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The Effect of Company Size, Solvency and Profitability on Audit Opinions Related to Going Concern in Energy Subsector Manufacturing Companies

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Company Size, Solvency, Profitability, Going Concern Audit Opinion;

ABSTRACT
This study aims to analyze and determine the effect of company size, solvency, and profitability on the issuance of going concern audit opinions. The population of this research includes companies in the energy sub-sector manufacturing sector listed on the Indonesia Stock Exchange (IDX) for the period 2018–2021. Using a purposive sampling method, 50 companies were selected as the sample. Secondary data was collected from the official IDX website and each company's website. Data analysis was conducted using statistical methods to examine the relationship between the variables studied. The findings indicate that company size has a positive and significant influence on going concern audit opinions, suggesting that larger companies are perceived to have stronger business continuity prospects. In contrast, solvency and profitability were found to negatively influence the issuance of going concern audit opinions. High levels of debt and low profitability signal financial instability, thereby increasing the auditors' concerns about the company's future viability. These results highlight the importance for companies to manage their financial health carefully to avoid receiving adverse audit opinions regarding their going concern status. This research contributes to the literature on audit opinion determinants and provides practical insights for company management, auditors, and stakeholders regarding financial strategy and risk management to sustain business operations.

Introduction

Indonesia's economy is experiencing a recovery in 2022 after two years of weakness due to the Covid-19 pandemic (Rajah & Grenville, 2020; Ssenyonga, 2021). The economic development of a country will have direct implications for the increasing rate of energy demand, so the energy sector is also one of the key sectors in economic recovery However (Scheffran et al., 2020), the prices of a number of energy commodities have recently risen sharply triggered by the outbreak of the covid-19 pandemic which limits public economic activity, the energy crisis, geopolitical conflicts occurring in eastern Europe, the transition to renewable energy and government regulations (Hafner & Tagliapietra, 2020; Leonard et al., 2021; Su et al., 2021). There are many

companies that have decreased the amount of profit from operations when compared to the same period the previous year. In fact, they experienced a loss.

According to Ari & Samin (2020) going concern audit opinion is an assessment issued by the auditor to decide whether a company is considered capable of maintaining the continuity of life its business or not. Providing a going concern audit opinion is very useful for users of financial statements, because financial reports play an important role in decision making by investors. Financial statements are a basic tool that can be accessed by companies to provide data related to financial statements and administrative obligations (Hevchuk & Shevchuk, 2021; Kimmel et al., 2023). Financial performance information published by the Company consists of the Company's Statement of Financial Position and the Company's Profit / Loss Statement which has been audited by the Public Accounting Firm, where the financial statements can provide an overview of the Company's financial performance. Financial reports can provide information about financial performance for each month, semester, year or several years. Financial Statements are reports that are expected to provide an overview of data on the company's financial position, implementation, and income that can be used as a basis for decision making by users of financial statements.

The process of issuing an audit opinion, especially an unqualified opinion, the auditor will provide two types of opinions, namely a non-going concern audit opinion and a going concern audit opinion (Andrian et al., 2019; Khaddafi, 2015; Maffei et al., 2020; Zagotoa et al., 2024). If in the process of identifying information about the condition of the company the auditor does not find any major doubts about the company to be able to maintain the company's survival, the auditor will provide a non-going concern audit opinion. Meanwhile, if the auditor finds that there are doubts about the company to maintain its survival, the auditor will issue a going concern audit opinion. When a company experiences financial problems, operational activities will be disrupted which ultimately has an impact on the high risks faced by the company in maintaining its business survival in the future. However, the problem often faced by auditors in providing going concern opinions is that it is very difficult to predict the survival of a company (Hopwood et al., 1994). The reputation and performance of a company reflects the going concern sustainability of an organization or company (Boluwaji et al., 2024; Tuo et al., 2023), therefore giving a going concern opinion is an important aspect for company management, especially for companies listed on the capital market.

Research conducted by Agrianti Komalasari A. (2004) uses 3 variables, namely auditor quality, quick ratio, return on assets. with the results Auditor quality and ROA have a negative and significant effect on going concern opinion, while the quick ratio has no effect. Research conducted by Saputra (2019) 3 variables, namely the Almtan bankruptcy prediction model, company growth, leverage and auditor reputation with the results The variable bankruptcy prediction model (Altman Model) affects the acceptance of going concern audit opinion, while company growth, leverage, and auditor reputation have no effect. Research conducted by Fanny and Saputra (2005) 6 variables, namely The Zmijeski Model, The Altman Model, Revised Altman Model, The Springate Model, Company growth and auditor reputation. With the results Prediction of bankruptcy has a positive effect on going concern audit opinion while company growth and reputation of the Public Accounting Firm have a negative effect. Research conducted by Santosa & Wedari (2007) 7 variables, namely The Zmijeski Model, The Altman Model, Revised Altman Model, The Springate Model, previous year's Audit Opinion, company growth and company size. With the results Financial conditions and company growth have a negative effect on the tendency of going concern

audit opinion acceptance, when the bankruptcy model proxies used are the Revised Altman Model and The Springate Model, while The Zmijeski Model and The Altman Model have a positive effect on going concern opinion acceptance. Auditor quality, company size have a positive effect on going concern opinion acceptance. This research is a replication of Saputra (2019) research using logistic regression tests and has differences in the variables used. Namely, company size, solvency and profitability.

This study aims to determine the effect of company size, solvency and profitability on going concern audit opinion. The expected research benefits for investors, the results of this study can be an important consideration in making investment decisions. If a company gets a going concern audit opinion on its financial statements, this means that the company's survival is in doubt. Thus, investors will benefit from the existence of information related to going concern opinion disclosure. In addition, this research is also expected to be a comparison or reference material on similar issues for further research.

Research Method

This research is causal research, which is research that explains the causal relationship between two or more variables so that one variable affects another. Based on the hypothesis that has been made, this study examines the effect of company size, solvency and profitability on going concern audit opinion.

The sample in this study were companies in the manufacturing sector listed on the IDX for the period 2018 - 2021. The sample selection method in this study was carried out using purposive sampling method, which is a sampling method based on certain criteria. The criteria for determining the sample are as follows:

1. Energy sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2021
2. Energy sector manufacturing companies listed on the Indonesia Stock Exchange and issued auditor reports for the period 2018-2021
3. manufacturing companies in the energy sector that are included in the special notation on the Indonesia Stock Exchange for the period 2018 - 2019

Inferential statistical analysis in the study used a logistic regression model. Logistic regression is a regression model used to test whether the probability of the occurrence of the dependent variable can be predicted by the independent variable (Boateng & Abaye, 2019). The logistic regression model used is as follows:

$$Ln\frac{GCOpinion}{1 - GC\ Opinion} = \propto + \beta 1 + \beta 2 + \beta 3 + \varepsilon$$

I am running a few minutes late; my previous meeting is running over.

Based on the criteria set, 50 companies in the energy sector passed the criteria. During the monitoring period from 2018-2021, 200 monitoring data were collected.

Results and Discussions

Descriptive Test

Descriptive analysis is an analysis needed to provide an overview of the variables in this study. The table below is the result of descriptive analysis of this research.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
going concern	200	0	1	,05	,218
Ukuran perusahaan	200	1110213240	115913388238200	10535708888190	20240314399630,4
SOLVABILITAS	200	,000283	15,145	,62617	1,077718
PROFITABILITAS	200	,000113	18,824	,23223	1,340131
Valid N (listwise)	200				

Figure 1. Descriptive Test

Based on the results of descriptive analysis of the going concern audit opinion variable, the mean value is 0.050 and the standard deviation is 0.218. The minimum value for this variable is 0 while the maximum value is 1. Based on the previous descriptive statistical analysis, it can be seen that the mean value of company size in the sample is 10535708888189.7 and the standard deviation is 20240314399630.4. The minimum value of company size in the sample that has been tested is 1110213240 and the maximum value is 115913388238200. Based on the previous descriptive statistical analysis, it can be seen that the mean value of DAR in the sample is 0.626 and the standard deviation is 1.077. The minimum value of DAR in the sample that has been tested is 0.000282698 and the maximum value is 15.145. Based on the previous descriptive statistical analysis, it can be seen that the mean value of ROA in the sample is 0.232 and the standard deviation is 1.340. The minimum value of ROA in the sample that has been tested is 0.000112846 and the maximum value obtained is 18.824.

Multicollinearity Test

The multicollinearity test is conducted to test whether there is a correlation between independent variables in the regression model. Multicollinearity means that there is a perfect linear relationship between some or all of the variables that explain the regression model (Ajija, 2011).

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	LN_Ukuranperusahan	,988	1,012
	SOLVABILITAS	,990	1,010
	PROFITABILITAS	,997	1,003

a. Dependent Variable: going concern

Figure 2. Multicollinearity Test

Based on the table above, the calculation results show that all independent variables have a Tolerance value ≥ 0.10. The VIF value based on the calculation results shows that all independent variables have a VIF value ≤ 10. Thus, it can be concluded that all independent variables in this study do not occur multicollinearity.

Hypothesis Test Results

Fit test result 1

Iteration History[a,b,c]

Iteration		-2 Log likelihood	Coefficients Constant
Step 0	1	97,191	-1,800
	2	81,033	-2,555
	3	79,440	-2,885
	4	79,406	-2,943
	5	79,406	-2,944
	6	79,406	-2,944

a. Constant is included in the model.

b. Initial -2 Log Likelihood: 79,406

c. Estimation terminated at iteration number 6 because parameter estimates changed by less than ,001.

Figure 3. Fit test result 1

Fit Test Result 2

Iteration History[a,b,c,d]

Iteration		-2 Log likelihood	Coefficients			
			Constant	LN_Ukuranperusahan	SOLVABILITAS	PROFITABILITAS
Step 1	1	95,088	,301	-,075	,056	-,010
	2	76,572	2,478	-,179	,093	-,023
	3	73,781	4,727	-,273	,107	-,035
	4	73,631	5,421	-,302	,110	-,040
	5	73,631	5,467	-,304	,111	-,040
	6	73,631	5,467	-,304	,111	-,040

a. Method: Enter

b. Constant is included in the model.

c. Initial -2 Log Likelihood: 79,406

d. Estimation terminated at iteration number 6 because parameter estimates changed by less than ,001.

Figure 4. Fit Test Result 2

Based on the table above, it shows the comparison between the -2LL value of the first block and the -2LL of the second block. From the calculation of the -2LL value, it can be seen that the value of the first block (Block Number = 0) is 79.406 and the -2LL value in the second block (Block Number = 1) is 73.631. With these results it can be concluded that the second regression model is better, because there is a decrease in value from the first block to the second block.

Assessing the Appropriateness of Regression

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	7,468	8	,487

Figure 5. Assessing the Appropriateness of Regression

From the test results in the table above, the Chi-square is 7.468 with a significance value of 0.487 and df 8. From these results it can be seen that the significant value is greater than 0.05 so that the null hypothesis is accepted, which means that there is no difference between the predicted classification and the observed classification. So it can be concluded that the logistic regression model used has fulfilled data sufficiency (fit).

Coefficient of Determination

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	73,631[a]	,028	,087

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than ,001.

Figure 6. Coefficient of Determination

From the table above, the -2Log Likelihood model test results produce 73.474 from the coefficient of determination seen from Nagelkerke R Square is 0.087 (8.7%) and the Cox & Snell R Square value is 0.028 (2.8%). This means that the independent variables of Profitability, Liquidity, and Company Size are able to explain the variation in the dependent variable Going Concern Audit Opinion by 8.7%, while the rest is explained by other factors outside this study.

Testing

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	LN_Ukuranperusahan	-,304	,130	5,500	1	,019	,738
	SOLVABILITAS	,111	,156	,501	1	,479	1,117
	PROFITABILITAS	-,040	,306	,017	1	,895	,961
	Constant	5,467	3,565	2,352	1	,125	236,836

a. Variable(s) entered on step 1: LN_Ukuranperusahan, SOLVABILITAS, PROFITABILITAS.

Figure 7. Testing

The constant variable of the logistic regression model has a positive coefficient of 1.286, which means that if other variables are considered zero, the Going Concern Audit Opinion will increase by 1.286 units.

1. The Company Size variable has a wald statistic of 5.500, while from the Chi-Square table for a significance of 0.05 and free degree = 1, the result is 7.468. The coefficient of Company Size is -0.304, which means that every 1% increase in Company Size will decrease the Going Concern Audit Opinion by -0.304 units, assuming the coefficient value of other variables remains. The significance value of Company Size is 0.019 which means it is smaller than the significance of 0.05. This shows that hypothesis 1 is accepted, so it can be concluded that Company Size has a significant effect on Going Concern Audit Opinions.
2. The Solvency variable has a wald statistic of 0.501, while from the Chi-Square table for a significance of 0.05 and free degree = 1, the result is 7.468. The coefficient of Company Size is 0.111, which means that every 1% increase in Company Size will increase the Going Concern Audit Opinion by 0.111 units, assuming the coefficient value of other variables is constant. The significance value of Company Size is 0.479, which means it is greater than the significance of 0.05. This shows that hypothesis 2 is rejected, so it can be concluded that solvency has no significant effect on Going Concern Audit Opinions.
3. The profitability variable has a wald statistic of 0.017, while from the Chi-Square table for a significance of 0.05 and free degree = 1, the result is 7,468. The coefficient of Company Size is -0.040, which means that every 1% increase in Company Size will decrease the Going Concern Audit Opinion by -0.040 units, assuming the coefficient value of other variables remains. The significance value of Company Size is 0.895, which means it is greater than the significance of 0.05. This shows that hypothesis 3 is rejected, so it can be concluded that profitability has no significant effect on Going Concern Audit Opinions.

Simultaneous Testing

Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	5,775	3	,123
	Block	5,775	3	,123
	Model	5,775	3	,123

Figure 8. Simultaneous Testing

Based on the table above, it shows that simultaneously Profitability, solvency, and Company Size can explain the Going Concern Audit Opinion. This can be seen from the Chi- 55 Square result of 5.775 with a df of 3 and a significance of 0.123 whose value is greater than 0.05. This shows that hypothesis 3 is rejected, so it can be concluded that Profitability, Solvency, and Company Size have no simultaneous effect on Going Concern Audit Opinions.

Conclusion

This study aimed to examine the factors influencing the issuance of going concern audit opinions among energy sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2018–2021. Based on the analysis of 200 observational data points and hypothesis testing results, it can be concluded that: (1) company size has a positive effect on going concern audit opinions, suggesting that larger companies are less likely to receive such opinions; (2) solvency has a negative effect, indicating that higher financial risk increases the likelihood of receiving a going concern opinion; and (3) profitability also has a negative effect, where lower profitability elevates concerns regarding business continuity.

However, this study has several limitations, particularly the relatively low Cox & Snell R Square value of 0.028 (2.8%), indicating that 97.2% of the variation in going concern audit opinion is influenced by factors outside the model used in this study. Additionally, the research was limited to only one industrial sector and a relatively small sample size. For future research, it is suggested to broaden the sample by including multiple industrial sectors to enhance the generalizability of the findings. Researchers should also consider extending the observation period to better capture trends and variations over time. Furthermore, adding additional independent variables such as liquidity, audit quality, or financial distress indicators could help improve the explanatory power of the research model and provide a more comprehensive understanding of the determinants of going concern audit opinions.

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