

Effect of Debt Ratio, Company Size, Reputation of Public Accounting Firms and Company Growth on Going Concern Audit Opinions on Consumer Goods Companies Listed on The Indonesia Stock Exchange For The 2016-2019 Period



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ABSTRACT: Go public companies are required to audit their financial statements by an independent auditor, namely an auditor who works at a public accounting firms. This study aims to examine the effect of debt ratio, company size, reputation of public accounting firms and company growth on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange for the 2016-2019 period. This study uses a quantitative descriptive approach. The population is 51 Consumer Goods Companies listed on the Indonesia Stock Exchange for the 2016-2019 period. The sample is 15 companies. The data analysis method used is logistic regression. The results of the study are the debt ratio, company size, reputation of public accounting firms and company growth simultaneously effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange for the 2016-2019 period. Debt ratio, company size, reputation of public accounting firms and company growth partially have no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange for the 2016-2019 period.

KEYWORDS: Debt Ratio, Company Size, Reputation of Public Accounting Firms, Company Growth, Going Concern Audit Opinions

INTRODUCTION

Go public companies are required to audit their financial statements by an independent auditor, namely an auditor who works at a public accounting firms.

The auditor who examines the company's financial statements will provide an opinion in accordance with the circumstances of the company. The auditor does not find doubts about the condition of the company in maintaining its viability, so the opinion is given non-going concern and the survival of the doubtful company can be given an audit going concern opinion. Debt ratio is a ratio measuring the company's ability to meet its debts.

The debt ratio shows the funding from the company's debt to creditors. A high debt ratio results in a bad company's financial condition. High solvency as a sign of poor performance and resulting in uncertainty in the survival of the company so that it gets an audit going concern opinion.

Company size indicates the size of the company scale. Small scale companies often get an audit going concern opinion. Large-scale companies easily obtain funds, either loans or investments from investors. It is easier for large-scale companies to obtain loans than small-scale companies. The rules of the Financial Services Authority, require each issuer to publish audited financial statements no later than 90 days after the end of the annual financial reporting period, which is March 31.

Responding to submissions from issuers regarding financial statements and even receiving a letter of warning. With a warning given by the Indonesia Stock Exchange because there are issuers whose financial statements receive a fair opinion with exceptions, and there are disclaimers from the Public Accounting Firm. In accordance with Public Accounting Firm assessment standards in relation to the issuer's financial performance, there are four opinions that are usually issued by the auditor, namely unqualified opinion (unqualified opinion), reasonable with exceptions (qualified), no opinion from the auditor (disclaimer), and unreasonable (adverse) opinion.

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A company that is experiencing growth means that the company is able to increase its sales volume compared to previous years. Increased sales indicate the company's operational activities are running properly. Increased sales will provide opportunities for companies to increase profits and maintain their viability (going concern). Companies with positive sales growth have a tendency to be able to maintain their business continuity so that auditors rarely give opinions about the viability of the company.

This study aims to examine the effect of debt ratio, company size, reputation of public accounting firms and company growth on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange for the 2016-2019 period.

LITERATURE REVIEW

Effect of Debt Ratio on Going Concern Audit Opinions

According to Saifudin and Trisnawati (2016:593), the high solvency has an unfavorable impact on the company's financial condition. High solvency is a sign that its financial performance is not good and makes the company's survival uncertain and results in the acquisition of an going concern audit opinions.

According to Lie et al. (2016:92), high solvency causes the company to get an going concern audit opinions. The high debt that occurs results in financial difficulties and causes doubts for the auditor on the company's going concern ability on the survival of the company.

Effect of Company Size on Going Concern Audit Opinions

According to Santosa and Wedari (2007:142), giving going concern audit opinions to smaller companies. Large-scale companies are always less likely to get going concern opinions. Meanwhile, according to Saifudin and Trisnawati (2016: 592) the company's measurement of total assets is a sign of the company's ability to maintain its viability. Large companies are considered to have a better ability to manage the company and produce financial reports quality.

Effect of Reputation of Public Accounting Firms on Going Concern Audit Opinions

According to Zulfikar and Syafruddin (2013:4), public accounting firms with good reputation provides an a going concern audit opinions on companies facing business continuity problems. Public accounting firms non-big four has a lower reputation than public accounting firms big four so that the audit quality provided is lower.

According to Kusumayanti and Widhiyani (2017:2297), the going concern audit opinions is mostly given by the big four public accounting firms auditors because the quality of auditing financial statements is more thorough related to the company's going concern audit opinions.

According to Pawitri and Yadnyana (2015: 218), investor confidence in auditing reports is reputable for the big 4 and has the best expertise than the non-big four.

Effect of Company Growth on Going Concern Audit Opinions

According to Saifudin and Trisnawati (2016:593), high sales growth does not guarantee that the auditor does not provide an going concern audit opinions. High sales growth affects production costs increase and increased profits have an impact on operating expenses.

RESEARCH METHODS

This study uses a quantitative descriptive approach. Qualitative research is the focus of attention with various methods, which include interpretive and naturalistic approaches to the subject of study (Pandiangan et al., 2021). Descriptive research is a type of research that aims to make a systematic, factual and accurate description of the facts and characteristics of the population of a particular area (Pandiangan, 2015).

The population is 51 Consumer Goods Companies listed on the Indonesia Stock Exchange for the 2016-2019 period. According Pandiangan et al. (2018) in Sugiyono, purposive sampling is the selection of samples based on certain characteristics that are considered to have relevance to the characteristics of the population that have been known previously. The sample is 15 companies.

Library research of reference sources is a form of research that uses library facilities by examining theoretical discussions from various books, articles, and scientific works related to writing (Pandiangan, 2018).

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The data analysis method used is logistic regression. Hypothesis testing was carried out by multivariate analysis using logistic regression, in which the independent variable was a combination of metric and non metric (nominal). The logistic regression model is actually similar to discriminant analysis, namely to test whether the probability of the occurrence of the dependent variable can be predicted with the independent variable, where the dependent variable is expressed with a value of 0 and 1 (Tobing et al., 2018). The reason for using the logistic regression model is because in this study we want to test the presence or absence of the influence of the independent variable on the dependent variable where the dependent variable is a dummy variable and the independent variable is a combination of metric and non-metric.

RESULT

Descriptive Statistics Test

Descriptive statistics can be described as follows:

1. Debt ratio min value 0.08, max 0.63, mean 0.3153 and std. dev 0.13946.
2. Company size min value 27.07, max 32.20, mean 29.2045 and std dev 1.48935.
3. Reputation of public accounting firms min 0.00, max 1.00, mean 0.0333 and std dev 0.18102.
4. Company growth min -0.51, max 0.30, mean 0.0568 and std dev 0.11749.
5. Going concern audit opinions min value 0.00, max 1.00, mean 0.0500 and std dev 0.21978.

HYPOTHESIS TESTING

The results of the logistic regression test are listed below:

Table 1. Logistic Regression Test

Variable	B	Sig.
Debt Ratio	-31.686	0.073
Company Size	-7.615	0.099
Reputation of Public Accounting Firms	-21.089	0.999
Company Growth	9.630	0.308
Uji F=0.017		

Dependent Variable: Going Concern Audit Opinions

Source: Data Processing Results (2021)

The results of Table 1 are the debt ratio, company size, reputation of public accounting firms and company growth simultaneously effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange for the 2016-2019 period.

Based on Table 1, debt ratio, company size, reputation of public accounting firms and company growth partially have no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange for the 2016-2019 period.

CONCLUSION AND SUGGESTION

The results of the study are the debt ratio, company size, reputation of public accounting firms and company growth simultaneously effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange for the 2016-2019 period. Debt ratio, company size, reputation of public accounting firms and company growth partially have no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange for the 2016-2019 period.

Based on the conclusions above, the researchers provide some suggestions as follows:

1. It is recommended that the company requires an audit opinion given by an independent auditor regarding the viability of the company. This audit opinion is given by an independent auditor by taking into account the debt ratio, company size, reputation of public accounting firms, company growth as measured by the level of sales.
2. Further researchers should change the object of research or add other variables that affect the going concern audit opinions.

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3. For Universitas Prima Indonesia, the results of this research are to enrich scientific works in the Universitas Prima Indonesia library

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