The Influence of Profitability, Solvency, Company Size, and Audit Tenure on Going Concern Audit Opinions (A Study on Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period 2019-2022)

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Abstract: The purpose of this research is to determine the extent of the influence of company profitability, the company's methods of solvency in fulfilling its obligations, company size, and the relationship between clients and auditors on going concern audit opinions in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2019-2022. This study uses a descriptive quantitative method with purposive sampling and employs IBM Statistic SPSS Ver 27 for logistic regression measurement. The results of this research indicate that solvency and company size affect going concern audit opinions, whereas profitability and audit tenure do not affect going concern audit opinions.

Keyword: Audit Tenure, Going Concern, Profitability, Solvency, Company Size

INTRODUCTION

At the beginning of 2020, the world was shocked by the rapid and deadly spread of the COVID-19 pandemic. This virus knew no national boundaries, and its impact was felt by every country globally. The world economy was shaken, with both large and small businesses facing difficulties, and many people losing their jobs. The economic challenges became very real, with widespread effects on the global economy. Companies experience increasingly fierce business competition in this era of globalization (Purwanti, 2022). In Indonesia, COVID-19 had a broad impact on various sectors. According to (Glints, 2022), one of the most affected sectors was manufacturing, and as reported by the Ministry of Industry (Kemenperin, 2023), the manufacturing sector remained the main driver of the national economy.

The impact of the COVID-19 pandemic on the manufacturing sector in Indonesia has been significant. According to (CNBC, 2020), at the start of the pandemic, the utility of manufacturing companies experienced a decline of around 30-40%. (Vision, 2022) reported a decline in the growth rate of the manufacturing industry, particularly in 2020, with a contraction of -2.93%. Limited mobility of the population also contributes to the decline in

the economic growth (Nugroho et al., 2019). However, this industry demonstrated resilience, showing a recovery in 2021 with an industrial growth rate of 3.39%.

COVID-19 has been proven to have a significant impact on the economy in Indonesia (Lestari et al., 2023). The value of the company can affect the investor's decision making (Yolifiandri et al., 2023). This situation has increased the risk of corporate bankruptcy, requiring auditors to conduct more stringent evaluations regarding a company's ability to continue operating for a reasonable period. The COVID-19 pandemic has transformed what was once a stable business environment into a state of uncertainty, making this a central focus in the going concern audit process. A going concern audit opinion is an assumption in the financial reporting of an entity, meaning that if an entity faces conditions contrary to the going concern assumption, it may encounter survival issues (J. Saputra et al., 2020). According to the Indonesian Institute of Certified Public Accountants (IAPI, 2021) or SA 570, the auditor's responsibility is to obtain sufficient and appropriate audit evidence regarding the accuracy of management's use of the going concern assumption in preparing and presenting financial statements, and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern.

According to auditing standards (SA 570), the factors for assessing management's ability to maintain the going concern include:
a. Uncertainty related to the outcome of a condition.
b. The size and complexity of the entity, the nature and conditions of the business, and the degree of influence from external factors.
c. Any considerations about the future are based on the information available at the time the judgment is made.

Therefore, auditors are responsible for evaluating whether there is substantial doubt about an entity's ability to continue as a going concern for a specific period (Nababan, Damanik, Maghfirah, 2022). Granting a going concern status is not an easy task for auditors; if this status is not in line with the company's financial condition, it could jeopardize the auditor's reputation and result in audit failures. Auditors must critically assess the situation to ensure that the audit report accurately reflects the company's condition and does not mislead investors, given that the communication in the audit report is part of the public information when the company issues its annual financial statements (Mutsanna & Sukirno, 2020).

The company's financial condition is a representation of its overall health. The financial condition is the key indicator of whether a company can sustain its operations (Nababan, Damanik, Maghfirah, 2022). If a company's financial performance is good, the company's condition is considered good, which makes it attractive to investors for investment (Anjarwati et al., 2022). Therefore, it is necessary to have measurement factors that can determine the going concern opinion, as going concern is a complex and ongoing issue, providing a reference point for investors in making investment decisions. To understand a company's financial performance, several factors influence the issuance of a going concern audit opinion: profitability, solvency, company size, and audit tenure.

The first factor is profitability. Profitability is the company's ability to generate profit. The ratio used is ROA (Return on Assets). The higher the ROA, the more effective the management of the company's assets (Mareta & Dessi, 2019). The higher the return rate, the better the company's performance, and auditors are less likely to issue a going concern opinion for highly profitable companies (Zalogo & Duho, 2022). Profit is often used as a measure of a company's performance, where a high profit indicates that the company's performance is good, and vice versa (Fathihani & Haris Nasution, 2021).

The next factor is solvency. The solvency ratio is a ratio used to measure the extent to which a company's assets are funded by debt (Fathihani et al., 2022). A high solvency ratio can negatively impact the company's financial position. A high solvency ratio may indicate

poor financial performance and can create uncertainty in the company's profitability. Consequently, companies with high solvency ratios are more likely to receive a going concern audit opinion (Zalogo & Duho, 2022).

Next is company size. Company size is an indicator that reflects how large or small a company is. It can be determined by the total assets owned by the company. Total assets represent the company's wealth to support operational activities, market expansion, and other initiatives. The larger the total assets, the larger the company (Mutsanna & Sukirno, 2020). Reputation and a big name are not always a guarantee that the company does not manipulate the profits presented in the financial reports (Yolifiandri et al., 2024)

The final factor is audit tenure. Audit tenure is the length of the relationship between the auditor and the client in terms of the engagement carried out (E. Saputra & Kustina, 2018). The length of the cooperative relationship between the auditor and the client can make the auditor more knowledgeable about the condition of the company so that it can facilitate inspections and can easily detect and report to the independent auditor's report (Kamil, 2021). In this context, the auditor's ability to consider the company's capabilities and conditions becomes crucial before issuing a going concern audit opinion.

Therefore, in issuing a going concern opinion, auditors must be more meticulous, ensuring that the users of the financial statements of the company can make accurate decisions based on the actual circumstances (Juanda & Lamury, 2021).

METHOD

This research employs a descriptive quantitative method and utilizes the financial statements of manufacturing companies for the period from 2019 to 2022, sourced from www.IDX.co.id. Logistic regression analysis is used to determine the significance of the independent variables on the dependent variable, using data from the financial statements listed on the Indonesia Stock Exchange (secondary data), with a sampling technique called purposive sampling.

The population in this study consists of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2022. The sampling technique used is purposive sampling, which involves selecting samples based on specific criteria. The sample criteria used in this study are as follows:

a. Manufacturing companies that are consistenly listed on the Indonesia Stock Exchange from 2019 to 2022.
b. Manufacturing companies that have published complete financial statements from 2019 to 2022.
c. Manufacturing companies that have experienced negative profits for at least three consecutive years during the period from 2019 to 2022, as companies with positive profits are less likely to receive a going concern audit opinion.

The data analysis method used in this research is logistic regression. According to (I Ghozali, 2013), logistic regression is used to determine the extent to which the probability of the dependent variable's occurrence can be predicted by the independent variables. The logistic regression model equation used in this study is as follows:

$$\text{LN}\ \frac{P}{1-P} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Information:

$\text{LN}\ \frac{P}{1-P}$ = audit opinion

β_0 = intercept

$\beta_0 - \beta_1$ = logistic regression coefficients

X_1 = profitability
X_2 = solvency
X_3 = company size
X_4 = audit tenure
e   = error term

RESULTS AND DISCUSSION
Descriptive statistics

Descriptive statistics, according to (I Ghozali, 2013), is a technique that describes a set of data under study. By employing descriptive statistics, data can be examined based on measures such as mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (distribution asymmetry). In this study, the results of descriptive statistical analysis based on observations of several variables used in the research will be presented. Below are the results of descriptive statistical tests using the IBM SPSS Statistics 27 application:

Tabel 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Opini (Y)	72	.00	1.00	.4028	.49390
ROA (X1)	72	-1.166312	.027158	-.15017857	.260473736
DAR (X2)	72	.153591	4.098801	.95330092	.903155605
Size (X3)	72	15.120123	29.983784	25.91269221	3.663403974
Tenure (X4)	72	1.00	3.00	1.5417	.69073
Valid N (listwise)	72				

Source: Data processed using IBM SPSS Statistics 27

Hosmer and lemeshow test

The test of regression model fit in this study used the Hosmer and Lemeshow Test, which aims to evaluate the suitability of the regression model. Below are the results of the regression model fit test using the IBM SPSS Statistics 27 application:

Tabel 2. Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	5.302	8	.725

Source: Data processed using IBM SPSS Statistics 27

Overall model fit

This test can be considered good if there is a decrease in the initial -2LL (block number 0) compared to the final -2LL (block number 1), indicating that the model is assumed to fit the data. The results of the model fit test are shown in the table below:

Tabel 3 Overall Model Fit Test

Overall Model Fit Test (-2LogL)	
-2 Log Likehood (Block 0)	97.074
-2 Log Likehood (Block 1)	75.903

Source: Data processed using IBM SPSS Statistics 27

Omnibus test

The simultaneous test is conducted by examining the output results from data processing using SPSS, namely the Omnibus Test of Model Coefficients. This test is performed to determine the combined influence of all independent variables in the study on the dependent variable. The hypotheses for this test are as follows:

H_0 = There is no significant effect of the independent variables on the dependent variable.
H_a = At least one independent variable has a significant effect on the dependent variable.

The simultaneous test results in this study are as follows:

Tabel 5. Omnibus Test of Model Coefficients

		Chi-square	Df	Sig.
Step 1	Step	21.171	4	.000
	Block	21.171	4	.000
	Model	21.171	4	.000

Source: Data processed using IBM SPSS Statistics 27

Nagelkerke r square

The Nagelkerke R Square test is conducted to determine the magnitude of the influence of independent variables on the dependent variable. In this study, it assesses the impact of profitability, solvency, company size, and audit tenure on the going concern audit opinion in manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2019 – 2022. Here are the results of the coefficient of determination test:

Tabel 6. Model Summary

Step	-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
1	75.903	.255	.344

Source: Data processed using IBM SPSS Statistics 27

Variabel in the equation

The next step is to conduct partial testing to determine which independent variables have a significant influence on the going concern audit opinion in manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2019 – 2022. This partial testing is performed using the Wald test statistic. Subsequently, the results of the partial test using the Wald test can be observed in the following Table 7:

Tabel 7. Variabel in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1	ROA (X1)	1.162	1.192	.949	1	.330	3.196
	DAR (X2)	1.591	.642	6.145	1	.013	4.909
	Size (X3)	-.176	.080	4.827	1	.028	.839
	Tenure (X4)	.033	.410	.006	1	.936	1.033
	Constant	2.886	2.228	1.679	1	.195	17.930

Source: Data processed using IBM SPSS Statistics 27

CONCLUSION

Based on the results of the statistical testing and research analysis, the following conclusions can be drawn:

a. Profitability does not have a significant influence on the going concern audit opinion in manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2019 – 2022.

b. Solvency has a positive and significant influence on the going concern audit opinion in manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2019 – 2022.

c. Company size has a negative and significant influence on the going concern audit opinion in manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2019 – 2022.

d. Audit tenure does not have a significant influence on the going concern audit opinion in manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period 2019 – 2022.

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