

These findings are consistent with Averio (2020) and Simamora & Hendarjatno (2019) but contradict Bahtiar et al. (2021), which reported a significant relationship between audit lag and going concern opinions.

CONCLUSION

The purpose of this research is to delve into the manner in which profitability, liquidity, leverage, firm size, audit quality, and audit lag affect going concern audit opinions. Consumer cyclicals companies that are listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023 are used as the focus on this research. The sample for this study was determined by utilizing purposive sampling according to the criteria that had been decided. This study used 224 observations from 56 consumer cyclicals companies that are selected as samples.

The results of the study shows that profitability, leverage, firm size, and audit lag does not have a significant influence on the acceptance of the going concern audit opinion, whereas the liquidity and audit quality has a significant negative influence on the issuance of going concern audit opinion. These findings contribute to the understanding of the factors influencing auditors’ issuance of going-concern opinions, highlighting the roles of liquidity and audit quality while suggesting that other variables, such as profitability and leverage, may hold less significance in isolation. Furthermore, the results underline the complexity of auditors’ decision-making processes, which incorporate multiple dimensions of financial and operational performance.

Limitations

Despite its contributions, this study has several limitations that should be acknowledged:

1. The research is limited to companies in the consumer cyclicals sectors, potentially restricting generalizability to other sectors.
2. Public Accounting Firms that conduct audits of companies, which are used as measure of audit quality, often do not change from year to year.
3. This research only covers the 2020 to 2023 period, which may not capture long term trends or shifts in economic conditions.

Suggestions

Several recommendations for further research were obtained based on several limitations that have been found:

1. Expand the strudy to include companies from other sectors or regions to improve generalizability.
2. Examining variables using alternatives measurement methods to enhance the genralizability of the findings.
3. Extend the research period to analyze longer term trends and trheir impact on going concern audit opinions.

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