The Impact of Corporate Expansion, Financial Liquidity, Profitability, And Solvency on The Issuance of Going Concern Audit Opinions In Manufacturing Firms

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ABSTRACT

The manufacturing sector plays an important role in economic development. The government is committed to reviving the manufacturing industry through implementing the Making Indonesia 4.0 Roadmap so that it is ready to enter the industrialization 4.0 period. This phenomenon has sparked investors' interest in investing in large markets. However, investors need to know the financial condition of the company that will be given investment funds to be able to consider the profits they will get. The related information was obtained based on the results of an audit by a financial auditor whether the company obtained a going concern permit or not by considering the company's financial condition, such as its growth profile.company, liquidity, profitability, and solvency at that time. This article aims to find out how much influence company growth, liquidity, profitability and solvency have in deciding going concern status by auditors in each company. This article is useful as knowledge information for academics and investors working in the economic field.

Keywords: Auditor, Going Concern, Information, Investment

INTRODUCTION

The manufacturing sector plays an important role in economic development(1). Efforts to increase the value of investment and exports can be an important part of boosting the national economy (2). Therefore, the government is committed to reviving the manufacturing industry through implementing the Making Indonesia 4.0 Roadmap so that it is ready to enter the industrialization 4.0 period (3).

This phenomenon has sparked investors' interest in investing in large markets (4). The measurement method is used by investors to measure the financial position of a company, where a company's financial report contains information in the form of financial reports, financial performance and cash flow of an entity (5,6). The party who has the authority to examine the financial condition of a company is the auditor. The auditor who will make the financial report is whether it is in a stable condition or actually declining (7). An auditor's opinion will make the company's financial information more reliable for users of financial records through his opinion (7,8). In addition, the auditor is responsible for determining whether the audit company can continue to operate (going concern) for a certain period of time or not (9,10).

Mistakes in providing an audit opinion will have fatal consequences for users of the financial statements (11). Of course, stakeholders in financial reports will also take wrong actions/policies. This condition requires auditors to be more aware of the factors that can influence the survival of a business unit (11). That is why the auditor is responsible for the resilience of an entity even within a certain time limit, namely within 1

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year from the date of publication of the auditor's report.

The published going concern audit opinion is influenced by internal and external factors. Internal factors can be seen in financial report analysis such as financial analysis, profits and solvency of a company. In the case of shortages and sustainable assumptions, costs decrease, the company is considered to have low prices, so that when a company is unable to pay its credit, the auditor can provide a going concern audit opinion to the company (12).

When the auditor issues a going concern audit opinion, this condition will be very useful for users of financial reports (13). Through published opinions, it will be easier for investors to evaluate the company's position before taking action to make investment decisions (14). Likewise with creditors in making decisions to provide credit facilities to a company (15).

A decision made by the auditor must be based on actual conditions proven by various evidence and financial reports that explain the conditions being experienced by the company (16). There must be no manipulation or falsification of data so that decisions made in the future risk causing losses to the company and investors (17). However, are the auditor's opinions and decisions really only influenced by the condition of the company's growth, liquidity, profitability and solvency so that decisions

are based only on financial aspects, without being influenced by other aspects? (18).

This issue is interesting to study because currently many people are aware of investment, even the younger generation has become involved in this matter. So this kind of understanding needs to be known by the wider community as a consideration in deciding who to invest in (19). To find out more in depth, this article will try to specifically examine how much influence company growth, liquidity, profitability and solvency have on manufacturing companies on the Indonesian stock exchange in 2018-2020 (20).

METHODS

In this article, the method used is quantitative using descriptive statistical analysis and an approach to problem formulation. Sample research is selected using the method purposive sampling. Data collection method, researchers obtained all related data from manufacturing companies listed on the Indonesia Stock Exchange (BEI) by recording directly from longitudinal data in the 2018-2020 period. Data used in This research is data secondary regarding financial reports, profit and loss reports, audit opinion reports and financial position reports of manufacturing companies listed on the IDX. Data processing tools with Eviews 9.0.

RESULTS AND DISCUSSION

Based on the results of descriptive analysis, the company growth variable is measured by company growth having a minimum value of-0.98, maximum value8.91, the mean value is0.223393and standard deviation values1.359642where these results show that the standard deviation value is greater than the mean company growth. These results indicate that the company growth variable indicates poor results, because the standard deviation value which reflects the deviation is greater, because the value is greater than the mean value.

Next, the Liquidity variable has been measured using Current Ratio. The Current Ratio variable has a minimum value of0.001417, maximum value139.2546, the mean value is5.197172and standard deviation values15.92872where these results show that the standard deviation value is greater than the mean Current Ratio. These results show that the Current Ratio variable indicates poor results, because the standard deviation value which reflects the deviation is greater, because the value is greater than the mean value.

Next, the Profitability variable. In this study, researchers used the Return On Assets (ROA)

factor. The profitability variable as measured by return on assets (ROA) has a minimum value of-9.57149, maximum value4.817512, the mean value is2.459853and standard deviation values8.876002where these results show that the standard deviation value is greater than the mean ROA. These results indicate that the ROA variable indicates poor results, because the standard deviation value which reflects the deviation is greater, because the value is greater than the mean value.

Lastly is the Solvency variable which is measured by Debt to total assets *ratio* (DTAR) has a minimum value of0.006849, maximum value783.5796, the mean value is63.80825and standard deviation values166.6027where these results show that the standard deviation value is greater than the mean company growth. These results indicate that the Solvency variable indicates poor results, because the standard deviation value which reflects the deviation is greater, because the value is greater than the mean value.

Normality test

Table 1: Normality Test Results

Jarque- Bera	12.4846
Probability	0.001946

Source: Data processed by eviews 9 (2022)

Based on the table above, the Prob Value. Jarque-Bera's calculation is 12.4846 and the probability value is 0.001946. So it can be

concluded that H0 states that the normal distribution residual is acceptable.

Multi collinearity test

Tabel 2: Variance Inflation Factors

Variables	Coefficient Variance	Uncentered VIF	Centered VIF
X1_GR	0.022245	1.024930	1.022459
X2_CR	0.000737	2.150911	1.014407
X3_ROA	0.000518	291.3052	1.018501
X3_DAR	0.000668	371.0433	1.006008
C	0.534721	372.6650	NA

Based on the table above, the calculation results show that all VIF values for the Profitability (ROA) variable are 1.002, 70 CR variables are 1.014 and the Company Size variable is 1.008. All VIF values of the independent variables in this study were less than 10, thus, it can be concluded that all independent variables in this study did not find any cases of multicollinearity in the data. Thus, all predictor variables can be included in the subsequent modeling process.

Autocorrelation Test

Based on the results of the autocorrelation test, the results obtained were a probability chi-squares value of 0.7549. The probability chi-squares value is greater than the significance level (0.7579 > 0.5), which means that H0 is not rejected or autocorrelation does not occur.

Probit Regression Analysis

Simultaneous parameter testing in panel probit regression is used to test the role of the β coefficient as a whole. The test is carried out by comparing the test statistical value G2 with the x2 distribution at 6 degrees of freedom. H0 will be rejected if G2> 71

x2($\alpha\alpha$;6) or p-value <α. By usingα= 5%, the likelihood ratio test results obtained were 548.38> $\chi 2(\alpha;6)\alpha$and the p-value is 0.0000 <αSo H0 is rejected. Thus it can be said that at a 95% confidence level there is at least one significant parameter in the model. In other words, at least one of the four variables used has a significant influence on the Going Concern Audit Opinion. Next, carry out a partial test with the Wald test. By usingα= 5%, the result obtained is 372.26>x2(α;1) and p-value is 0.00<αso H0 is rejected.

Regression Model Feasibility Test

The output results of Eviews 9.0 LR Statistics results are 6,641,170 with a level of α = 5%, df1 (k-1) where (k is the number of variables) and df2 (nk) where (n is the number of data). So df1 (5-1) = 4 and df2 (84-12) = 72, the F Table value is 2.438739. This it can be seen that LR Statistics (6,641,170) > F Table (2.438739) with a Prob (LR Statistics) value of 0.000000 < 0.05 then Ha is accepted, thus it can be concluded that there is no difference between the model and the data so the model is said to be fit.

Table 3: McFadden R-Squared Test

McFadden R-squared	0.603955	Mean dependent var	0.369048
SD dependent var	0.485445	SE of regression	0.294802
Akaike info criterion	0.640597	Sum squared resid	6,865,770
Schwarz criterion	0.785288	Log likelihood	-2,190,507
Hannan-Quinn Criter.	0.698762	Deviance	4,381,015
Rest. Deviance	1,106,191	Rest. log likelihood	-5,530,954
LR statistics	6,680,893	Avg. log likelihood	-0.260775
Prob (LR statistic)	0.000000		

The Eviews 9.0 output results above can be seen as McFadden R-Squared results0.603955, which means that variations in changes in the ups and downs in receipt of going concern audit opinions can be explained by the variables company growth, liquidity, profitability and solvency amounting to 60.39% with a low level of correlation while the remaining 39.6% can be explained by other variables not examined in this research.

Partial Test

HEviews 9.0 output results z-statistic and t table values for each variable in the study: The z-statistic value of company growth is -1,598,791 while the t table value is at the level α = 5%, df (nk) where (k is the number of variables) and df2 (nk) where (n is the number of data). Then df1 (5-1) = 4 and df2 (84-5) = 79, the value is 1.97769. Thus, it can be seen that the z-statistic value of company growth is (-1,598,791) < t table (1.97769) with a probability value of 0.763194 > 0.05, so it can be concluded that H0 is accepted, which means that the company growth variable in this study has no influence on going concern audit opinion.

The liquidity z-statistic value is -1.172545 while the t table value is with a level of α = 5%, df(nk) where (k is the number of variables) and df2(nk) where (n is the number of data). Then df1 (5-1) = 4 and df2 (84-5) = 79, the value is 1.97769. Thus, it can be seen that the z-statistic value of return on assets (-1.172545) < t table (1.97769) with a probability value of 1.67361111 > 0.05, it can be concluded that H0 is accepted, which means that the liquidity variable in this study has no influence on going concern audit opinion. .

The Profitability z-statistic value is -1.772261 while the t table value with level α = 5%, df(nk) where (k is the number of variables) and df2(nk) where (n is the number of data). Then df1(5-1) = 4 and df2 (84-5) = 79, the value is 1.97769. Thus, it can be seen that the z-statistic leverage value is (-1.772261) < t table (1.97769) with a probability value of 0.53 > 0.05, so it can be concluded that H0 is accepted, which means that the Profitability variable in this study has no influence on going concern audit opinion.

The solvency z-statistic value is -0.7385 while the t table value is with a level of α = 5%, df(nk) where (k is the number of

variables) and df2(nk) where (n is the number of data). Then df1(5-1) = 4 and df2 (84- 5) = 79, the value is 1.97769. Thus, it can be seen that the solvency z-statistic value is (-0.7385) < t table (1.97769) with a probability value of 3.19583 > 0.05, so it can be concluded that Ha accepted, which means the opinion

variable has no influence on going concern audit opinion

The F test is used to determine the significance or non-significance between the independent variable and the dependent variable as a whole.

Table 4: F test

LR statistics	6,680,893
Prob (LR statistic)	0.000000

The output results of Eviews 9.0 can be seen as LR Statistics results of 6,680,893 with a level of α = 5%, df1 (k-1) where (k is the number of variables) and df2(nk) where (n is the number of data). So df1(5-1) = 4 and df2(84-5) = 79, we get an F Table value of 2.438739. In this way, the LR statistic (6,680,893) > F Table (2.438739) with a Prob (LR Statistics) value of 0.000000 <0.05, thus it can be concluded that the independent variables in this research are: company growth, liquidity, profitability and solvency which together have an influence on going audit opinion concerns.

CONCLUSIONS

Based on the results of the tests and discussions that have been carried out, the Company Growth Variable in this study has no effect on the Going Concern Audit Opinion, this result is proven by the t-statistic value < t Table (-1.598791 < 1.97769) and the significant value > alpha (0.7631944 > 0 .05), so that H1 is accepted. Then the Liquidity Variable in this study has no effect on the

Going Concern Audit Opinion. This result is proven by the t-statistic value < t Table (-1.172545 < 1.97769) and the significant value > alpha (1.673611 > 0.05), so H2 is accepted. For the Profitability Variable in this study, it has no effect on the acceptance of the Going Concern Audience Opinion, this result is proven by the statistical value < t Table (-1.772261 < 1.97769) and the significant value > alpha 0.53 > 0.05, so H3 is accepted. Then the Solvency Variable, in this study, has no effect on the acceptance of the Going Concern Audience Opinion, this result is proven by the t-statistic value < t Table (-0.73850 < 1.97769) and the significant value > alpha (3.195833 > 0.05), so H4 is rejected.

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