

Analysis of Effect of Auditor Quality, Liquidity, Profitability, and Solvency on Going Concern Audit Opinions in Manufacturing Companies in the Basic and Chemical Industry Sub-Sectors Listed on the Indonesia Stock Exchange in 2017-2019

Karyn Salim¹, Wynne², Enda Noviyanti Simorangkir³

^{1,2,3}Universitas Prima Indonesia

endanoviyantisimorangkir@unprimdn.ac.id

Abstract

The purpose of this study was to determine and analyze auditor quality, liquidity, profitability, and solvency on going concern audit opinions in Manufacturing Companies in the Basic and Chemical Industry Sub-Sectors listed on the Indonesia Stock Exchange in 2017-2019. The method used in this research is descriptive and quantitative. The data in this study are secondary data. The population in this study is the Manufacturing Companies in the Basic and Chemical Industry Sub-Sectors listed on the Indonesian Stock Exchange in 2017-2019, which are 77 companies. Samples that meet the criteria are 41 companies or 123 research data by using purposive sampling in sampling. The data were analyzed using descriptive statistical analysis and logistic regression. The results of the research on descriptive statistics prove that the research that has been examined from companies that have been sorted obtain going concern as many as 38 samples of companies while non going concern as many as 85 samples of companies. The results of the research on logistic regression state that auditor quality, profitability, and solvency have a positive effect on going concern audit opinions with a significant level of 0.05, while liquidity does not has a positive effect on going concern audit opinions with a significant level of 0.05.

Keywords

auditor quality; liquidity; profitability; solvency; going concern audit; opinions



I. Introduction

With the development of global business and the number of companies that go public, it is hoped that the company will not only seek profit but will have a good impact on the country's economy, which is not only temporary in the next few years but can last longer unable to maintain its survival due to the declining Indonesian economy.

Companies that have financial reports with good advantages will be very useful to be able to attract investors to invest. If the available information is accurate, it can help investors make decisions in investing their funds in the company. Auditors have an important role for investors and companies in their respective interests as providers and users of financial statements. For users of financial statements and other investors, it will be easier to trust the company's financial statements when the financial statements have performance and financial statements with conditions that have a fair statement from the auditor.

The auditor's responsibility is not only to examine financial records but also to assess the viability of the company. Auditors must also be able to see the level of failure. There are

indicators that determine whether the company's ability is in doubt in maintaining its viability. These indicators include macroeconomic, socio-political, market, human resources, financial and other conditions.

Going concern is the state of a company that is expected to operate continuously for a long time. The auditor will issue a going concern audit opinion statement when a condition is found, namely doubts about the viability of the company. With the meaning that the going concern audit opinion is an opinion issued by the auditor when there is doubt in the company. Audit opinion is very important for a company because it determines whether the company will continue to operate for a long time or not.

Companies such as Enron, Worldcom, Xerox, and others went bankrupt due to the falsification of financial data and this made public accountants criticized. Although the auditor does not participate in the company's responsibilities in its survival, the auditor must be able to express his opinion explicitly in considering the viability of a company.

The IDX case has not been able to lift the suspension of Bakrie Telecom (BTCL) shares which may be delisted. I Gede Nyoman Yetna Setia as Director of Corporate Valuation at the Indonesia Stock Exchange said that since 27 May 2019 IDX has suspended all markets on behalf of PT Bakrie Telecom Tbk (BTCL) shares due to BTCL's financial statements for the period of 31 December 2017 (audited) and December 31, 2018 obtained a disclaimer opinion from KAP. The BTCL KAP is of the opinion that BTCL's ability to defer debt payments cannot yet be owned by BTCL because BTCL's operational business has been discontinued. The director of corporate valuation at the Indonesia Stock Exchange said that the company's revenue had decreased significantly since 2016. In the 2016, 2017 and 2018 periods, the revenue values were Rp172 billion, Rp7.87 billion, and Rp8.53 billion, respectively.

Auditor quality, profitability ratios, liquidity, and solvency have all been studied in relation to going concern audit opinion research. However, in this study, there were different results. Therefore, this study will re-examine the variables that have an impact on going-concern audit opinion. Auditor quality, profitability ratios, liquidity, and solvency are independent variables in this study.

The purpose of this study was to determine and analyze auditor quality, liquidity, profitability, and solvency on going concern audit opinions in Manufacturing Companies in the Basic and Chemical Industry Sub-Sectors listed on the Indonesia Stock Exchange in 2017-2019.

II. Review of Literature

2.1. Auditor Quality of Going Concern Audit Opinions

Research from Rahman and Hamzah (2018), says that a large-scale auditor, it is likely that the auditor can avoid a bad reputation compared to a small-scale auditor because large-scale auditors are easier to block the trial process. Sutra et al. (2016) found that auditor quality has a positive effect on the provision of going-concern audit opinions.

2.2. Liquidity of Going Concern Audit Opinions

The company's ability to meet all of its financial obligations, which can be disbursed at a predetermined time (maturity) is the definition of liquidity according to Hani (2015:121). The high level of liquidity makes the auditor believe that the company can maintain the viability of the company. Kristiana (2012), liquidity has a negative effect on going concern audit opinion.

2.3. Profitability of Going Concern Audit Opinions

According to Sartono (2012:122), Profitability is a ratio to measure the company's ability to generate profits both in the sale of assets and profits. High profitability in a company, then the company is less likely that the auditor will not provide a going concern audit opinion. Sutedja (2010) has found that profitability has a negative effect on going concern audit opinion.

Profitability is the ratio used to measure a company's ability to generate profits with the company's resources. Companies that have stability in obtaining profits can give signals to the public about the ability to pay dividends, (Hery in Angelia, N. et al. 2020) Profitability according to Kasmir (2017: 114)[12] is a ratio to assess the company's ability to generate the expected profit or profit and measure the management effectiveness of a company that is reflected in sales activities or investment income. The higher the profitability of a company, the greater the company's ability to generate profits. A high profit rate will also affect the high dividend distribution value. (Mauris, F. et al. 2021)

Profitability (profit) is the result of the wisdom taken by management. Profit ratio to measure how much the level of profit that can be obtained by the company (Yusuf et al, 2019). Profitability shows the level of profitability of a well-managed company, the higher the profitability, the value. The company will increase by itself as well as companies that have low profitability, the more the company value will decrease. (Khatarina, N. et al. 2021)

2.4. Solvency of Going Concern Audit Opinions

According to Harahap (2013), solvency is the company's ability to pay off its debts, both long-term and short-term. A high solvency ratio can harm the company's finances. This reflects the company's financial health and can cast doubt on its long-term viability because high solvency will result in high risk. Lie et al. (2016) prove that solvency has a positive effect on going concern audit opinion.

III. Research Method

The method used in this research is descriptive and quantitative used to collect data from companies and summarize findings. 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 data in this study are secondary data. 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). The population in this study is the Manufacturing Companies in the Basic and Chemical Industry Sub-Sectors listed

IV. Result and Discussion

4.1. Descriptive Statistics

Descriptive analysis describes the data in the form of mean, standard deviation, and maximum-minimum. At the IDX in 2017-2019, 123 samples showed the following results:

Table 1. Descriptive Statistics of Auditor Quality

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non The Big Four	75	61.0	61.0	61.0
	The Big Four	48	39.0	39.0	100.0
	Total	123	100.0	100.0	

In Table 1, the data obtained show that the descriptive statistics auditor quality research sample collected 48 samples (39%) from the big four KAP companies and 75 samples (61%) from non the big Four KAP companies.

Table 2. Descriptive Statistics of Going Concern

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non Going Concern	85	69.1	69.1	69.1
	Going Concern	38	30.9	30.9	100.0
	Total	123	100.0	100.0	

In Table 2, descriptive statistics prove that the research that has been examined from companies that have been sorted obtain going concern as many as 38 (30.9%) samples of companies while non going concern as many as 85 (69.1%) samples of companies.

Table 3. Descriptive Statistics of Liquidity, Profitability, and Solvency

	N	Minimum	Maximum	Mean	Std. Deviation
Liquidity (X ₂)	123	.03371	7.71902	2.1441990	1.61110609
Profitability (X ₃)	123	-.18961	.43144	.0418822	.07469740
Solvency (X ₄)	123	.02051	1.45873	.4659277	.23835000
Valid N (listwise)	123				

In Table 3, the results of the descriptive analysis of liquidity variables produce a minimum value of 0.03371 and a maximum value of 7.71902 with a mean value of 2.1441990 and a standard deviation of 1.61110609. Profitability variable produces a minimum value of -0.18961 and a maximum value of 0.43144 with a mean value of 0.0418822 and a standard deviation of 0.07469740. Solvency variable produces a minimum value of 0.02051 while the maximum value is 1.45873 with a mean of 0.4659277, and the standard deviation is 0.23835000.

Table 4. Model Testing and Research Hypotheses

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Auditor Quality (X ₁)	1.340	.453	8.766	1	.003	3.820
	Liquidity (X ₂)	.283	.213	1.754	1	.185	1.327
	Profitability (X ₃)	11.614	3.987	8.486	1	.004	110645.421
	Solvency (X ₄)	4.076	1.648	6.115	1	.013	58.894
	Constant	-4.489	1.353	11.003	1	.001	.011

The results of the research on logistic regression state that auditor quality, profitability, and solvency have a positive effect on going concern audit opinions with a significant level of 0.05, while liquidity does not has a positive effect on going concern audit opinions with a significant level of 0.05.

V. Conclusion

The results of the research on descriptive statistics prove that the research that has been examined from companies that have been sorted obtain going concern as many as 38 samples of companies while non going concern as many as 85 samples of companies. The results of the research on logistic regression state that auditor quality, profitability, and solvency have a positive effect on going concern audit opinions with a significant level of 0.05, while liquidity does not has a positive effect on going concern audit opinions with a significant level of 0.05.

There are suggestions for the next researcher:

1. In the next research to be able to examine other manufacturing companies.
2. In the future, the next research will be able to increase the total years of research more than 3 years.
3. For further research to be able to include other independent factors on going concern audit opinions.

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