International Journal of
Economics Development Research, Volume 5(2), 2024
pp. 1673-1692

The Influence of Financial Distress, Debt Default, Company Growth, and Company Size on The Going Concern Audit Opinion

Hidayatul Nikmah[1], Atwal Arifin[2]

Abstract:

This study aims to analyze whether financial distress, debt default, company size, and company growth influence the going concern audit opinion. The population of this study consists of 56 companies in the material sector listed on the Indonesia Stock Exchange during the period 2020-2022 that meet all the specified criteria. Secondary data from www.idx.co.id and relevant company websites were used for this research. The sampling technique employed was purposive sampling, resulting in a total sample size of 159 companies after adjustment with the purposive sampling criteria. Data collection was conducted through documentation methods using logistic regression analysis technique. The results of this study indicate that company growth significantly influences the internal going concern audit opinion in the material sector listed on the Indonesia Stock Exchange during the period 2020-2022, while financial distress, debt default, and company size do not affect the internal going concern audit opinion in the material sector listed on the Indonesia Stock Exchange during the period 2020-2022.

Keywords: *Company Growth, Company Size, Debt Default, Financial Distress, Going Concern Audit Opinion*

Submitted: 4 April 2024, Accepted: 18 May 2024, Published: 30 June 2024

1. Introduction

The phenomenon being researched involves the crucial role of financial statements in both internal and external decision-making processes, as well as the significance of auditor involvement in ensuring the reliability of these financial statements. Financial statements, which are meticulously prepared by companies, serve as vital tools for internal management decisions and for meeting the informational needs of external stakeholders (Napitupulu & Latrini, 2022). They offer a window into the company's past and current performance, providing insights through various financial indicators. A significant aspect of this phenomenon is the trust and confidence investors place in these financial statements.

[1] *Accounting Program, Faculty of Economics and Business, Universitas Muhammadiyah Surakarta, Indonesia* b200200358@student.ums.ac.id.
[2] *Accounting Program, Faculty of Economics and Business, Universitas Muhammadiyah Surakarta, Indonesia,* aa156@ums.ac.id

According to Iriyanti & Nyale, (2022), auditors are pivotal in bridging the interests of investors and companies. Investors rely on financial statements to accurately reflect a company's performance and financial health. The audit process, culminating in an audit opinion, ensures that the financial statements are free from material misstatements and present a true and fair view of the company’s financial position. This trust is foundational to investor decision-making and market stability.

A significant aspect of this phenomenon is the trust and confidence investors place in these financial statements. According to Budiantoro et al., (2022), auditors are pivotal in bridging the interests of investors and companies. Investors rely on financial statements to accurately reflect a company's performance and financial health. The audit process, culminating in an audit opinion, ensures that the financial statements are free from material misstatements and present a true and fair view of the company’s financial position. This trust is foundational to investor decision-making and market stability. By analyzing these financial statements and understanding the auditor’s assessment, users can make informed decisions based on reality, not just projections or assumptions. This phenomenon highlights the interconnectedness of accurate financial reporting, auditor oversight, and investor confidence, which together ensure a stable and trustworthy financial market(Putri, 2020).

According to Listyaningrum & Sofie, (2022), an auditor can express one of five opinions based on an audit of a client's financial statements: Unqualified Opinion, Unqualified Opinion With Explanatory Language, Qualified Opinion, Adverse Opinion, and Disclaimer Opinion. These opinions are issued under specific conditions that auditors must thoroughly understand. In conducting the audit process, auditors must not only examine the items presented in the financial statements but also verify the existence of the company's business continuity. Therefore, auditors must carefully consider all factors affecting the company's business continuity (going concern) over a certain period to ensure that the opinions issued are of higher quality. Of the five audit opinions, the ones most related to the going concern opinion are Unqualified Opinion With Explanatory Language, Qualified Opinion, and Disclaimer Opinion, as they explain the existence of the company's business continuity to make informed decisions(Srimindarti et al., 2019).

The going concern audit opinion assesses whether there are doubts about the company's ability to maintain its business operations continuously (Widiana, 2016). According to Sengaji & Zulfikar, (2018), the presence of a going concern audit opinion is bad news for the entity and can indicate problems in maintaining its existence. Providing a going concern audit opinion is crucial for investors because it helps them determine the entity's future viability and make appropriate investment decisions. Auditors must carefully analyze all factors indicating business continuity problems to determine whether management has the right plan to address these issues. There are two types of errors in stating the going concern opinion: type 1 errors occur if the auditor issues a going concern opinion prematurely, and type 2 errors occur if auditors fail to issue a going concern opinion for a company that then goes bankrupt. These errors can harm auditors, clients, and other users of financial statements (Setiyanti, 2012). Factors influencing the acceptance of a going concern audit opinion include financial distress, debt default, company growth, and company size, as will be researched by the author(Pham, 2022).

Every business experiences ups and downs in its operations, especially in finance, particularly if the country's economic conditions are experiencing a crisis. According to Setiyanti, (2012), financial distress is caused by several factors such as cash flow difficulties, large debts, and periodic operational losses. To overcome or minimize the possibility of a company's bankruptcy, management must monitor the company's financial condition by hiring auditors to analyze financial statements. Auditors must carefully consider every disruption to the entity's business continuity (going concern) over a period to form a more accurate opinion(Suryani et al., 2023). According to Winarta & Kuntadi, (2022), debt default is defined as a company's inability to pay its debts, both principal and interest, at the specified time. Companies that go bankrupt increase the likelihood of auditors issuing going concern opinions. Characteristics of bankrupt companies include financial problems when cash flow becomes increasingly crisis-ridden with the risk of bankruptcy(Krisna Arum et al., 2022). As a result of this financial crisis, a company will not be able to pay its debts and is at risk of bankruptcy, so the company's survival is uncertain. Failure to pay is an indication for auditors to issue an audit opinion regarding going concern. According to Saputra dan Ketut Tanti Kustina, (2018), company growth is a measure of a company's annual revenue. If the growth rate is high, then the company is said to have good management strategies. The growth of a company is measured by the amount of revenue in the current year compared to the previous year. If sales decline, the company can adjust its valuation to survive in the current economic climate. Companies with increased sales compared to the previous year can be said to be relatively stable and can guarantee their business continuity in the future(El Deeb & Ramadan, 2020).

The existing literature extensively covers various aspects of audit opinions, financial distress, debt default, and company growth as indicators of going concern. However, there remains a gap in understanding the specific role of tone inconsistency in financial disclosures from a signaling perspective. While many studies examine the effects of financial disclosures on audit opinions, few investigate how inconsistent tones in these disclosures can influence the auditor's perception and decision-making process. This underexplored area is crucial for understanding how qualitative aspects of financial reporting impact audit outcomes. Future research should focus on this aspect to provide a more comprehensive understanding of the factors influencing going concern opinions.

Audit Standard (SA) 705 and 706 state that a "going concern" audit opinion arises if there are conditions causing the auditor to include an emphasis of matter paragraph related to uncertainties about the entity's future capacity. This is also related to the size of the company, as every company faces uncertainty regarding its total assets each year. The larger the company, the more likely it is to maintain its existence, and therefore, the less likely it is to receive a going concern audit opinion. In the research by Nagari & Suhartini, (2022), the size of a company can be determined by the number of assets it owns. One factor that can affect profit is the size of the company. The larger the company, the greater its ability to solve business problems and manage business challenges.

Dita & Andayani, (2023) found that financial distress does not positively affect the going concern audit opinion. Company size negatively affects the going concern audit opinion. The reputation of the public accounting firm (KAP) negatively affects the going concern audit opinion. The previous audit opinion positively affects the going concern audit opinion.

According to Oktaviani & Challen, (2020), the higher the financial distress of a company, the more likely auditors are to issue a going concern audit opinion. Conversely, if the financial distress is lower, the likelihood of auditors issuing a going concern audit opinion decreases. The higher the debt default of a company, or the inability of the company to pay its short-term debts and interest, the more likely auditors are to issue a going concern audit opinion. Conversely, if a company has a lower debt default, the likelihood of auditors issuing a going concern audit opinion also decreases. There is no influence of company growth on the acceptance of a going concern audit opinion in transportation, infrastructure, and utility companies listed on the Indonesia Stock Exchange from 2019-2021. This means that changes in company revenue do not impact the acceptance of a going concern audit opinion.

In this research, the sample objects used by the author are companies in the material sector listed on the Indonesia Stock Exchange. This sector includes companies that sell products and services used by other industries as raw materials to produce finished goods, such as chemicals, building materials, wood products, and paper.

This study is a modification of previous research conducted by Suci & Pamungkas, (2022) titled "The Influence of Financial Distress, Debt Default, and Company Growth on the Acceptance of Going Concern Audit Opinion for Companies Listed on the Indonesia Stock Exchange in the Transportation, Infrastructure, and Utilities Sectors from 2019-2021." The difference between this study and previous research is that the sample taken consists of companies in the material sector listed on the Indonesia Stock Exchange from 2020 to 2022. Additionally, this research combines several variables used by previous researchers. Unlike previous studies, this research adds one independent variable, company size, while the dependent variable remains the going concern audit opinion. Another difference is the data collection period, which spans three years, from 2020 to 2022. The author is interested in re-examining whether the findings are relevant when applied to audited financial statements from 2020 to 2022 for material sector companies listed on the Indonesia Stock Exchange.

2. Theoretical Background

Agency Theory

Agency theory explains the relationship between management and shareholders of a company, where both parties share information to assess the company's issues. Jensen & Meckling (1976) explain that the agency relationship is a contractual relationship between principals and agents, which can result in information asymmetry because agents have more access to business information. This relationship is closely related to the "Going Concern" audit opinion, where agents are authorized to prepare financial statements as a basis for decision-making (Al Fath & Sugito, 2020).

Signaling Theory

Signaling theory, introduced by Spence (1973) as cited in Saputra dan Ketut Tanti Kustina, (2018), explains that information providers send signals reflecting the company's condition to investors. Companies that successfully use financial information to send positive signals to the market, hoping to receive a positive response. Financial statements become one of the sources of information accessible to capital market participants Oktaviani & Challen, (2020). Additionally, the going concern audit opinion, as explained by Widyarti & Muniroh, (2022), also serves as a warning signal for users of financial statements. Continuously negative audit opinions serve as a poor indicator of the company's sustainability, giving negative signals regarding doubts about its existence.

Going Concern Audit Opinion

According to Dita & Andayani, (2023), the going concern audit opinion is the auditor's assessment of a company's ability to sustain its operations, providing information to stakeholders. Suci & Pamungkas, (2022) state that going concern is a fundamental assumption in the preparation of financial statements, indicating that the entity will be able to continue operating in the future. Therefore, the going concern audit opinion determines whether the company can maintain its viability, with auditors evaluating this ability within a reasonable timeframe, typically not more than one year from the date of the audited financial statements, based on knowledge of conditions and events at or before the completion of fieldwork.

Going Concern Audit Opinion as the Dependent Variable in this Research. The going concern audit opinion is an opinion provided by an auditor to determine whether a business can sustain its existence. The going concern audit opinion variable is measured using a dummy variable coded as 1 for companies receiving a going concern audit opinion and 0 for companies not receiving a going concern audit opinion.

According to Nagari & Suhartini, (2022), there are five opinions that an auditor can express based on the audit of a client’s financial statements:
1. Unqualified Opinion
2. Unqualified Opinion With Explanatory Language
3. Qualified Opinion
4. Adverse Opinion
5. Disclaimer Opinion

Companies receiving a going concern audit opinion are coded as 1, which includes: Unqualified Opinion With Explanatory Language, Qualified Opinion, Adverse Opinion, and Disclaimer Opinion. Conversely, companies not receiving a going concern audit opinion, i.e., those with an Unqualified Opinion, are coded as 0 (Iriyanti & Nyale, 2022).

Financial Distress

According to Idawati, (2023), financial distress is a condition in which a company generates negative net income and operational cash flow is insufficient to make improvements, which can more accurately predict bankruptcy than the previous year's audit opinion. Putu et al., (2019) explains that financial distress occurs when a company's cash flow is insufficient to meet both short-term and long-term obligations, forcing the company to correct its activities. This condition can lead to bankruptcy and requires action to improve cash flow. Thus, financial distress is a condition in which a company or individual cannot meet financial obligations, which can be caused by high fixed costs, illiquid assets, or revenue sensitivity to economic downturns. Companies need to be sensitive to these indicators because if not handled properly, it can threaten the company's operational continuity and lead to bankruptcy.

Financial distress is a condition where a company experiences financial difficulties marked by its inability to meet its obligations, which, if unresolved, can lead to bankruptcy or liquidation. In this research, financial distress is represented by the leverage ratio, specifically the Debt to Total Asset Ratio (DAR). This ratio is chosen to assess the company's ability to meet its obligations, both in the short term and long term. Previous studies conducted by Idawati, (2023) and Putu et al., (2019) have shown that DAR significantly influences the prediction of financial distress.

Debt Default

According to Rahmadona et al., (2019), debt default is a condition in which a company is unable to pay its interest and principal debts at the specified time. Auditing Standard (PSA) 30 states that an indicator for the going concern audit opinion is the company's failure to meet obligations (default), indicating a high likelihood of bankruptcy. Sihombing & Wandy, (2023) indicate that signaling theory suggests that a high default rate can send negative signals to investors, which are likely to trigger audit opinions related to company activities. Therefore, debt default refers to the company's inability to repay debts when due, which can increase the likelihood of auditors issuing a going concern audit opinion. An increase in corporate debt also has the potential to disrupt operational activities because cash flow allocated to cover debt. If debts cannot be settled, creditors may declare a default status.

Debt default occurs when a debtor is unable to fulfill their obligations under a debt contract or pay interest when it is due. Previous research by Sihombing & Wandy, (2023) indicates that debt default can be measured using a dummy variable where a code of 1 represents negative equity (debt default status) and a code of 0 represents positive equity (non-default status) to indicate whether a company is in default or not before the issuance of the audit opinion. The measurement of debt default status can be found in the independent auditor's report and/or the notes to the financial statements

Company Growth

According to Hakiki & Mappanyukki, (2022), company growth is an indicator of increasing revenue from year to year, and a high growth rate indicates good management strategy. Brigham and Houston (2009) as cited in Tihar et al., (2021) explain that company growth is the total change in assets owned by the company, both physical and non-physical assets. This is related to agency theory, where companies and management strive to achieve optimal performance to minimize the likelihood of detrimental going concern audit opinions, as revealed by Ayuanda & Wijaya, (2023). It can be concluded that company growth reflects an increase in company assets, and good growth indicates the company's ability to generate higher returns on investments made.

The higher the sales level, the greater the amount of capital needed by the business. A company's growth rate can be observed through the growth of its total assets, and past asset growth reflects the profitability that will be achieved. The more consistently a company's profitability increases, the more stable its growth rate will be. Sales growth represents the company's growth rate and indicates how much the company can increase its sales compared to the previous period. The company's growth variable can be measured using sales growth. This has been proven by previous studies conducted by Ayuanda & Wijaya, (2023) and Sihombing & Wandy, (2023).

Company Size

According to Permana, (2020), company size, reflected in the amount of assets owned, is an important factor influencing the company's ability to generate profit. The larger the company size, the greater its ability to tackle business challenges and achieve high profits, supported by large assets. Companies with large total assets are considered to have reached a stage of maturity where their cash flow is positive and they have good long-term prospects. Company size also affects the company's access to capital markets and ease of obtaining funds. Large companies have flexibility in social activities and are more likely to provide guarantees to creditors. Therefore, the larger the company size, the more important it is for management to obtain sufficient funds to operate.

Firm size refers to the scale of operations conducted by a company. Large-scale companies are generally perceived as capable of managing existing risks. Firm size can be assessed by total assets, which indicate the extent of a company’s operational activities. Companies with positive growth and scale are seen as having a lower likelihood of bankruptcy and are considered able to sustain their business operations. In this research, firm size can be measured using the natural logarithm (Ln) of total assets, as utilized in the study by Idawati, (2023). The natural logarithm is used to reduce the digits of large data without diminishing its actual value.

Based on the explanation of the theoretical basis used, the following hypothesis can be formulated:

The Influence of Financial Distress on Going Concern Audit Opinions

Research conducted Idawati, (2023), Napitupulu & Latrini, (2022), Iriyanti & Nyale, (2022), and Budiantoro et al., (2022) has highlighted a clear correlation between a company's financial distress and the issuance of going concern audit opinions. Financial distress, characterized by severe financial instability, increases the likelihood of a company receiving a going concern audit opinion, indicating doubts about its ability to continue operating.

These studies illustrate that financial distress is influenced by both internal factors, such as poor management decisions, inefficient operations, and internal fraud, and external factors, like economic downturns, increased competition, and regulatory changes. When a company faces significant financial distress, its ability to meet debt obligations is compromised, raising auditors' concerns about its viability.

Idawati, (2023) found that companies experiencing high levels of financial distress often exhibit warning signs such as negative cash flows, continuous losses, and liquidity issues, leading auditors to issue going concern opinions to alert stakeholders. Similarly, Napitupulu & Latrini, (2022) demonstrated that external economic pressures exacerbate financial distress, reinforcing auditors' decisions to signal potential continuity risks.

Iriyanti & Nyale, (2022) focused on how internal mismanagement and external economic factors together contribute to financial distress, further increasing the probability of going concern opinions. Their findings align with those of Budiantoro et al., (2022), who emphasized that a deteriorating financial condition consistently triggers auditors to question a company's ability to sustain its operations.

In summary, these studies collectively affirm that the severity of financial distress significantly impacts the likelihood of receiving a going concern audit opinion. The interconnectedness of internal mismanagement, external economic pressures, and their cumulative effect on financial health play a critical role in auditors' assessments and subsequent opinions on a company's future viability. From several studies, it can be concluded that:

H1 : Financial distress influences going concern audit opinion.

The Influence of Debt Default on Going Concern Audit Opinions

Research conducted by various scholars, including Listyaningrum & Sofie, (2022), Widiana, (2016), Sengaji & Zulfikar, (2018), Setiyanti, (2012), and Winarta & Kuntadi, (2022), has highlighted differing perspectives on the impact of debt default on going concern audit opinions. These discrepancies can be attributed to the complex interplay of several variables.

Saputra dan Ketut Tanti Kustina, (2018) suggest that failure to repay debts negatively affects the going concern audit opinion, as it signals poor operational performance and debt covenant violations. This perspective is supported by their findings that such financial distress often leads auditors to question the company's ability to continue as a going concern.

Conversely, research by Nagari & Suhartini, (2022) indicates that debt default has a positive and significant effect on the likelihood of receiving a going concern audit opinion. Their study suggests that the more frequently a company defaults on its debt, the more likely it is to receive this type of opinion. This could be because repeated defaults increase the perceived risk of insolvency, prompting auditors to issue a going concern opinion as a cautionary measure.

However, Dita & Andayani, (2023) found no significant impact of debt default on the acceptance of a going concern audit opinion. This finding introduces another layer of complexity, suggesting that other factors may moderate the relationship between debt default and audit opinions. These could include the company's overall financial health, management's plans to address financial difficulties, or the quality of its communication with auditors.

These studies collectively illustrate that the influence of debt default on going concern audit opinions is not straightforward and is influenced by multiple interrelated factors. The relationship between debt default and audit opinions is mediated by the severity and frequency of defaults, the company's response to financial distress, and the auditors' assessment of future prospects. Understanding these dynamics requires a comprehensive analysis of each case, considering both quantitative data and qualitative insights from the company's financial practices and auditor evaluations. From several studies, it can be concluded that:

H2 : Debt default influences going concern audit opinion

The Influence of Company Growth Against Going Concern Audit Opinions

Company growth and going concern audit opinions are variables that have been extensively studied, with researchers examining how fluctuations in a company's growth impact the likelihood of receiving a going concern audit opinion. According to several researchers such as Hakiki & Mappanyukki, (2022), Dita & Andayani, (2023), Oktaviani & Challen, (2020), Widyarti & Muniroh, (2022), Dita & Andayani, (2023), and Suci & Pamungkas, (2022), there are observable differences in how company growth influences the acceptance of a going concern audit opinion.

Company growth is often measured by changes in profit or asset value, as noted by Idawati, (2023). In general, a company experiencing positive growth in profits or assets is considered more financially stable, potentially reducing the likelihood of receiving a going concern audit opinion. This view is supported by Sihombing & Wandy, (2023), who found that increased sales, as an indicator of growth, can bolster a company's existence and reduce the likelihood of receiving a going concern audit opinion. Contrarily, other studies suggest a more nuanced relationship. For instance, Putu et al., (2019) argue that company growth does not significantly influence the acceptance of a going concern audit opinion. This perspective is echoed in the findings of Rahmadona et al., (2019), who discovered that while negative growth increases the likelihood of receiving a going concern audit opinion, positive growth does not necessarily have a significant mitigating effect.

Furthermore, the complexity of these relationships is highlighted by Sihombing & Wandy, (2023), who conducted multiple studies showing inconsistent results, indicating that other factors might mediate the relationship between company growth and going concern opinions.

In summary, while positive company growth, measured through profit or asset increases, generally suggests a lower risk of receiving a going concern audit opinion, this is not a definitive rule. Negative growth tends to heighten the likelihood of such opinions, but the overall impact of growth on audit opinions can be influenced by various other factors, as demonstrated by differing research outcomes. Thus, understanding these interrelations requires a holistic approach, considering additional variables that may affect a company's financial health and auditors' perceptions. From several studies, it can be concluded that:

H3 : Company growth influences going concern audit opinion

The Influence of Company Size on Going Concern Audit Opinions
The Influence of Company Size on Going Concern Audit Opinions Research by Hakiki & Mappanyukki, (2022), Tihar et al., (2021), Ayuanda & Wijaya, (2023) demonstrates that company size significantly influences the likelihood of receiving a going concern audit opinion. Larger companies are generally less likely to receive a going concern audit opinion because they tend to have more stable financial conditions and greater asset bases, which contribute to their financial stability Idawati, (2023). This relationship is supported by Permana, (2020), who found that company size directly affects the going concern audit opinion.

Moreover, Idawati, (2023) suggests that the scale of operations also plays a crucial role, as large-scale companies typically have sufficient resources and operational stability, reducing the need for a going concern audit opinion. These findings indicate that while company size and scale of operations are interrelated and both significantly impact the going concern audit opinion, they might do so in different ways. Larger companies with extensive operations often exhibit financial robustness, thus lessening the auditor's concern regarding their ongoing viability.

In conclusion, while there are varying perspectives on how company size influences the acceptance of a going concern audit opinion, the consensus is that company size and operational scale are key factors in this determination. Overall, these variables are interrelated and play a significant role in shaping audit outcomes, as highlighted by the existing body of research. From several studies, it can be concluded that:
H4 : Company size influences going concern audit opinion

3. Methodology

Population and Sample: The population for this research comprised companies in the material sector listed on the Indonesia Stock Exchange (IDX) during the period of 2020-2022. The sample was selected using a purposive sampling method, with specific criteria including companies that presented consecutive financial statements and issued Annual Reports in Indonesian currency (rupiah). The rationale for these choices was to ensure the availability and consistency of financial data over the study period. The sample size, determined by these criteria, aimed to provide a representative subset of the population that would facilitate robust statistical analysis.

Research Instruments: The data for this study were derived from secondary sources, specifically the financial statements and audit reports of the selected companies. These documents were obtained from the official IDX database and company websites. The financial statements and audit reports were chosen due to their comprehensive and audited nature, providing reliable data for analysis. No additional data collection tools, such as surveys or content analysis software, were utilized as the study relied entirely on existing financial documentation.

Data Analysis Techniques: The primary technique used for data analysis was Logistic Regression, employed to test hypotheses regarding the relationship between the independent variables (financial distress, debt default, company growth, and company size) and the dependent variable (going concern audit opinion). This method was chosen for its effectiveness in modeling binary outcome variables

The regression model used in this study is as follows:
Y = α + β1X1 + β2X2 + β3X3 + β4X4 +e
OAG = α + β1FD + β2DD + β3PP + β4UP +e

Where:

OAG	= Going Concern Audit Opinion
α	= Constant
$\beta1, \beta2, \beta3, \beta4$	= Regression coefficients
FD	= Financial Distress
DD	= Debt Default
PP	= Company Growth
UP	= Company Size
e	= error term

In addition to Logistic Regression, the following analytical methods were applied:

- Descriptive statistical analysis to summarize the basic features of the data.
- Classical assumption tests to validate the underlying assumptions of the regression model.
- Overall regression model tests to assess the significance and explanatory power of the model.
- Regression model feasibility tests to evaluate the fit and appropriateness of the model.

These techniques were systematically applied to ensure a rigorous and comprehensive analysis of the data, providing insights into the factors influencing the going concern audit opinion.

4. Empirical Findings/Result

Estimated Results

The results of sample selection based on predetermined criteria can be seen in the table below:

Table 1. Company Sample Selection Criteria

Criteria	
Material sector companies listed on the Indonesia Stock Exchange (IDX) during the years 2020-2022	97
Those that did not present annual reports or financial statements during the observation period 2020-2022	(2)
Material sector companies that did not publish consecutive financial reports from 2020-2022	(10)
Those that did not provide information to be used for factor analysis of each variable during the years 2020-2022	(6)
Material sector companies that did not publish Annual Reports in Indonesian Rupiah (Rp)	(23)
Number of Samples Meeting Criteria	56
Observation Years	3

Total Initial Samples	168
Total Outliers	9
Total Final Samples	159

Source: Data Processing Results, 2024

The number of samples that meet all the criteria above is 56 companies. This is the total number of companies used in the analysis over the three year period (2020-2022). There were 9 outliers found during the analysis, so the final sample size was 159 after outliers were excluded.

Table 2. Results of Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Dev
FD	159	0.00	79312.38	577.4467	6290.44526
DD	159	0.00	1.00	0.0566	0.23181
PP	159	-1.00	12.00	0.2110	1.29586
UP	159	24.46	32.05	28.0480	1.57411
Going Audit Opinion Concern	159	0.00	1.00	.1384	0.34637
Valid N (listwise)	159				

Source: Data Processing Results, 2024

Interpretation of Descriptive Statistics

The financial distress variable shows a wide range of values, from 0 to 79,312.38, with a mean of 577.45 and a standard deviation of 6,290.45. This indicates substantial variability within the dataset, suggesting that while some companies experience minimal financial distress, others face significant challenges. Debt default also exhibits considerable dispersion, ranging from 0 to 1, with a mean of 0.0566 and a standard deviation of 0.2318. This indicates that debt default is relatively rare in the sample, with approximately 3.77% of the companies classified as being in debt default. Company growth varies widely from -1 to 12, with a mean of 0.211 and a standard deviation of 1.2959. This broad range highlights diverse growth patterns among the companies studied, with some experiencing negative growth and others achieving significant positive growth. Company size, as measured in this study, shows a more narrow range, from 24.46 to 32.05, with a mean of 28.048 and a standard deviation of 1.5741. This indicates that the companies in the sample are relatively similar in size, with less variability compared to other financial indicators. The audit opinion on going concern reveals notable variability, with a mean of 0.1384 and a standard deviation of 0.3464. This suggests that the majority of companies did not receive a going concern opinion, with only 13.84% of the sample having such an audit opinion.

Summary of Findings

The descriptive statistical analysis reveals significant heterogeneity in financial indicators among the surveyed companies. Financial distress and company growth show considerable variability, while company size exhibits a more consistent distribution. The low incidence of debt default and going concern audit opinions suggests that most companies in the sample are not experiencing extreme financial difficulties. These findings provide a foundational understanding of the financial landscape of the companies analyzed and highlight key areas for further investigation.

Logistic Regression Test Analysis

Classic Multicollinearity Assumption Test

The following are the results of the classic multicollinearity assumption test using SPSS version 25:

Table 3. Classic Multicollinearity Assumption Test Results

Variable	Tolerance	VIF	Information
FD	0.974	1.027	Multicollinearity Free
DD	0.912	1.096	Multicollinearity Free
PP	0.912	1.097	Multicollinearity Free
UP	0.970	1.031	Multicollinearity Free

Source: Data Processing Results, 2024

The results of the classical assumption test for multicollinearity indicate that both the tolerance values and VIF values for all independent variables (financial distress, debt default, company growth, and company size) are such that VIF ≤ 10 and tolerance values are ≥ 0.10. Therefore, this suggests that there is no multicollinearity among the independent variables in the regression model.

Overall Model Fit

The following are the results of the overall model fit using SPSS version 25:

Table 4. Overall model fit Results

Information	-2 Log Likehood
Block number : 0	127,831
Block Number : 1	67,841

Source: Data Processing Results, 2024

The overall model test results indicate that there is a likelihood value of -2 at the beginning (block number = 0) of 127.831. After introducing the four independent variables, the likelihood value at the end (block number = 1) decreased to 67.841. This decrease in likelihood value indicates a better regression model, or it can be said that the hypothesized model fits the data.

Regression Model Feasibility Test

The following are the results of the Hosmer and Lemeshow's Goodness of Fit Test using SPSS version 25:

Table 5. Hosmer and Lemeshow's Goodness of Fit Test Results

Chi-square	df	Sig.
13.550	8	0.094

Source: Data Processing Results, 2024

Based on the results of the regression model's goodness of fit test using the Hosmer and Lemeshow's Goodness of Fit Test, the value of Sig Hosmer and Lemeshow Test is 0.094, which is greater than 0.05. Therefore, the research model is considered fit, and the hypothesis is acceptable. The model is able to predict the values of the research.

Logistic Regression Analysis

The following are the results to find out whether the independent variable can influence the dependent variable in the regression equation using SPSS version 25:

Table 6. Logistic Regression Analysis Results

Variable	B	Sig	Information
FD	0.000	0.642	not significant
DD	58.447	0.960	not significant
PP	-5.854	0.000	Significant
UP	0.225	0.262	not significant
Constant	-9.197	0.112	

Source: Data Processing Results, 2024

The regression equation is as follows:

AOG = -9.197 + 0.000 FD + 58.447 DD – 5.854 PP + 0.225 UP + e

Interpretation of Results

From the logistic regression equation above, the interpretation of each coefficient is as follows:

1. Constant Value:
   The constant value (a) is -9.197. This suggests that if all the independent variables (Financial Distress, Debt Default, Company Growth, and Company Size) are zero, the Audit Opinion Going Concern (AOG) will have a base value of -9.197 units.
2. Financial Distress (FD):
   The regression coefficient for the Financial Distress variable is 0.000, with a significance value (Sig) of 0.642, indicating that Financial Distress is not a significant predictor of the Audit Opinion Going Concern. A one-unit increase in Financial Distress will not result in any change in AOG, as indicated by the coefficient value of 0.000.
3. Debt Default (DD):
   The regression coefficient for the Debt Default variable is 58.447, with a significance value (Sig) of 0.960, suggesting that Debt Default is not a significant predictor of the Audit Opinion Going Concern. While the coefficient indicates a large increase in AOG with a one-unit increase in DD, the high p-value indicates this result is not statistically significant.
4. Company Growth (PP):
   The regression coefficient for the Company Growth variable is -5.854, with a significance value (Sig) of 0.000, making it a significant predictor of the Audit Opinion Going Concern. This implies that a one-unit increase in Company Growth will decrease AOG by 5.854 units.
5. Company Size (UP):
   The regression coefficient for the Company Size variable is 0.225, with a significance value (Sig) of 0.262, indicating that Company Size is not a significant predictor of the Audit Opinion Going Concern. A one-unit increase in Company Size will result in an increase in AOG by 0.225 units, although this result is not statistically significant.

Visual Presentation of Results

To further illustrate these results, the following graphs and tables can be included:

1. Bar Chart of Regression Coefficients:
   A bar chart showing the magnitude and direction of each regression coefficient (FD, DD, PP, UP).
2. Significance Levels:
   A table or a plot displaying the significance levels (p-values) for each independent variable to visually emphasize which predictors are significant.

Discussion

The analysis reveals that out of the four independent variables considered, only Company Growth (PP) is a significant predictor of the Audit Opinion Going Concern (AOG). Specifically:

- An increase in Company Growth is associated with a significant decrease in AOG, as indicated by the negative coefficient and the low p-value.
- Financial Distress, Debt Default, and Company Size do not significantly influence AOG, as evidenced by their high p-values.

These results suggest that while certain financial and operational metrics of a company are critical, others may not have a direct impact on the likelihood of receiving a going concern audit opinion. This finding could be useful for auditors and financial analysts when evaluating the financial health and sustainability of companies.

Hypothesis testing

Analysis of the Coefficient of Determination

The following are the results of Determinant Coefficient Analysis using SPSS version 25:

Table 7. Determinant Coefficient Analysis Results

-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
67.841	0.314	0.569

Source: Data Processing Results, 2024

Based on the results, the Cox and Snell R values indicate the coefficient of determination of the regression model. The Cox and Snell R value is 0.314, and the Nagelkerke R Square value is 0.569. These results imply that the variability of the dependent variable (audit going concern opinion) explained by the independent variables (financial distress, debt default, company growth, and company size) is 56.90%, while the remaining 43.10% is explained by other variables not included in this research model.

T Test

The following are the results T test using SPSS version 25:

Table 8. T Test Results

Variable	B	Sig	Information
FD	0.000	0.642	Not significant
DD	58.447	0.960	Not significant
PP	-5.854	0.000	Significant
UP	0.225	0.262	Not significant
Constant	-9.197	0.112	

Source: Data Processing Results, 2024

The T-test results in Table 8 provide insights into the significance of each variable in the regression model:

1. For the variable FD (Financial Distress), with a coefficient of 0.000 and a significance value of 0.642, the result is not significant (Hypothesis 1 is rejected). This suggests that financial distress does not have a significant impact on the dependent variable.
2. For the variable DD (Debt Default), with a coefficient of 58.447 and a significance value of 0.960, the result is not significant (Hypothesis 2 is rejected). This implies that debt default does not have a significant influence on the dependent variable.
3. For the variable PP (Company Growth), with a coefficient of -5.854 and a

significance value of 0.000, the result is significant (Hypothesis 3 is accepted). This indicates that company growth has a significant effect on the dependent variable.

4. For the variable UP (Company Size), with a coefficient of 0.225 and a significance value of 0.262, the result is not significant (Hypothesis 4 is rejected). This suggests that company size does not significantly affect the dependent variable.

The T-test results provide a clear view of which variables significantly impact the dependent variable. Only company growth (PP) shows a significant effect, while financial distress (FD), debt default (DD), and company size (UP) do not show significant impacts. This interpretation helps in understanding the dynamics of the factors affecting the dependent variable in the regression model.

5. Discussion

The Effect of Financial Distress on Acceptance of Going Concern Audit Opinions In Materials Sector Companies Listed on the Indonesian Stock Exchange

The first hypothesis, which stated that Financial Distress does not influence the going concern audit opinion, was supported by our test results showing a regression coefficient of 0.000 and a significance level of 0.642, greater than 0.05. This suggests that auditors consider a broader set of factors, such as management's mitigation plans and external economic conditions, rather than solely focusing on financial distress. Our findings align with some previous studies that also found no direct relationship, although other studies have reported a significant link. The discrepancies could be due to different sample compositions and economic conditions. Limitations of our study include its focus on materials sector companies listed on the Indonesian Stock Exchange, a limited timeframe, and a model that may not capture all relevant variables. Future research should address these limitations to enhance the generalizability of the findings..

The Influence of Debt Default on Going Concern Audit Opinions in Materials Sector Companies Listed on the Indonesian Stock Exchange

The study finds that Debt Default does not significantly influence the going concern audit opinion for materials sector companies listed on the Indonesian Stock Exchange, as indicated by a regression coefficient of 58.447 with a significance level of 0.960. This suggests that companies with debt defaults may still maintain sufficient cash flow or usable assets to support ongoing operations, often through debt restructuring or negotiations with creditors. External factors, such as adverse market conditions or regulatory changes, can also contribute to debt defaults without necessarily indicating operational failure. These findings align with research suggesting that auditors consider a broader range of factors beyond debt default when assessing a company's going concern status. However, the study's limitations, including its focus on a specific sector and period, may affect the generalizability of the results.

The Influence of Company Growth on Going Concern Audit Opinions In Materials Sector Companies Listed on the Indonesian Stock Exchange

The third hypothesis, stating that Company Growth does not influence the going concern audit opinion, is refuted by the test results, which show a significant negative regression coefficient of -5.854 with a significance level of 0.000. This indicates that higher company growth reduces the likelihood of receiving a going concern audit opinion. This finding aligns with the rationale that stable or positive growth suggests a company's ability to sustain operations, thereby reducing auditors' concerns. Revenue growth and market expansion, key indicators of financial health and adaptability, further support this conclusion. Compared to previous studies, our findings highlight a strong negative relationship in the Indonesian materials sector, contrasting with some research that found no significant link. However, the study is limited by its sector-specific focus, potential data inaccuracies, and the exclusion of other influential variables. Future research should consider broader samples and additional factors for a more comprehensive understanding.

The Influence of Company Size on Going Concern Audit Opinions in Materials Sector Companies Listed on the Indonesian Stock Exchange

The study examined the influence of company size on going concern audit opinions among materials sector companies listed on the Indonesian Stock Exchange. Contrary to the hypothesis, the findings indicate that company size does not significantly affect the likelihood of receiving a going concern audit opinion. This suggests that both large and small-scale companies can maintain financial stability and compliance with accounting standards, potentially due to effective management practices and qualitative assessments by auditors. However, the study acknowledges limitations, including its sample specificity, potential unexplored variables, and reliance on secondary data, highlighting the need for further research to validate and expand upon these findings in broader contexts..

5. Conclusion

The research investigated the influence of Financial Distress, Debt Default, Company Growth, and Company Size on the going concern audit opinion of material sector companies listed on the Indonesia Stock Exchange from 2020 to 2022. The findings reveal that while Financial Distress and Debt Default do not significantly impact the going concern audit opinion, Company Growth significantly influences it, indicating that stable or positive growth reflects a company's ability to continue operations. Conversely, Company Size does not significantly affect the going concern audit opinion, suggesting that both large and small-scale companies can adhere to accounting principles. However, the study acknowledges limitations, such as its narrow sector focus and limited timeframe, urging further research for a more comprehensive understanding.

For future research, it is recommended to expand the sample size to enable broader comparisons across sectors. Additionally, incorporating variables like audit quality could enhance the depth of analysis. Furthermore, employing qualitative methods alongside empirical studies would provide a more nuanced understanding of the subject matter. Future researchers could also consider exploring additional factors that may influence the going concern audit opinion, such as industry-specific regulations or market dynamics, to enrich the findings and ensure their applicability across diverse contexts.

References:

al Fath, N. D., & Sugito, P.-. (2020). Pengaruh Debt Default, Pertumbuhan Perusahaan Dan Ukuran Perusahaan Terhadap Penerimaan Opini Audit Going Concern. *Buletin Studi Ekonomi*, *25*(2), 265. Https://Doi.Org/10.24843/Bse.2020.V25.I02.P06

Ayuanda, N., & Wijaya, A. D. (2023). The Effect Of The Size Of Public Accounting

Firm , Previous Year ' S Audit Opinion , Financial Distress , And. *Jafa*, *10*(December), 119–129.

Budiantoro, H., Tamida, S. L., & Lapae, K. (2022). Pengaruh Profitabilitas, Debt Default Dan Audit Tenure Terhadap Penerimaan Opini Audit Going Concern Dengan Ukuran Perusahaan Sebagai Variabel Moderasi. *Jurnal Riset Akuntansi Aksioma*, *21*(2), 175–188. Https://Doi.Org/10.29303/Aksioma.V21i2.178

Dita, F. R., & Andayani, S. (2023). Opinion Shopping As Moderating Influence Of Financial Distress, Audit Client Tenure And Auditor's Reputation On Going Concern Audit Opinion. *Sustainable Business Accounting And Management Review*, *5*(2), 55–77. Https://Doi.Org/10.61656/Sbamr.V5i2.60

El Deeb, M. S., & Ramadan, M. S. (2020). The Impact Of Financial Distress , Firm Size , And Audit Quality On Earnings ' Manage Ment Evidence From Companies Listed In The Egyptian Stock Exchange Abstract حابرلأا ة رادإ يمع ةعجا رملا ةدوجو ةكرشلا مجحو يلاملا رثعتلا رثأ ةيرصملا ةصروبلاب ةديقملا تاك. *Alexandria Journal Of Accounting Research Third*, *4*(3), 1–48.

Hakiki, F., Mappanyukki, R., & Buana, U. M. (2022). *The Influence Factors Of Going Concern Audit Opinion Acceptance Using Firm Size As A Moderating. 3*.

Idawati, W. (2023). Pengaruh Financial Distress, Debt Default, Dan Pertumbuhan Perusahaan Terhadap Penerimaan Opini Audit. *Jurnal Ekonomi, Manajemen Dan Perbankan (Journal Of Economics, Management And Banking)*, *9*(3), 275–290. Https://Doi.Org/10.35384/Jemp.V9i3.453

Iriyanti, I., & Nyale, M. H. Y. (2022). Pengaruh Financial Distress Dan Reputasi Auditor Terhadap Opini Audit Going Concern Dengan Komite Audit Sebagai Pemoderasi. *Scientific Journal Of Reflection : Economic, Accounting, Management And Business*, *5*(4), 1091–1100. Https://Doi.Org/10.37481/Sjr.V5i4.585

Krisna Arum, G. I., Hastuti, A. W., & Suprayitno, A. (2022). Effect Of Financial Performance On Going Concern Audit Opinion. *International Journal Of Research In Social Science And Humanities*, *03*(08), 36–45. Https://Doi.Org/10.47505/Ijrss.2022.V3.8.6

Liliani, P. (2021). Pengaruh Financial Distress, Debt Default, Dan Audit Tenure Terhadap Penerimaan Opini Audit Going Concern Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia (Bei) Tahun 2015-2017. *Jurnal Bina Akuntansi*, *8*(1), 1–9.

Listyaningrum, I., & Sofie, S. (2022). Pengaruh Kondisi Keuangan Dan Pertumbuhan Perusahaan Terhadap Penerimaan Opini Audit Going Concern Pada Bumn Yang Terdaftar Di Bei Tahun 2017-2021. *Jurnal Sosial Teknologi*, *2*(9), 765–772. Https://Doi.Org/10.59188/Jurnalsostech.V2i9.409

Nagari, Y. C. R., & Suhartini, D. (2022). Determinan Opini Audit Going Concern: Financial Distress Sebagai Variabel Moderasi Menggunakan Logistics Regression Analysis. *Owner*, *6*(4), 3988–3999. Https://Doi.Org/10.33395/Owner.V6i4.1048

Napitupulu, H. E., & Latrini, M. Y. (2022). Pengaruh Financial Distress, Ukuran Perusahaan, Reputasi Kap, Opini Audit Sebelumnya Pada Opini Audit Going Concern. *E-Jurnal Akuntansi*, *32*(6), 1565. Https://Doi.Org/10.24843/Eja.2022.V32.I06.P13

Oktaviani, O., & Challen, A. E. (2020). Pengaruh Kualitas Auditor, Audit Tenure Dan Debt Default Terhadap Penerimaan Opini Audit Going Concern. *Jurnal Akuntansi Dan Keuangan*, *8*(2), 83. Https://Doi.Org/10.29103/Jak.V8i2.2727

Permana, P. G. W. (2020). The Influence Of Company Size, Financial Distress, Kap

Reputation On Going Concern Audit Opinion Of Manufacturing Companies From Bei. *International Journal Of Environmental, Sustainability, And Social Sciences*, *53*(1), 1689–1699. Https://Www.Infodesign.Org.Br/Infodesign/Article/View/355%0ahttp://Www.Abergo.Org.Br/Revista/Index.Php/Ae/Article/View/731%0ahttp://Www.Abergo.Org.Br/Revista/Index.Php/Ae/Article/View/269%0ahttp://Www.Abergo.Org.Br/Revista/Index.Php/Ae/Article/View/106%0a

Pham, D. H. (2022). Determinants Of Going-Concern Audit Opinions: Evidence From Vietnam Stock Exchange-Listed Companies. *Cogent Economics And Finance*, *10*(1). Https://Doi.Org/10.1080/23322039.2022.2145749

Putri, S. F. I. P. (2020). Factors Affecting Going Concern Audit Opinions. *American International Journal Of Business Management*, *3*(12), 27–35. Www.Aijbm.Com

Putu, N., Eka, P., & Dwirandra, A. A. N. B. (2019). Opinion Shopping Sebagai Pemoderasi Pengaruh Financial Distress Pada Opini Audit Going Concern Ni. *E-Jurnal Akuntansi Universitas Udayana*, *26*, 111–145.

Rahmadona, S., Sukartini, & Djefris, D. (2019). Faktor-Faktor Yang Mempengaruhi Opini Audit Going Concern (Studi Empiris Pada Perusahaan Pertambangan Yang Terdaftar Di Bursa Efek Indonesia Periode 2015-2017). *Akuntansi Dan Manajemen*, *14*(1), 15–42. Https://Doi.Org/10.30630/Jam.V14i1.82

Saputra Dan Ketut Tanti Kustina, E. (2018). Analisis Pengaruh Financial Distress, Debt Default, Kualitas Auditor, Auditor Client Tenure, Opinion Shopping Dan Disclosure, Terhadap Penerimaan Opini Audit Going Concern Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. *Jurnal Krisna: Kumpulan Riset Akuntansi*, *10*(1), 1–10. Http://Dx.Doi.Org/10.22225/Kr.10.1.712.51-62

Sengaji, C. L. D., & Zulfikar. (2018). Analisis Opini Audit Going Concern Pada Perusahaan Yang Terdaftar Di Jakarta Islamic Index Periode 2013-2016. *Universitas Muhammadiyah Surakarta*, *1*(1), 1–16.

Setiyanti, S. W. (2012). Jenis-Jenis Pendapat Auditor (Opini Auditor) Sri. *Jurnal Stie Semarang*, *66*(2), 37–39.

Sihombing, T., & Wandy, K. M. (2023). The Effect Of Financial Conditions And Company Size On The Going Concern Audit Opinion. *Jurakunman (Jurnal Akuntansi Dan Manajemen)*, *16*(2), 255. Https://Doi.Org/10.48042/Jurakunman.V16i2.242

Srimindarti, C., Suwarti, T., Oktaviani, R. M., & Fajar, J. A. (2019). Determinants Of Going Concern Audit Opinion. *Atlantis Press*, *86*(Icobame 2018), 96–99. Https://Doi.Org/10.2991/Icobame-18.2019.21

Suci, I., & Pamungkas, I. D. (2022). Pengaruh Financial Distress Terhadap Penerimaan Opini Audit Going Concern Dengan Good Corporate Governance Sebagai Variabel Moderasi Studi Pada Sektor Energi Tahun 2014 – 2020. *Jurnal Riset Ekonomi Dan Bisnis*, *15*(1), 47. Https://Doi.Org/10.26623/Jreb.V15i1.4555

Suryani, I., Yuniarti, R., & Syahrudin, M. (2023). Effect Of Financial Distress, Liquidity, And Leverage On The Audit Opinion Going Concern On Companies Listed On Idxesgl During The Pandemic Period (2019-2021). *International Journal Of Business, Economics, And Social Development*, *4*(1), 1–11. Https://Doi.Org/10.46336/Ijbesd.V4i1.379

Tihar, A., Sari, I. P., & Handoko, B. L. (2021). Effect Of Debt Default, Disclosure, And Financial Distress On The Receiving Of Going Concern Audit Opinions. *The Winners*, *22*(2), 155–161. Https://Doi.Org/10.21512/Tw.V22i2.7072

Widiana, R. U. (2016). *Kesadaran, Ekspektasi, Dan Minat Mahasiswa Prodi Akuntansi Fakultas Ekonomi Universitas Islam Indonesia Terhadap Program The Association Of Chartered Certified Accountants (Acca): Sebuah Analisis Deskriptif*.

Widyarti, L. S., & Muniroh, H. (2022). Pengaruh Profitabilitas, Debt Default, Pertumbuhan Perusahaan Dan Opini Audit Tahun Sebelumnya Terhadap Penerimaan Opini Audit Going Concernpada Perusahaan Pertambangan Yang Terdaftar Di Bursa Efek Indonesia (Bei) Periode 2016-2020. *Jisos: Jurnal Ilmu Sosial*, *1*, 227–238.

Winarta, W., & Kuntadi, C. (2022). Literature Review: The Effect Of Company Size, Company Growth, And Company Liquidity On Going Concern Audit Opinion. *Dinasti International Journal Of Economics, Finance & Accounting*, *3*(4), 430–437. Https://Doi.Org/10.38035/Dijefa.V3i4.1438