



**INTERNASIONAL CONFERENCE & CALL FOR PAPER  
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**THE EFFECT OF LIQUIDITY, PROFITABILITY AND  
SOLVABILITY ON AUDIT OPINIONS OF GOING CONCERN  
MANUFACTURING COMPANIES**

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**ABSTRACT**

*The auditor issues a going concern audit opinion to ascertain whether the company being audited is able to maintain its business continuity or not. Going concern audit opinion is very useful for investors to make decisions in investing on the funds they have. In 2018, 12 issuers received going concern audit opinions, 18 issuers in 2019, and 18 issuers in 2020. The purpose of this research was to determine: (1) the effect of liquidity on audit opinion going concern (2) the effect of profitability on audit opinion going concern. (3) the effect of solvability on audit opinion going concern.(4) the effect of liquidity, profitability, and solvability on audit opinion going concern in Manufacturing company listed in Indonesia Stock Exchange on 2018 - 2020. The research method used is quantitative with data sources in the form of secondary data. Methods of data analysis using linear regression analysis with SPSS. The population in this study is Manufacturing company that listed in Indonesian Stock Exchange on 2018 - 2020. Sampling technique that used in this study was purposive sampling. The number of samples used in this study was 26 companies from total 187 Manufacturing companies that listed in Indonesia Stock Exchange on 2018 - 2020. Total data used in this study was 78. The data were analyzed by using descriptive statistic and logistic regression. The results showed that: (1) liquidity effected the audit opinion going concern. (2) profitability effected the audit opinion going concern. (3) solvability effected the audit opinion going concern. (4) liquidity, profitability, and solvability affected the audit opinion going concern.*

*Keywords: Liquidity, Profitability, Solvability, Audit Opinions Of Going Concern*

**1. INTRODUCTION**

The auditor issues a going concern audit opinion to ascertain whether the company being audited is able to maintain its business continuity or not. Going concern opinion is very useful for investors to make decisions in investing on the funds they have. Related to the importance of the audit opinion issued, the auditor must be responsible for issuing a going concern audit opinion that is consistent with the actual conditions. There are several factors that can be studied as factors that influence the receipt of a going concern audit opinion, including liquidity, profitability and solvability. Granting going concern status is not an easy task because it will be related to the reputation of the auditor and even the reputation of a public accounting firm is also at stake when the opinion given is not in accordance with the actual condition of the company.



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Good economic environmental conditions can affect the success of a company in running its business. Since the occurrence of the monetary crisis in 1997 in Indonesia, a significant impact has been felt on Indonesia's economic growth. The monetary crisis has disrupted economic stability in Indonesia. Many companies have gone out of business because of these conditions (Adhityan, 2018). The impact of deteriorating economic conditions resulted in an increase in qualified going concern opinions and disclaimers. This is evidenced in 2015 there were 10 issuers whose business continuity was disrupted in general from the mining sector (Okezone.com, 2016), in 2016 it increased to 27 issuers obtaining unqualified opinion with explanatory language in which there were issuers experiencing going concern doubts (Liputan6.com, 2017). In 2018 there were 15 companies threatened with delisting from the Indonesia Stock Exchange because these companies were unable to maintain the company's going concern (Okezone.com, 2018). In addition, in 2021 there are 12 issuers with the potential to be delisted, some of which are due to going concern issues (Liputan6.com, 2021). Furthermore, in 2022 Cottonindo Ariesta (KPAS) shares are threatened with delisting taking into account indications of problems with the continuity of the Company's business (Okezone.com, 2022).

## **2. LITERATURE REVIEW**

### **Audit Opinions Of Going Concern**

Auditing is a process of critical and systematic examination, carried out by a competent and independent person to objectively obtain and evaluate evidence in the financial statements with the aim of being able to provide an opinion regarding the fairness of the financial statements. Agoes (2019: 4)

The accounting standard dictionary states that the meaning of an audit opinion is a report given by a registered public accountant. Which is the result of an assessment of the fairness of the reports that have been presented by the company to the public accountant. The auditor's opinion is the opinion given by the auditor regarding the fairness of the presentation of the financial statements of the institution/company where the auditor conducts the audit. The end result of the auditing process is the auditor's opinion on the company's financial statements.

Going concern can be assumed that an entity will generally continue to operate in its present form for an unlimited future and allows financial statements to be prepared in terms of other valuations, not just liquidity assessments. Mutsanna (2020: 117)

Going concern audit opinion is an audit opinion issued by the auditor to evaluate whether there are doubts about the entity's ability to maintain its viability (SPAP, 2011). The auditor determines acceptance of a going concern audit opinion if in the audit process conditions and events are found that lead to doubts about the company's survival (SA Section 341).

### **Liquidity, Profitability, Solvability**

Liquidity is the ability of a company to meet its short term obligations appropriately. In this study the authors use the current ratio as a tool to measure a company's ability to meet short-term obligations using current assets, the current ratio is used as a general practice that is better as a starting point for measuring all working capital used by companies by comparing total assets. current and current liabilities Hidayat (2018: 45).

The profitability ratio is the ratio to assess the company's ability to make a profit. This ratio also provides a measure of the effectiveness of a company's management. In



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this study using a profitability ratio in the form of Return on assets (ROA). Return On Assets (ROA) shows the company's ability to generate profits from the assets used. By knowing this ratio, it will be known whether the company is efficient in utilizing its assets in the company's operational activities Sumardi & Suharyono (2020: 28).

The solvability ratio is a ratio used to measure a company's ability to pay all of its obligations, both short term and long term if the company is liquidated. In this study only use debt to total asset ratio Kasmir (2019: 153).

### Agency Theory, Signalling Theory

Agency theory explains that agency relationships arise when one or more people (principal) hire another person (agent) to provide a service and then delegate decision-making authority to the agent (Jensen and Meckling, 1976).

Signal theory is the company's actions in signaling to investors about how management views the company. Signal theory discusses how signals of management success or failure should be conveyed to the owner (principal). The urge to provide signals arises because of asymmetric information between the company (management) and outsiders, where investors know relatively little and slower internal company information than management.

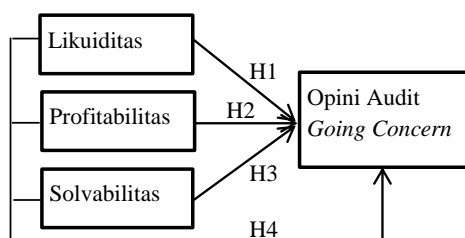


Figure 1 : Research Model

### Effect of Liquidity on Going Concern Audit Opinion

The condition of a company that has a good current ratio is considered a good and good company, but if the current ratio is too low it is considered not good because it can indicate a problem, this can be the cause of obtaining a going concern audit opinion and become a signal for investors regarding the company's condition (Averio, 2020).

H1 : Liquidity affects the Going Concern Audit Opinion of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2018 - 2020.

### Effect of Profitability on Going Concern Audit Opinion

The higher the value of ROA, the more effective the management of company assets. Thus the greater the profitability ratio indicates that the company's performance is getting better, so the auditor as an agency does not give a going concern audit opinion to companies that have high profits (Adhityan, 2020).

H2 : Profitability affects the Going Concern Audit Opinion of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2018 - 2020.

### Effect of Solvability on Going Concern Audit Opinion

The lower the solvability ratio, the better because creditors will be safe when liquidation occurs, so the auditor does not give a signal to bad investors by giving a going concern audit opinion to companies that have sources of financing, namely high assets or funds to finance debt (Putri, 2018).



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H3 : Solvability affects the Going Concern Audit Opinion of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2018 - 2020.

**Effect of Liquidity, Profitability and Solvability on the Going Concern Audit Opinion**

If the liquidity ratio is too low, the profitability ratio is too low and the solvability ratio is too high, it is considered bad and can indicate a problem, and this can be the cause of obtaining a going concern audit opinion from the auditor as an agency and becomes a separate signaling for investors.

H4 : Liquidity, Profitability and Solvability affects the Going Concern Audit Opinion of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2018 - 2020.

**3. DATA AND RESEARCH TECHNIQUE ANALISYS**

The method used in this study is quantitative emphasizing analysis on numerical data (numbers) which are then analyzed using statistical methods that are in accordance with the aim of testing the hypotheses that have been set (Hardani, 2020). In this study, data collection techniques were carried out using literature and documentation methods taken from [www.idx.co.id](http://www.idx.co.id). The data source in this study uses secondary data which is data that is not directly obtained but from data collectors (Sugiyono, 2019). Secondary data in this study is in the form of financial statements of manufacturing companies from 2018 to 2020. The sampling technique used purposive sampling technique. The sample consisted of 26 companies from 187 manufacturing companies listed on the IDX in 2018 - 2020, so that the research data analyzed amounted to 78. In this study, to test the hypothesis, multiple linear regression methods were used using the Statistical Product and Service Solutions (SPSS) Version 25 application.

**4. RESULT AND DISCUSSION**

**Hyphotesis Test**

Assessing Regression Feasibility data as follows:

*Table 1 : Assessing Regression Feasibility*

<i>Hosmer and Lemeshow Test</i>			
Step	Chi-square	df	Sig
1	0.000	7	1.0000

*Source : Self Proceed*

From the results of the Hosmer and Lomeshow's Goodness of Fit Test above, it can be seen that the significance value is 1.00 which is greater than 0.05 so that the null hypothesis cannot be rejected and means that the model is able to predict the value of its observations or it can be said that the model can be accepted because according to the observational data.



**INTERNASIONAL CONFERENCE & CALL FOR PAPER  
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**Vol: 1 No.: 1**

**No. E-ISSN: 3025-4086**

Assessing Model Fit data as follows:

*Table 2 : Assessing Model Fit*

<i>Iteration History<sup>a,b,c</sup></i>			
	Iteration	-2 Log likelihood	Coefficients Constant
Step 0	1	107,669	-0.154
	2	107,669	-0.154

a. Constant is included in the model.  
b. Initial -2 Log Likelihood: 107,669  
c. Estimation terminated at iteration number 2 because parameter estimates changed by less than ,001.

*Source : Self Proceed*

Table 2 above describes for the second table above shows a comparison between the -2LL values of the first block and -2LL of the second block. From the results of calculating the value of -2LL it can be seen that the value of the first block (Block Number = 0) is 107.669 and the value of -2LL in the second block (Block Number = 1) is 0.000 so it can be concluded that the second regression model is better, because there is a decrease in the value of first block to second block.

**Wald test (Partial t test)**

Wald test (Partial t test) data as follows:

*Table 3 : Wald test (Partial t test)*

Model	<i>Coefficients<sup>a</sup></i>				t	Sig
	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta			
1	(Constant)	0.672	0.038		17.851	0
	Liquidity	-0.08	0.016	-0.33	-4,769	0
	Profitability	-0.01	0.003	-0.28	-4,22	0
	Solvability	-0.13	0.02	-0.48	-6,433	0

a. Dependent Variable: OAGC

*Source : Self Proceed*

Table 3 above describes for liquidity variable gets a t-count value of 4.769, profitability gets a t-count value of 4.220 and solvability gets a t-count value of 6.433, where the three variables have a t-count value that is greater than the t-table value of 1.99254, so that partially both liquidity, profitability and solvability affects the going concern audit opinion.



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**Simultan F test**

Simultan F test data as follows:

*Table 4 : Simultan F test*

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig
	Regression	13.96	3	4.652	63.4	0.00 <sup>b</sup>
1	Residual	5.429	74	0.073		
	Total	10.39	77			

a. Dependent Variable: OAGC  
b. Predictors: (Constant), Solvability, Profitability, Likuidity

*Source : Self Proceed*

Table 4 above describes for the F table value for Df1 = 3 and Df2 = 74 is 2.73 where this figure is smaller than the calculated F value of 63.411 so that Ho is rejected or the liquidity, profitability and solvability variables jointly affect the going concern audit opinion variable.

**Coefficient of Determination**

Coefficient of Determination data as follows:

*Table 5 : Coefficient of Determination*

Model Summary				
Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	,848 <sup>b</sup>	0.72	0.709	0.271

a. Predictors: (Constant), Solvabilitas, Profitabilitas, Likuiditas

*Source : Self Proceed*

From table 5 above it can be seen that the adjusted R square value (coefficient of determination) is 0.709, which means that the independent variables of liquidity, profitability and solvency affect the dependent variable going concern audit opinion by 70.9%, while the remaining 29.1% is influenced by other factors not mentioned in the this research.

**5. CONCLUSION**

Liquidity has a negative or opposite effect of 0.078 on the going concern audit opinion, meaning that if liquidity is 0 then the going concern audit opinion will decrease by 0.078. This influence is evidenced by a significant value below 0.05 and the calculated t value is greater than the t table value. The higher the level of liquidity, the smaller the company will obtain a going concern audit opinion. The company's liquidity level does not have a large influence in the case of an auditor issuing a going concern opinion. This is because the auditor does not only look at the company's ability to fulfill its short-term





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**No. E-ISSN: 3025-4086**

obligations in providing a going concern audit opinion, but also pays attention to other factors that affect the company's finances. The company's ability to maintain the viability of the company is not only seen from its liquidity. The company can have other potentials in maintaining its survival, such as obtaining a new supply of capital or having the ability to generate good profits in the following year, so that the smaller the potential for the company to get a going concern audit opinion. The results of this study support the results of research conducted by Sinurat (2015), Putri (2018), Purnadewi, et., al (2022) and Averio (2020).

Profitability has a negative or opposite effect by 0.014 on a going concern audit opinion, meaning that if profitability is 0 then the going concern audit opinion will decrease by 0.014. This effect is evidenced by a significant value below 0.05 and the calculated t value is greater than the t table value. The higher the level of profitability, the smaller the company will obtain a going concern audit opinion. The test results prove that the size of the profitability ratio does not affect the going concern audit opinion. The increase in net profit earned on sales within the company does not mean that the company does not experience problems in maintaining its viability because the increase in operating profit is not matched by a decrease in trade payables. The results of this study support the results of research conducted by Setiawan (2015), Adhityan (2018), Sari (2020) and Averio (2020).

Solvability has a negative or opposite effect of 0.126 on the going concern audit opinion, meaning that if solvability is 0 then the going concern audit opinion will decrease by 0.126. This effect is evidenced by a significant value below 0.05 and the calculated t value is greater than the t table value. The lower the solvability level, the smaller the company will obtain a going concern audit opinion. The auditor considers that even though the company has funding sources that tend to come from debt, as long as the cost of capital that arises can still be paid by the company, it is not a concern for the auditor to issue a going concern opinion. The company is still considered to have a high level of credibility that makes investors or creditors believe in channeling funds to the company and makes the auditors lower their doubts in assessing the viability of the company. In addition, banking companies have a good debt management system with the characteristics of a capital structure with high levels of debt. Therefore, high debt is not an indicator in determining the level of sustainability of the company in the future. The results of this study support the results of research conducted by Kusumaningrum (2019), Rahman (2020), and Utama, et., al (2021).

Liquidity Profitability and Solvability have a joint effect on going concern audit opinion in Manufacturing companies listed on the Indonesia Stock Exchange in 2018 - 2020 by 70.9% and the remaining 29.1% is influenced by other factors not mentioned in this study, this is evidenced by a significant value below 0.05 and the calculated F value is greater than the table F value. The higher the level of liquidity and profitability, and the lower the level of solvency, the smaller the company will obtain a going concern audit opinion.

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**INTERNASIONAL CONFERENCE & CALL FOR PAPER**  
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**Vol: 1 No.: 1**

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