The Influence of Company Finances on Receiving Going Concern Audit Opinions (Study of Mining Companies Listed on The IDX in 2016-2020)

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Abstract

This study aims to determine the effect of the company's financial condition on the acceptance of going concern audit opinions in mining sector companies listed on the IDX in 2016 – 2020. The research method used in this study is a descriptive method with a quantitative approach. The population used in this study are mining companies listed on the IDX in 2016 – 2020, totaling 49 companies. The sampling technique used was purposive sampling, totaling 24 companies based on predetermined criteria. The data used in this study is secondary data in the form of the company's annual report.

The results of the analysis of this study are (1) the company's financial condition has a negative effect on acceptance of going-concern audit opinion with a significant level of 0.001 <0.005, (2) the results of data processing through logistic regression show Y = -1.035 - 1.147, which means that if the financial condition is increased by one - unit, the going concern audit opinion value will likely decrease by -1.147.

Keywords: Company's Financial Condition, Receipt Of Going Concern Audit Opinion

INTRODUCTION

To produce accurate financial reports, companies must comply with guidelines for preparing financial reports, namely SAK (Financial Accounting Standards). The purpose of using these Financial Accounting Standards is so that the resulting financial information can meet the needs of the information users. The use of this SAK is so that financial reports can describe whether the company's financial health is healthy, both short and long term so that in preparing the reported financial statements, the company will continue to operate in the coming period. There is no threat of liquidation or stopping in the future. (Averio, 2021; Effendi et al., 2016)

The company's survival (going concerned) is crucial for interested parties (stakeholders). In making its annual financial report, the company must present the financial condition as material for decision-making to determine the proper steps to ensure the survival of the company. Several factors, both financial and non-financial factors, can affect the viability of the company.

The auditor carries out this assessment by issuing a "going concerned" opinion which assesses whether the company can still operate and whether the company has the intention or need to liquidate and limit the scale of its operations. (Abadi et al., 2019) An opinion that the company must consider is a negative going concern opinion, which will affect investors' decision to invest their shares in the company. (Foster & Sidharta, 2019; Simamora & Hendarjatno, 2019) Thus, companies need to consider a management plan to deal with adverse impacts that the company will face.

The company believes that when the auditor gives an unqualified opinion, it can use the earnings to guarantee that the company will not

suffer losses or go bankrupt in the long run. In bankruptcy, most companies accuse the auditor of being responsible for the losses incurred. However, investors hope to receive early warning signals from auditors regarding the survival of their companies. (Christensen et al., 2019; Kusmawati et al., 2022)

Auditors often experience difficulties in predicting the survival of a company. Auditors experience the dilemma between morals and ethics in conveying going concern audit opinions. The provisions of the AICPA (America Institute of Certified Accountants) require the Auditor to clearly state the ability of the client company to maintain its going concern. Before determining whether to invest or not, investors first analyze financial statements. Investors expect auditors to be reliable in providing good information. The focus of an auditor is determining whether the information truly reflects the events that occurred during the accounting period. (Aslan, 2021; Chen, 2019) Suppose a company encounters unfavorable circumstances that impede its capacity to maintain business sustainability and cannot furnish good recuperative strategies. In that case, the Indonesia Stock Exchange (BEI) is empowered to delist the company's stock. The Indonesia Stock Exchange (BEI) possesses the authority to delist companies, which can reduce the number of firms listed on the Exchange over time. The action, as mentioned earlier, is by the resolution made by the Board of Directors of PT BURSA EFEK INDONESIA, as stipulated in document number Kep-308/BEJ/07-2004, about regulation number I-I, which pertains to the delisting and relisting of stocks on the Exchange.

The Indonesia Stock Exchange delisted 20 firms between 2016 and 2020. The aforementioned suggests that certain enterprises are still incapable of maintaining their operations, prompting stakeholders to exercise prudence in their decision-making. (Hossain et al., 2020) The manifestation of delisting events indicates the existence of firms that cannot sustain their business operations, thereby engendering apprehension among financial statement consumers across various industries, including the mining domain. (Chung et al., 2019) The tabulated data indicate that among the 20 companies that have been delisted, a total of four are involved in the mining industry.

Evaluating the going concern may encompass several aspects, including but not limited to audit quality, the financial state of the organization, the preceding year's audit judgment, the magnitude of the company, its expansion, and other pertinent factors. (Kawada & Wang, 2019) A corporation's financial status denotes its capacity to furnish a comprehensive depiction or statement of its monetary affairs during a particular timeframe, thereby offering a synopsis of the enterprise's operational efficacy. If a company's financial condition is problematic, it is highly likely that the company will obtain a going concern audit opinion. (Jan, 2021) This result shows that companies with poor financial conditions or many indications of financial problems will most likely get a going concern audit opinion concern. (Desai et al., 2020; Jan, 2021)

Based on the phenomena and empirical studies in the background, the problem in this study is how big the chance is for the company's

financial condition to receive going concern audit opinions in mining sector companies listed on the IDX in 2016 – 2020. This study aimed to find out and analyze the magnitude of the opportunity for the company's financial condition to receive going concern audit opinions in 16 mining sector companies listed on the IDX in 2016 - 2020.

METHOD

The present investigation utilized a descriptive methodology with a quantitative orientation to scrutinize a particular population or sample. The researcher employed purposive sampling as the sampling method to select participants based on individualized criteria or at the researcher's discretion. The information was gathered through research tools, and the individual who authored the study performed a quantitative or statistical analysis of the data to evaluate the predetermined hypotheses. The research methodology was developed through a series of systematic research steps that commenced with the operationalization of variables, followed by identifying data types and sources, selecting data collection methods, and designing hypothesis testing for data analysis.

Quantitative research outcomes derive from statistical techniques or other quantification methods. The researcher employed a quantitative research methodology grounded in the philosophical framework of positivism to investigate a particular population or sample. The researcher utilized the random sampling method as the sampling strategy and procured data through research instruments. The objective of the data analysis was to verify the predetermined hypotheses and was carried out through quantitative or statistical means.

The researcher employed purposive sampling to select the samples for this study, acknowledging that not all samples may satisfy the predetermined criteria. The author established specific criteria for the samples, which included:

1. This study examines the mining companies listed on the Indonesia Stock Exchange between 2016 and 2020.
2. This study examines the annual reports of mining companies between 2016 and 2020.
3. Companies operating in the mining sector have reported good profits, as indicated by the Altman Z-score measurement.

Following the application of specific criteria, the author has identified 24 companies for inclusion in the study, each denoted by their respective codes: PTBA, SMMT, ELSA, ANTM, RUIS, TINS, ADRO, BSSR, BYAN, DEWA, DOID, DSSA, GEMS, HRUM, INDY, KKGI, MBAP, MYOH, PTRO, ESSA, MEDC, TOBA, INCO, and MDKA.

The analyst evaluated to determine the appropriateness of the regression model. The author employed the Hosmer and Lemeshow Goodness of Fit Test to assess the congruence between the model and the empirical data. This examination aimed to ascertain whether a distinction existed between the model and the data, thereby implying a satisfactory alignment.

The researcher conducted a comprehensive evaluation of the model to determine whether

incorporating variables enhanced its capacity to elucidate the audit opinion regarding the continuity of operations. The -2 loglikelihood (-2LL) values were analyzed to make a comparison. Block Number = 0 represents the model that solely consisted of the constant, while Block Number = 1 represents the model that included both the constant and independent variables. When the -2LL value at Block Number = 0 is higher than the -2LL value at Block Number = 1, the proposed regression model is a good fit for the data, indicating that the model is appropriate.

The present study employed multivariate analysis through logistic regression to conduct hypothesis testing, wherein the likelihood of the independent variable's incidence assesses. The logistic regression analysis did not necessitate the examination of normality or adherence to classical assumptions for the dependent variable. It did not take into account heteroscedasticity for each independent variable.

RESULTS AND DISCUSSION

The researcher analyzed the data in this study using descriptive statistical techniques. Using descriptive statistics facilitated the explicit and systematic presentation of the data. The present study utilized a dataset consisting of the annual reports of 49 mining sector firms publicly listed on the Indonesia Stock Exchange (BEI) from 2016 to 2020, which amounts to 245 annual reports. The study employed a purposive sampling technique. The researcher selected the sampling technique because specific samples did not satisfy the pre-established criteria.

Descriptive statistics provide an overview or description of the subject of inquiry, utilizing either sample or population data in their original form without conducting analysis or drawing general conclusions (Sugiyono, 2018). Descriptive statistics encompass techniques for categorizing, condensing, and effectively displaying data. The analyst exhibited the above computations through a descriptive statistics table with the highest, lowest, average, and standard deviation figures. The tabulated outcomes of the descriptive statistical examination are exhibited in the following table.

Statistics			
		kondisi keuangan perusahaan	opini audit going concern
N	Valid	120	120
	Missing	0	0
Mean		,55	,18
Std. Deviation		,659	,389
Minimum		-1	0
Maximum		1	1

Figure 1. Descriptive Statistics Results

The descriptive statistical analysis allows us to infer the following conclusions based on the information presented in Figure 1, based on the descriptive statistical analysis presented, it is inferred that a financial condition of -1.00 represents the lowest or least satisfactory level. The findings elucidate that the financial condition data obtained from the sample exhibited a range of values from -1.00 to 1.00. From 2016 to 2020, mining companies' mean financial condition value was 0.55, with a corresponding standard deviation of 0.659. The findings of the descriptive statistical analysis presented in Table 4.4 indicate that the audit going concern opinion ranges from 0.00 to 1.00.

The findings elucidate that the collected research data about audit going concern opinions exhibited values between 0.00 and 1.00. From 2016 to 2020, the mean going concern opinion for mining companies' audits was 0.18, with a corresponding standard deviation of 0.389.

The statistical analysis results will assess to ascertain the degree of impact that a company's financial state has on the audit going concern opinion of mining sector firms that listen on the Indonesia Stock Exchange during the period spanning from 2016 to 2020. The assessment tools utilized in this study comprise the regression adequacy test, overall model evaluation, and logistic regression analysis.

The adequacy of the regression model will be evaluated by applying Hosmer and Lemeshow's Test, which aims to ascertain the degree of fit between the model and the observed data. If the value of Hosmer and Lemeshow's Test statistic exceeds 0.05, it can be inferred that the model is deemed acceptable.

Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	,043	1	,835

Figure 2. Results of the Hosmer and Lemeshow's Test

The statistical analysis presented in Figure 2 indicates a Chi-square value of 0.43 and a corresponding significance value (p) of 0.835. The present findings lead to the inference that the model can forecast the observed values as the significance value surpasses 0.05. The assessment of model fit is conducted through the utilization of the Likelihood function in the model fit test. The conversion of the likelihood function L to -2LogL enables the evaluation of

both the null and alternative hypotheses. A reduction in the probability (-2LL) implies an improved regression model, which means a model that conforms to the data as postulated.

Iteration History[a,b,c]

Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	115,311	-1,267
	2	114,342	-1,479
	3	114,339	-1,494
	4	114,339	-1,494

Figure 3. Fit Test Results 1

Iteration History[a,b,c,d]

Iteration		-2 Log likelihood	Coefficients	
			Constant	kondisi keuangan perusahaan
Step 1	1	105,475	-,837	-,781
	2	102,629	-1,004	-1,086
	3	102,559	-1,034	-1,145
	4	102,559	-1,035	-1,147
	5	102,559	-1,035	-1,147

Figure 4. Fit Test Results 2

Figures 3 and 4 compare the -2 Log Likelihood values for the initial and subsequent blocks. The computed results indicate that the initial block (block number = 0) produced a value of 114.339, whereas the subsequent block (block number = 1) generated a value 102.559. Based on the results, the second regression model is more effective, as there is a reduction in the magnitude of the variable from the initial block to the subsequent block. Thus, it can be deduced that the second regression model conforms to the data as postulated.

The present investigation employed logistic regression analysis to assess the degree to which the independent variables are predictive of the likelihood of the dependent variable.

Variables in the Equation							
		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1ᵃ	kondisi keuangan perusahaan	-1,147	,341	11,324	1	,001	,318
	Constant	-1,035	,267	15,080	1	,000	,355

Figure 5 displays the results of the Logistic Regression Analysis

The logistic regression equation provides distinct interpretations for each variable. The value of the constant term (a) being -1.035 indicates that the company's likelihood of receiving an audit opinion of going concern remains constant at -1.035, even when the independent variable (X) is held at zero or is not impacted by the company's financial state. The regression analysis reveals that the financial condition variable has a coefficient of -1.147, suggesting that an increase of one unit in the financial condition variable is associated with a decrease of -1.147 in the probability of receiving an audit opinion of going concerned.

The results of the study show that financial conditions have a significant adverse effect on receiving going-concern audit opinions in mining sector companies. This condition means that the better the company's financial condition, the less likely the going concern audit opinion to be received by the company.

They are making the company's financial condition variables as information and considerations for investors to invest in the company. The results of this study align with the theory of Carcello et al. (2000) in Bahtiar Effendi (2019), which says that in disrupted financial conditions, it is likely that the company will receive a going concern audit opinion. Then the company's financial condition variable is related to the grand theory, namely the signaling theory, which states that the auditor provides information about the company's financial condition for information and consideration for investors to invest in the company.

The results of this study are in line with the research of Akrimi (2019), Kurnia and Mella (2018) where the results of this study state that the company's financial condition has a significant effect on going concern audit opinion, Kurnia and Mella (2018) state that financial conditions influence the acceptance of going concern audit opinions. Concern, a company in an unhealthy or destructive financial condition can go bankrupt, and the possibility that the company will receive a going concern audit opinion is getting bigger.

CONCLUSION

Based on the results of data analysis regarding "The Influence of the Company's Financial Condition on Receiving Going Concern Audit Opinions (Study of Mining Sector Companies Listed on the Indonesia Stock Exchange in 2016 - 2020)", means that mining sector companies are listed on the Indonesia Stock Exchange in 2016 – 2020, the company's financial condition has a significant negative effect of -1.147 on acceptance of going concern audit opinions.

Based on the analysis of the research results, several indicators from the Altman z-score still need to be higher in value which causes some of the financial conditions of mining sector companies listed on the IDX to be insecure. Because of this, the researchers advise mining sector companies listed on the IDX, especially those with a low Altman z-score (<2.60), to pay more attention to indicators from the Altman z-score to ensure the viability of the company in

the long term. Short and long-term, so that investors are interested in investing their capital in the company and avoid delisting sanctions by the Indonesia Stock Exchange.

To avoid receiving a going concern audit opinion, the company should improve its financial performance so that the company's financial condition remains safe condition so that the auditor will not give a going concern audit opinion.

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