

Effect of Audit Quality, Debt Ratio, Debt Default, Financial Distress on Going Concern Audit Opinions on Consumer Goods Companies Listed on the Indonesia Stock Exchange in 2016-2019

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Abstract

The purpose of this study was to determine the effect of audit quality, debt ratio, debt default, financial distress on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. This research method is associative research. The population of this study were 51 Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. The research sample was 16 Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. Data collection used literature review and documentation. Hypothesis testing is done by multivariate analysis using logistic regression. The results show that audit quality has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. The debt ratio has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. Debt default has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. Financial distress has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. Audit quality, debt ratio, debt default, financial distress effect going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019.

Keywords

audit quality; debt ratio; debt default; financial distress; going concern; audit opinions



I. Introduction

Companies entering the capital market must publish their financial statements in accordance with applicable Financial Services Authority regulations. OJK regulations require that financial statements must be audited and submitted no later than 90 days after the end of the annual financial reporting period. Financial reports must be submitted to OJK no later than March 31 of the following year. The company's financial statements along with notes to these financial statements will be published by the OJK so that investors can find out about the company's development.

There are so many companies that enter the capital market, including the consumer goods industry. This company faced the problem of a 12.68% decline in its shares at the beginning of 2019, followed by a decline in cigarette company shares due to a 23% increase in excise tariffs that took effect in 2020. This decline in shares did not change anything. The company is still required to submit audited financial statements. external auditor to OJK.

In the external financial report, this auditor includes the opinion given in accordance with the condition of the company. Providing information on the condition of the company in accordance with its viability without major doubts is known as a non-going concern audit opinion. The auditor will provide a going concern audit opinion to companies whose ability to maintain their viability is still in doubt. The provision of this auditor's opinion directly takes into account audit quality, debt ratio, debt default and financial distress.

The company pays attention to the audit opinion given to it in accordance with the condition of the company. Companies often look for Public Accounting Firms (KAP) with high credibility so that their audit opinions are of high quality. Most companies think that large KAPs provide more supportive opinions with high quality than small KAPs. Auditors who find fraud that occurs in the client's company are not disclosed will result in the auditor's reputation being bad.

The auditor's avoidance of his reputation, the auditor conveys the state of the company being audited through his opinion. For companies that are unable to survive, especially companies that have a high debt ratio and usually enter a going concern problem. A high debt ratio can endanger the condition of the company in a state of bankruptcy so that the auditor gives a going concern audit opinion.

Going concern opinion is given by an independent auditor to the company before the company goes bankrupt which is known as debt default. Auditors do this to avoid further debt defaults. Debt default occurs in the company due to the company's failure to fulfill its obligations and the auditor assesses the viability of the company from the debt interest incurred in the company. The debt default status of the company can increase the possibility of the auditor issuing a going concern audit opinion.

The company's debt default occurred due to the company's inability to pay its obligations on time, the company was seen entering a period of financial difficulty. Companies experiencing financial difficulties will be given a going concern opinion. Companies that have a low debt ratio can cause the company to be in a state of bankruptcy so that independent auditors do not provide a going concern audit opinion.

The purpose of this study was to determine the effect of audit quality, debt ratio, debt default, financial distress on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019.

II. Review of Literature

2.1 Effect of Audit Quality on Going Concern Audit Opinions

De Angelo in Arrosyid (2015:3), Public Accounting Firms (KAP) large auditors have a better reputation of course the audit quality is higher and tends to give going concern audit opinions to troubled companies, especially their business viability. Pawitri and Yadnyana (2015:218), investors are more confident in the financial statements audited by a large KAP known as the big 4 KAP. Kusumayanti and Widhiyani (2017:2297), big four KAP auditors examine financial data more thoroughly and the results of their opinions are of higher quality. The company's financial information is often related to the company's going concern.

2.2 Effect of Debt Ratio on Going Concern Audit Opinions

Lie et al. (2016:92), the possibility of receiving a going concern audit opinions is addressed to companies that have high solvency. Lie et al. (2016:87), the high debt that occurs in the company causes financial difficulties and the auditor gives a going concern opinions to the company. Saifudin and Risnawati (2016:593), the uncertainty of the

company's survival due to high solvency resulted in worsening financial performance so that the auditor gave a going concern audit opinions.

2.3 Effect of Debt Default on Going Concern Audit Opinions

Imani et al. (2017:1679), the company's inability to pay off its high debt and the company's viability is disrupted prompts auditors to issue going concern reports. Dewi and Latrini (2018:1231), the company is not able to pay off its debts on time resulting in a debt default status which encourages the auditor to issue a going concern report. Agustina (2020:2), the company's financial difficulties occurred due to debt default so that the auditor gave a going concern opinions.

2.4 Effect of Financial Distress on Going Concern Audit Opinions

Kesumojati et al. (2017: 63), companies that face default conditions reflect companies in financial difficulties that lead to financial distress and auditors usually give going concern opinions. Yuliyani and Erawati (2017:1499), the company's survival is doubted by the auditor due to financial distress conditions so that the auditor issues a going concern audit opinions. Rizkillah (2018:207), the low profit the company has due to the deficit reflects the company is in financial distress so that the company receives a going concern audit opinions.

III. Research Method

This research method is associative research. Associative research that shows the independent relationship to the dependent and aims to make a systematic, factual, and accurate picture of the facts and characteristics of the population of a particular area (Pandiangan et al., 2021).

Based on Pandiangan (2015), population is the entire area that is the object of this study. The population of this study were 51 Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. 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 research sample was 16 Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019.

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). Data collection used literature review and documentation. The data is used in the financial statements of Consumer Goods Companies Listed on the Indonesia Stock Exchange in 2016-2019.

Hypothesis testing is done by multivariate analysis using logistic regression, in which the independent variable is 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 values 0 and 1 (Tobing et al., 2018). The reason for using the logistic regression model is because in this study we want to test whether or not the influence of the independent variable on dependent variable where the dependent variable is a dummy variable and the independent variable is a combination of metric and non-metric.

IV. Results and Discussion

4.1 Descriptive Statistics Test

The details of descriptive statistics are:

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Audit Quality	64	.00	1.00	.5938	.49501
Debt Ratio	64	.08	.64	.3094	.14287
Debt Default	64	.00	1.00	.4375	.50000
Financial Distress	64	.00	1.00	.7344	.44516
Going Concern Audit Opinions	64	.00	1.00	.0156	.12500
Valid N (listwise)	64				

Source: SPSS Processing Results (2021)

1. Audit quality min 0.00, max 1.00, mean 0.5938 and std. deviation. 0.49501.
2. Debt ratio min 0.08, max 0.64, mean 0.3094 and std. deviation. 0.14287.
3. Debt default min 0.00, max 1.00, mean 0.4375 and std deviation 0.50000.
4. Financial distress min 0.00, max 1.00, mean 0.7344 and std deviation 0.44516.
5. Going concern audit opinion min value 0.00, max 1.00, mean 0.0156 and std deviation 0.12500.

4.2 Hypothesis Testing

The research variable is dummy so that logistic regression testing is used to test the feasibility of the regression model.

a. Omnibus Test of Model Coefficient (Simultaneous Test)

This test aims to simultaneously test the effect of all independent variables on the dependent variable. The test can be done by comparing the results of significance (p-value) based on the results of the omnibus tests of model coefficients with a value of 0.05.

Table 2. Simultaneous Test
Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	10.302	4	.036
	Block	10.302	4	.036
	Model	10.302	4	.036

Source: SPSS Processing Results (2021)

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b. Individual Test/Regression Coefficient Test (Partial Test)

To determine the final results of the study and answer the hypotheses that were prepared previously, the variables in the equation table used in the output of data processing results can be presented as follows:

Table 3. Partial Test - Wald and Logistics Hypothesis Test
Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	Audit Quality	-32.208	4691.051	.000	1	.995	.000
	Debt Ratio	-441.967	46467.868	.000	1	.992	.000
	Debt Default	-18.674	7864.889	.000	1	.998	.000
	Financial Distress	-76.284	12304.175	.000	1	.995	.000
	Constant	145.943	18410.976	.000	1	.994	2.410E+63

a. Variable(s) entered on step 1: Audit Quality, Debt Ratio, Debt Default, Financial Distress.

The results show that audit quality has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019.

The debt ratio has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019.

Debt default has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019.

Financial distress has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019.

V. Conclusion

The results show that audit quality has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. The debt ratio has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. Debt default has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. Financial distress has no effect on going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019. Audit quality, debt ratio, debt default, financial distress effect going concern audit opinions on Consumer Goods Companies listed on the Indonesia Stock Exchange in 2016-2019.

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

1. The management should pay attention to the audit opinion given by the independent auditor regarding the viability of the company by considering the company's finances.
2. Further researchers should change the object of research or add other independent variables that affect going concern audit opinion.
3. For investors, it can be used as a basis for making the right decisions in investing their funds.
4. For Universitas Prima Indonesia, the results of this study can be used as reference material in the Universitas Prima Indonesia library.

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