

## GOING CONCERN AUDIT OPINION: FINANCIAL FACTORS

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**ABSTRACT:** *This study aims to determine the effect of leverage, financial distress operating cash flows, and company size on the acceptance of going concern audit opinions (empirical studies on non-financial companies listed on the Indonesian stock exchange for the 2017-2020 period). The sampling technique used is purposive sampling and obtained as many as 76 companies as a sample of the total population of 628 companies. This study's observation period was four years, from 2017-2020, so a total of 304 data were obtained—data processing using SPSS 25.0 software. The analytical tool used is logistic regression analysis. The test results show that the independent variables, namely leverage, operating cash flow, financial distress, and company size, simultaneously affect the acceptance of going concern audit opinions. Partially, this study proves that leverage, financial distress, and firm size affect the approval of a going-concern audit opinion but operating cash flow does not affect the acceptance of a going-concern audit opinion.*

**KEYWORDS** - *Financial Distress, Going Concern Audit Opinion, Leverage, Operating Cash Flow, Company Size*

### I. INTRODUCTION

Established companies have a goal not only to obtain optimal profits but the company must also be able to maintain their business continuity (going concern) in the long term. One of the main factors a company survives is when the company presents and manages financial statements appropriately. The auditor's report contains an audit opinion following the level of fairness in a company's financial statements. The company needs the audit opinion because financial statements significantly influence the reliability and fairness of financial statements. Financial statements are a primary means of communication for operational and financial information within the company. The stock market in Indonesia continues to experience fluctuating developments. The phenomenon that occurs every year on the stock market in Indonesia is the delisting of several companies from the stock exchange because companies can experience problems that trigger their company's operational activities. Delisting occurs due to a decrease in performance so that it does not meet the requirements for listing on the stock exchange. Delisting is divided into two types: forced delisting and voluntary delisting. Voluntary delisting is caused by the company conducting a merger, while force delisting is caused by the company having problems with its business continuity.

One case of forced delisting is PT Bara Jaya International Tbk. In 2019, PT. Bara Jaya International Tbk was delisted from the Indonesia Stock Exchange due to doubts about continuing business continuity (going concern), and in 2020 the same thing happened to PT. Borneo Lumbung Energy Tbk. The Indonesia Stock Exchange considers that the two companies raise doubts about good business continuity or can be said to be worrying for the next period. The cause of the delisting of PT. Bara Jaya International Tbk in the first half of 2019, ATPK did not record sales. PT's financial statements showed that this issuer recorded a loss of Rp 59.28 billion in January-June 2019. Bara Jaya International has recorded a net loss since 2015. PT Bara Jaya International received a going concern audit opinion during the year of observation or three consecutive years.

Furthermore, the second case of forced delisting that occurred in 2020, namely PT Borneo Lumbung Energy Tbk, was delisted from the Indonesia Stock Exchange due to forced delisting for the same reason, namely not having a going concern. BORN suffered a very significant loss in 2018. Borneo Lumbung Energy recorded a loss of US\$ 46.59 million. Asset value also decreased to US\$ 964.93 million in the third quarter of 2018 from US\$ 989.08 at the end of 2017. Although liabilities could be reduced to US\$ 1.68 billion from US\$ 1.7 billion at the end of 2017, Most of the penalties came from short-term loans of US\$ 744.32 million and restructured long-term debts of US\$ 813.05 million. BORN is experiencing financial difficulties and does not have long-term business continuity.

Companies that receive a modified audit opinion are seen as bad because they doubt their business continuity. However, a going concern audit opinion must be expressed in the hope of accelerating efforts to save troubled companies (Ginting & Tarihoran, 2017). One of the company's efforts to maintain its business

continuity is by paying attention to its financial ratios to maximize its value. The company still requires external funding from sources outside the company, such as leverage (Machfiro et al., 2017).

Calculating the company's ability to meet long-term and short-term obligations is essential, which can be known by the leverage ratio. Leverage ratios generally determine the company's ability to meet its short-term and long-term commitments. The leverage ratio formula often used in similar research is the debt to assets ratio (DTA), which compares the company's total liabilities with its total assets.

Another financial ratio, namely the company's cash flow ratio, can show the smooth running of the business in terms of the movement of its current assets, predominantly the most liquid, namely cash. In addition, this ratio can measure the percentage of company debt that can be repaid by cash flows from the company's main activities, namely operating activities, within a particular accounting period. If the total operating cash flow of the company shows a number that is greater than its total liabilities, then the company's survival can be guaranteed because it is considered that the company's obligations will gradually be paid off and indicates that the company has a low risk of defaulting on its loans, so it is likely that the company can bankruptcy will decrease

The bankruptcy of a company can occur when a company fails to manage the company's operational finances and can be seen from the company experiencing financial distress (financial distress). The company's lousy condition or experiencing financial difficulties will increase the likelihood that the company will receive a going concern audit opinion. On the other hand, companies that have never experienced financial problems will reduce the possibility that the company will receive a going concern audit opinion.

Small companies are always predicted to have a high bankruptcy rate, but bankruptcy can occur in large companies that dominate the economic market. Bankruptcy is predictable, but others cannot be predicted because of fraud in financial reporting. The auditor's role is not only limited to ensuring the financial statements are fair but also ensuring that the going concern assumption is met. If the auditor assesses a company's going concerned is questionable, it must warn users of information by issuing a going concern opinion.

The objectives to be achieved by the researcher are 1) to provide empirical evidence of the effect of leverage, operating cash flow, financial distress and firm size on going concern audit opinions. 2) to determine the effect of auditor leverage ongoing concern audit opinion. 3) to determine the effect of operating cash flow ongoing concern audit opinion. 4) Determine the effect of financial distress ongoing concern audit opinion. 5) to determine the effect of company size on going concern audit opinion.

## **II. LITERATUR REVIEW**

### **2.1 Agency Theory**

Agency theory describes the relationship between two individuals with different interests, namely the principal (business owner) and agent (management of a company). In an agency relationship, there is a contract in which one or more principals order another person to perform a service on behalf of the principal and authorize the agent to make the best decision for the principal (Saputra & Kustina, 2018).

### **2.2 Signal Theory**

Signal theory is the theoretical basis that underlies the relationship of the influence of financial performance on firm value. Information received by investors is first translated as a good signal (good news) or a wrong signal (bad news). If the profit reported by the company increases, the information can be categorized as a good signal because it indicates the excellent condition of the company. Conversely, if reported earnings decline, the company is in bad condition, which is considered a wrong signal (Mariani & Suryani, 2018).

### **2.3 Going Concern**

According to the Professional Standards of Public Accountants SA Section 341 paragraph 2, IAI (2012) defines going concern as doubting the ability of a business to maintain its viability for a reasonable period, which is not more than one year from the date of the audited financial statements. In comparison, Pasaribu (2015) states that going concern is a proposition that the business unit will continue to operate for an extended period to realize its projects, responsibilities and activities that do not stop.

### **2.4 Audit Opinion**

The auditor gives the audit opinion through several stages to conclude the argument that must be given on the audited financial statements in Anita (2017) research. The audit opinion is expressed in the opinion paragraph in the audit report. The auditor's report must contain a statement of opinion regarding the financial statements. The financial statements referred to in the reporting standards include balance sheets, income statements, statements of changes in equity, cash flow statements, and all footnotes, as well as explanations and additional information that are an integral part of the presentation of financial statements. Therefore, the auditor must convey to users of the report the news that the auditor thinks needs to be disclosed. According to SPAP SA 700 (2011) and SPAP SA 705 (2011), audit opinion consists of two types: Unmodified Opinion and Modified Opinion.

**2.5 Going Concern Audit Opinion**

A related definition, according to Institut Akuntan Publik Indonesia (2011) SPAP 2011 states that going concerned is used as an assumption in financial reporting as long as there is no evidence of contrary information. Information significantly contradicts the going concern assumption related to the entity's obligations as they fall due without selling most of its assets to outsiders through the ordinary course of business, debt restructuring, externally imposed operating repairs, and other similar activities. The audit report modified with going concerned shows that in the auditor's assessment, there is a risk that the party being audited cannot stay in business. From the auditor's point of view, the decision involves several stages of analysis. The auditor must consider the results of operations, economic conditions affecting the company, the ability to pay debts, and future liquidity needs.

**2.6 Leverage**

The leverage ratio is one of the financial ratios that can show how much debt is used as a source of financing for investments made by the company. Generally, this ratio can be measured by comparing the total liabilities of the company with its total assets using the debt to assets ratio (DAR) formula. The Leverage Ratio can also measure the company's ability to meet its arrears by liquidating its assets when all of its assets are exhausted. Research from Tridevy & Hariadi (2021) states that one way for managers to anticipate the occurrence of financial distress and corporate bankruptcy is to supervise the use of debt at a low level the debt ratio.

**2.7 Operating Cash Flow**

Companies with good operating cash flow have cash that can support the company's operational activities to get high profits. The auditor is less likely to provide a going concern audit opinion (Arifian & Nazar, 2020). One of the cash flow ratios that auditors can use to assess the company's ability to continue its business is the cash flow to total debt ratio. This ratio shows the cash flows obtained from operating activities used to pay the company's debts. This ratio measured by comparing operating cash flows divided by total liabilities. The higher the cash flow to total debt ratio, the higher the company's ability to pay off its debts.

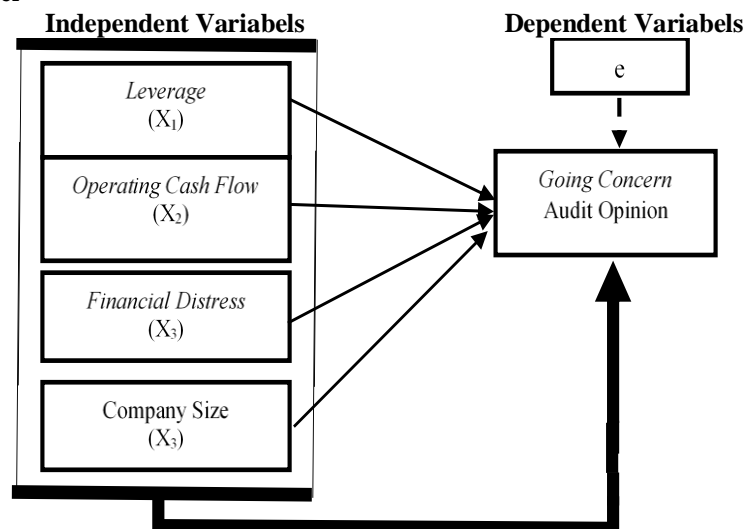
**2.8 Financial Distress**

Financial distress is a condition where the company's operating cash flow is insufficient to meet its current obligations. Financial distress can arise due to influences from within the company (internal) and outside the company (external). The internal factors are cash flow difficulties, the large amount of debt and losses in the company's operational activities for several years. While external factors are government policies that can increase the company's burden and interest rate policies, causing an increase in the interest expense borne by the company (Laksmiati & Atiningsih, 2018).

**2.9 Company Size**




Company size is a scale that companies can classify in various ways, including total assets, log size, stock market value, etc. Company size can be seen from the total assets owned. Companies with significant total assets indicate that they company has reached the maturity stage because the company's cash flow is positive and considered to have good prospects in a relatively long period. (Prasetyo, 2016).

**2.10 Research Model**



Source: Processed by Researcher, 2022  
 Figure 1 Research Model

**Description:**

-  : Simultaneous influence
-  : Partial influence
-  : The influence of other factors outside the model

**2.11**

**Hypothesis Formulation :**

- H<sub>1</sub>: Leverage, Operating Cash Flow, Financial Distress, and Company Size affects the Acceptance of Going Concern Audit Opinions
- H<sub>2</sub>: Leverage affects Accepting Going Concern Audit Opinions
- H<sub>3</sub>: Operating Cash Flow affects the acceptance of going concern audit opinion
- H<sub>4</sub>: Financial Distress involves Acceptance of Going Concern Audit Opinions
- H<sub>5</sub>: Company size affects the acceptance of going concern audit opinion.

**III. RESEARCH METHOD**

The type of research used in this study is a quantitative research approach. The quantitative research approach is a scientific method whose data are in the form of numbers or numbers that can be processed and analyzed using mathematical or statistical calculations (Sekaran & Bougie, 2017). This study uses secondary data. Secondary data in this study is in the form of financial statements of non-financial companies listed on the IDX during 2017 - 2020, accessed from [www.idx.co.id](http://www.idx.co.id) and the websites of each company. Secondary data includes company records and other sources (Sunyoto, 2016).

The population of this study is non-financial companies listed on the Indonesia Stock Exchange for the period 2017 – 2020. There are 628 non-financial companies listed on the Indonesia Stock Exchange. The sample selected in this study are non-financial companies listed on the Indonesia Stock Exchange with the following sampling criteria:

1. Companies are other than the financial sector listed on the Indonesia Stock Exchange for the study period, namely 2017 – 2020.
2. The company was not delisted during the research period, namely 2017 – 2020.
3. Before the research period, the companies are listed on the Indonesia Stock Exchange, 2017 – 2020.
4. The company experienced negative net profit after tax for three consecutive periods during the 2017-2020 study period.

Table 1 Purposive Sampling Research Process

No	Purposive Sampling	Sum
1.	For companies other than the financial sector listed on the Stock Exchange Indonesia, the research period is 2017 – 2020	628
2.	Less delisting companies during the research period, namely 2017 – 2020.	(6)
3.	Reduced company listings research period 2017 - 2020	(188)
4.	They were subtracted by companies that did not experience negative net profit after tax for three consecutive periods during the 2017- 2020 study period.	(358)
	<b>Summary</b>	76
	<b>Observation of data for four years (2017 – 2020)</b>	304

Source: [www.idx.com](http://www.idx.com)

**Variable Operational Definition**

The variables used in this variable consist of the dependent variable (X), namely leverage (x1), operating cash flow (x2), financial distress (x3), company size (x4) and the independent variable, namely acceptance of going concern audit opinion (y). The following table presents the operationalization of variables:

Table 2 Variable Operational Definition

Variables	Operational Definition	Variable Measurement	Scale
<b>Going-concern Audit Opinion (Y)</b>  (Institut Akuntan Publik Indonesia, 2011)	Opinion issued by the auditor to evaluate whether there is doubt about the company's ability to maintain its viability, then a business entity is considered to be able to maintain its business activities in the long term, will not be liquidated in the short term  (Saputra & Kustina, 2018)	1 = <i>going concern</i> 0 = <i>non going concern</i>  (Setiadamayanthi & Wirakusuma, 2016)	Nominal
<b>Leverage (X1)</b>  (Tridevy & Hariadi, 2021) (Rahman, 2020)	The leverage ratio, as measured by the debt ratio, compares total liabilities with total assets. This ratio measures the level of use of debt in financing its assets. The high use of debt describes a symptom that is not good for the company.  (Rahmadia & T, 2017)	$DER = \frac{total\ debt}{total\ equity}$	Ratio
<b>Operating Cash Flow (X2)</b>  (Anita, 2017) (Arifian & Nazar, 2020)	Cash flow from operating activities is a reference that can be used to determine whether the company can repay loans, pay dividends, and make new investments without using outside funds but funds generated by the company's operating activities.  (Tridevy & Hariadi, 2021)	$Cash\ Flow\ to\ total\ debt\ ratio = \frac{Operating\ Cash\ Flow}{Total\ Liability}$  (Arifian & Nazar, 2020)	Ratio
<b>Financial Distress (X3)</b>  (Yuliyani & Erawati, 2017) (Kusumawardhani, 2018)	Financial distress is a condition where the company's operating cash flow is insufficient to meet its current obligations.	$Z = 1,650X1 + 3,404 X2 - 0,016 ROA + 0,057$ Keterangan : X1=Working capital/Total assets X2=Earnings before interest and taxes/total assets ROA=net income/total assets (Putri & Helmayunita, 2021)	Ratio
<b>Company Size (X4)</b>  (Wawo et al., 2019) (Mutchler, 1985)	A scale where companies can be classified according to various ways, including total assets, log size, stock market value, and so on.  (T. W. Putri et al., 2016)	$Firm\ Size = Ln \times Total\ Asset$  Dimana : Ln = Logaritma Natural  (Prasetyo, 2016)	Ratio

Measurement of Financial Distress in this study refers to research (R. P. E. Putri & Helmayunita, 2021). The following is the formula for measuring Financial Distress :

$$Z = 1.650X1 + 3.404 X2 - 0.016 ROA + 0.057$$

Information:

X1= Working capital/Total assets

X2= Earnings before interest and taxes/total assets

ROA= net income/total assets

Grover's model classifies companies in bankruptcy with a score less than or equal to -0.02 (Z - 0.02). In comparison, the value for companies that are grouped when they are not bankrupt is more or equal to 0.01 (Z 0.01).

The logistic regression model used to test the research hypothesis is as follows:

$$OAGC = \alpha + \beta_1 LEV + \beta_2 CFO + \beta_3 FD + \beta_4 SIZE + e$$

Keterangan:

OAGC = Going Concern Audit Opinion

$\alpha$  = Constanta

- $\beta_1, \beta_2, \beta_3, \beta_4$  = Independent variable regression coefficient
- LEV = Leverage
- CFO = Operating Cash Flow
- FD = Financial Distress
- SIZE = Company Size
- e = Residual of error

**IV. RESULT AND DISCUSSION**

**4.1 Descriptive Statistic Test**

Descriptive statistical analysis provides an overview or description of data seen from the average (mean), maximum, minimum, and standard deviation of each research variable (Ghozali, 2018)

	N	Minimum	Maximum	Mean	Std. Deviation
LEV	304	-1,57	3,31	,7023	,56386
CFO	304	-1,26	8,98	,0869	,56239
FD	304	-3,28	2,61	,1190	,99500
SIZE	304	14,21	31,01	21,5496	3,59645
Valid N (listwise)	304				

Source: Output SPSS 25.2022

- a. The leverage variable (LEV) has a minimum value of -2.98; the maximum value of 3.48; the leverage variable (LEV) has a minimum value of -1.57; the maximum value is 3.31, the average leverage value is 0.7023, and the standard deviation is 0.56386.
- b. The operating cash flow (CFO) variable has a minimum value of -1.26, a maximum value of 8.98, an average value of 0.0869, and a standard deviation of 0.56239.
- c. The financial distress (FD) variable has a minimum value of -3.28 and; a maximum value of 2.61; the average value of financial distress is 0.1190, and the standard deviation is 0.99500
- d. The company size variable (SIZE) has a minimum value of 14.21, a maximum value of 31.01, an average value of 21.5496, and a standard deviation of 3.59645.

**4.2 Frequency Statistic Test**

The dependent variable in this study is a dummy variable that is not described in descriptive statistics but frequency statistics. The following are the results of the frequency statistics for the Going Concern audit opinion variable.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	212	69,7	69,7	69,7
	1	92	30,3	30,3	100,0
	Total	304	100,0	100,0	

Source: Output SPSS 25, 2020

Variable going concern audit opinion (Y) with a score of 0 (non-going concern) as much as 212 or 69.7% and going concern audit opinion with a score of 1 (going concerned) as much as 92 or 30.3%. This shows that fewer companies get a statement of uncertainty about business continuity compared to companies with certainty about business continuity. This uncertainty over business continuity is caused by several things, such as the economic crisis due to the Covid-19 pandemic and the company's inability to pay off its obligations. Maturity until a lawsuit.

4.3 Assess The Feasibility Of The Regression Model

Table 5 Comparison of -2LogL Initial and -2LogL Final Value

-2LogL	Value	
Beginning (block number = 0)	372,751	
End (block number = 1)	333,582	
Markdown – 2Log2	39,169	

Based on the table above, the decrease in the value of -2LogL indicates that adding independent variables can improve model fit and show a better regression model.

Step	Chi-square	df	Sig.
1	9,083	8	,335

Source: Output SPSS 25, 2022

Table 4.5 Hosmer and Lemeshow's Goodness of Fit Test tests the null hypothesis that the empirical data fit or fits the model. Suppose the Hosmer and Lemeshow Goodness-of-fit test value is equal to or less than 0.05. In that case, the null hypothesis is rejected, which means that there is a significant difference between the model and the observed value, so the Goodness fit of the model is not good because the model cannot predict the value of the observations. The SPSS output display shows that Hosmer and Lemeshow's Goodness-of-fit statistics value is 10.586 with a significance value of 0.226, > 0.05. Thus it can be concluded that the model can be accepted because of sig. > 0.05.

#### 4.4 Logistics Regression Equation

Step 1 <sup>a</sup>		B	S.E.	Wald	df	Sig.	Exp(B)
	LEV	,594	,248	5,766	1	,016	1,812
	CFO	,025	,233	,011	1	,916	1,025
	FD	-,372	,137	7,324	1	,007	,690
	SIZE	-,162	,047	11,862	1	,001	,850
	Constant	2,145	1,035	4,299	1	,038	8,543

a. Variable(s) entered in step 1: LEV, CFO, FD, SIZE.

Source: Output SPSS 25, 2022

Based on the table, the logistic regression equation obtained is as follows:

$$\text{OAGC} = 2.145 + 0.594\text{LEV} + 0.025\text{CFO} - 0.372\text{FD} - 0.162\text{SIZE}$$

Y: Going concern audit opinion

X<sub>1</sub>: Leverage

X<sub>2</sub>: Operating Cash Flow

X<sub>3</sub>: Financial Distress

X<sub>4</sub>: Company Size

The regression equation above can be interpreted that:

- i. The constant of 2.145 states that without the influence of leverage, operating cash flow, financial distress and company size, the going concern audit opinion variable is 2.145 units.
- ii. The regression coefficient of the leverage variable (X<sub>1</sub>) is 0.594 (positive). The positive direction states that changes in going concern audit opinion will align with the direction of changes in leverage. That means each leverage (X<sub>1</sub>) increases by one unit, increasing the probability of going concern audit opinion by 0.594 units without being influenced by other factors.
- iii. The regression coefficient of the operating cash flow variable (X<sub>2</sub>) is 0.025 (positive). The positive direction states that changes in going concern audit opinion will be in the direction of changes in operating cash flows. That means each operating cash flow (X<sub>2</sub>) has increased by 1 unit, then the probability of going concern audit opinion is 0.025 units without being influenced by other factors.
- iv. The regression coefficient for the financial distress variable (X<sub>3</sub>) is -0.372 (negative). The negative direction states that changes in going concern audit opinion will have different directions from changes in financial distress. That indicates that each increase in financial distress by 1 unit will reduce the probability of going concern audit opinion by 0.372 units without being influenced by other factors.
- v. The regression coefficient of the firm size variable (X<sub>4</sub>) is -0.162 (negative). The negative direction states that changes in going concern audit opinion will have different directions with changes in company size. That means that every time there is an increase in company size (X<sub>2</sub>) by one unit, it will reduce the probability of going concern audit opinion by 0.162 units without being influenced by other factors.

4.5 Hypothesis Test

Table 8 Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	39,170	4	,000
	Block	39,170	4	,000
	Model	39,170	4	,000

Source: Output SPSS 25, 2022

Table 4.7 shows that the difference of -2 LogL before the independent variable entered the model minus - 2 LogL after the independent variable entered the model was 39.169 (372.751–333.582). The value of chi-square 39,169 > chi-square table on df 4 (number of independent variables 4) is 9.4877 or with a significance of 0.000 < 0.05 ( $\alpha = 5\%$ ), indicating that the addition of independent variables can have a natural effect on the model, or with, In other words, the model declared fit. Thus, the leverage variable (X1), operating cash flow (X2), financial distress (X3) and firm size (X4) affect the going concern audit opinion (Y) so that H1 is accepted.

Table 9 Wald Test

Keterangan	Sig.
Leverage	,016
Operating Cash Flow	,916
Financial Distress	,007
Company Size	,001

Source: Processed by researcher, 2022

Y: Going concern audit opinion

X<sub>1</sub>: Leverage

X<sub>2</sub>: Operating Cash Flow

X<sub>3</sub>: Financial Distress

X<sub>4</sub>: Company Size

Several hypotheses were proposed in this study. Table 4.8 can be used to answer the research hypothesis. Here's the explanation.

- H<sub>2</sub>: Leverage affects the acceptance of the Going Concern audit opinion.  
The hypothesis testing results indicate that the Leverage variable's significance value is 0.016 < 0.05 ( $\alpha = 5\%$ ). This value indicates that the hypothesis that leverage affects the acceptance of the Going Concern audit opinion is accepted (H<sub>2</sub> is accepted).
- H<sub>3</sub>: Operating cash flow does not affect the acceptance of the Going Concern audit opinion.  
The results of hypothesis testing indicate that the significance value of the operating cash flow variable is 0.916 > 0.05 ( $\alpha = 5\%$ ). This value indicates that the hypothesis that operating cash flows do not affect the acceptance of the Going Concern audit opinion is accepted (H<sub>3</sub> is rejected).
- H<sub>4</sub>: Financial Distress affects the acceptance of the Going Concern audit opinion.  
The results of hypothesis testing indicate that the significance value of the financial distress variable is 0.007 < 0.05 ( $\alpha = 5\%$ ). This value indicates that the hypothesis that financial distress affects the acceptance of the Going Concern audit opinion is accepted (H<sub>4</sub> is accepted).
- H<sub>5</sub>: The company's size affects the acceptance of the Going Concern audit opinion.  
The results of hypothesis testing indicate that the significance value of the firm size variable is 0.001 < 0.05 ( $\alpha = 5\%$ ). This value indicates that the hypothesis that company size affects the acceptance of the Going Concern audit opinion is accepted (H<sub>5</sub> is accepted).

Table 10 Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	333,582 <sup>a</sup>	,121	,171

a. Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

Source: Output SPSS 25, 2022

The coefficient of determination test can be measured using the Cox & Snell R Square or Nagelkerke R Square values. Cox & Snell R Square is a measure that tries to imitate the size of R<sup>2</sup> in multiple regression. It is based on the likelihood estimation technique with a maximum value of less than 1 (one), so it isn't easy to



interpret. In contrast, the Nagelkerke R Square value is a modification of the Cox & Snell R Square coefficient, which can measure the coefficient of determination more precisely because it ranges from 0 to 1. This study measures the coefficient of determination using the Nagelkerke R Square value.

The Nagelkerke R Square value of 0.15 indicates that the ability of the independent variable to explain the dependent variable is 0.15 or 15%. There are 85% (100% - 15%) other factors outside the model that explain the dependent variable, such as firm size, profitability, liquidity, and solvency (Suksesi and Lastanti, 2016).

## V. CONCLUSION

### 5.1 Conclusion

This study aims to test and prove empirical evidence about the factors affecting going concern audit opinion. And hypotheses that refer to the formulation of the problem and research objectives, the authors draw the following conclusions:

1. Leverage, operating cash flow, financial distress and company size have a simultaneous and significant effect on the going concern audit opinion acceptance.
2. Leverage has a significant effect on going concern audit opinion. The more outstanding the long-term debt of a company, the greater the obligations of the company
3. Operating cash flow does not affect going concern audit opinion; large or small cash flow used in fulfilling its obligations does not affect the possibility of receiving a going concern audit opinion
4. Financial distress has a significant effect on going concern audit opinion. The company's lousy condition or experiencing financial difficulties will increase the likelihood that the company will receive a going concern audit opinion.
5. Firm size has a significant effect on going concern audit opinion. Large company assets have a better ability to maintain business continuity.

### 5.2 Limitations

The following are some of the limitations of this study, as follow: 1) This study is limited to a research sample that only uses a model of non-financial sector companies in Indonesia that do not yet represent all of the other types of industries listed on the Indonesia Stock Exchange, and cannot see a trend of acceptance of going concern audit opinion by auditors in the broader scope. 2) This study only uses 4 (four) independent financial variables while other factors can affect the acceptance of going concern audit opinions such as opinion shopping, disclosure, debt default, etc.

### 5.3 Suggestion

The conclusions and limitations in this study that need to be evaluated for development in further research are as follows: 1) Further research can expand research ongoing concern audit opinions by expanding all sectors of companies in Indonesia listed on the Indonesia Stock Exchange and further researchers can also Comparing companies in Indonesia and abroad can provide a view that giving a going concern audit opinion is not always labeled as a wrong signal for the company but as a warning to the company to be able to overcome this condition in the following year. 2) Further research can identify several other variables that affect going concern audit opinion by using financial and non-financial variables such as opinion shopping, disclosure, debt default, etc. 3) For company management should be able to recognize early signs of going concern by analyzing the financial statements so that they can take policies as early as possible. 4) Investors should be more careful in choosing the company where they will invest their funds. Investors or potential investors can conduct analyses based on financial and non-financial factors and current economic conditions. 5) For the government as a regulator, especially the Financial Services Authority, to consider and recognize the factors that affect the acceptance of going concern audit opinions so that they can be used as a reference in making supervisory policies on the quality of services for companies engaged in the non-financial sector, especially related to support for investor protection.

## ACKNOWLEDGEMENTS

An acknowledgment section may be presented after the conclusion if desired.

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