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The Influence of Solvability, Profitability, and Prior Audit Opinion on Going concern Audit Opinion

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Abstract:- This examines pursuits to determine the impact of solvability, profitability, and former 12 months' audit opinion on going problem audit opinion. The population of this examine is the mining sector agencies listed on Indonesia stock exchange year 2015-2019. The take a look at pattern used are 34 agencies in mining quarter which decided on primarily based on purposive sampling. The study approach used quantitative approach, with logistic regression evaluation. The effects of this have a look at were solvability had no impact on going problem audit opinion, profitability had a importance impact on going difficulty audit opinion, and previous 12 months' audit opinion had impact on going challenge audit opinion.

***Keywords*:-** *Solvability, Profitability, Prior audit opinion, Going concern opinion*

I. INTRODUCTION

Companies whose continuity of operations are in doubt will receive a going concern opinion from the auditors who audit them. Going concern opinion is an opinion released by the auditor, when the auditor feels that there is doubt about the company's potential to continue its life for a period of < one year. Therefore, the auditor is obliged to ask management's plans in dealing with the consequences of this condition (Tjahjani and Pudjiastuti, 2017).

One sector whose business continuity is in doubt is the mining sector. The mining sector index was an obstacle to the mixed stock price index during 2019. The index in the mining sector was minus 12.83%. There are several reasons why the sector index grew minus. Securities expert Liza Camelia Suryanata believes that the mining index's performance was due to the fall in coal prices during 2019 (https://investasi.kontan.co.id).

The Director of Investment Appraisal of the Indonesia Stock Exchange, Samsul Hidayat, reported that there are at least 10 to 15 listed companies that are threatened with delisting from the IDX. This arises because these various companies do not carry out their obligations in reporting financially in the form of disclosure, including clarity regarding the company's business continuity (www.metrotvnews.com).

The following is a table of net weight & mining export results for 2012–2019:

Year	Net Weight (Thousand Tons)	Value (Million US$)	% Change Value
(1)	(2)	(3)	(4)
2012	483 700,4	31 322,9	-9,57
2013	581 521,9	31 154,3	-0,54
2014	428 882,9	22 827,7	-26,73
2015	381 931,0	19 456,0	-14,77
2016	387 496,1	18 164,8	-6,64
2017	409 551,7	24 303,8	33,80
2018	469 921,2	29 286,0	20,50
2019	519 550,6	24 897,0	-14,99

Source: BPS

Table 1:- Net Weight & Mining Export Results 2012–2019

Table 1 shows that the net weight & mining export results in 2012–2019 fluctuated. In 2019, the net weight and export value of mining products decreased by 14.99%.

The going concern problem is a problem that is important to understand and sound in the audited financial statements, so that the management can make the right steps or policies to maintain their business in order to avoid bankruptcy (Tjahjani and Pudjiastuti, 2017).

One of the causes that can affect the company in achieving a going concern opinion is solvability. Wijaya and Murdijaningsih (2017) suggest that solvability is a measure used to analyze capital structure & credit risk. Solvability is also the company's ability to fulfill its obligations, which means it describes the company's ability to pay all its debts.

The relationship between solvability and going concern opinion is that the higher the solvability ratio, the more the company's assets are funded using debt from creditors. High solvability can increase the company's risk, especially in terms of paying off debt and interest. Companies with large debts will be vulnerable to experiencing financial distress. This will then lead to auditors' doubts about the continuity of the company (Lie, et al, 2016).

The next factor that can affect the acceptance of going concern opinion is profitability. The profitability ratio measures a corporation's ability to achieve profit. Profitability is referred to as a valid benchmark for analyzing company performance, this is because profitability is a comparison for different investment options depending on the level of risk (Tjahjani and Pudjiastuti, 2017).

If this continues, companies with low profits or losses pose a potential risk of financial distress for the company, so it is more likely to require an audit opinion on going concern. The auditor will seek to evaluate the performance of management. The worse the management's performance on profitability, the more opportunities for the auditor to release a going concern opinion (Lie, et al, 2016).

The next factor that can affect the acceptance of the going concern audit is prior audit opinion. Fahmi (2015) argues that companies that have received a sustainable opinion in the previous year are said to have a feasibility issue, so the auditor will release a going concern opinion.

This study is intended to review and combine several independent variables used in previous studies. This study uses independent variables such as solvability, profitability and prior audit opinion. While the dependent variable used is going concern opinion. The gap between this research and previous research is on the independent variables used, the length of the study, as well as the use of Eviews which are rarely used in dummy variable research. The subjects used in this research are mining companies that went public for the 2015-2019 period.

II. LITERATUR REVIEW AND HYPOTHESIS DEVELOPMENT

A. Agency Theory

Jalil (2019) said that the principal is the person who mandates the authority to the agent. Agents carry out all their activities for the benefit of the principal as a decision maker. Agency relationships sometimes create conflicts between managers and shareholders. The problem arises because humans are economic beings who are selfish. So business owners and managers sometimes have different directions, where everyone wants to achieve their own goals. This leads to a conflict of interest and a lack of information.

B. Going Concern Opinion

Going concern opinion is an opinion expressed by the auditor in addition to an explanatory paragraph regarding the auditor's doubts that there is a material deficiency or uncertainty about the company's continued existence to operate in the future (Muttaqin and Sudarno, 2012). Wijaya and Murdijaningsi (2017) argue that various causes of uncertainty in business continuity can be in the form of: 1) Continuing the business with heavy losses or lack of working capital; 2) The company could not settle its short-term debt; 3) A legal case, lawsuit or similar matter has arisen that could affect the ability of the business to operate.

C. Solvability

Solvability is a metric commonly used to measure a company's capital structure and credit risk. What is meant by solvability is the company's ability to pay its obligations (Wijaya and Murdijaningsi, 2017). Kasmir (2016) states that the solvability ratio is a ratio used to analyze how the proportion of company assets is covered by debt. That means the company's debt is relative to all of its assets.

The higher this ratio, the more negative the financial position. Higher solvability shows the poor performance of the company and can create uncertainty about the existence of the company. In this study, solvability was estimated using DAR. DAR is a debt ratio that analyzes the ratio of the company's total debt to its total assets.

The research of Lie, et al (2016), Listantri and Mudjiyanti (2016), and Pasaribu (2015) obtained the results that solvability had an effect on going-concern opinion.

H1: Solvability has a significant effect on going concern opinion.

D. Profitability

Kasmir (2016) says that the profitability ratio is a ratio to analyze the company's ability to earn profits. This ratio describes the level of efficiency of the company. This is represented by the profit earned from the sale as well as the investment.

The higher the level of company profitability, the higher the company's profit. This can ensure that the business, with all the assets and profits it generates, can continue to operate in the future, avoid the threat of bankruptcy, and provide an audit opinion on business continuity (Aryantika and Rasmini, 2015).

Research by Setiawan and Suryono (2015), Rahman and Ahmad (2018), and Haryanto and Sudarno (2019) found that profitability has an impact on going concern opinions.

H2: Profitability has a significant effect on going concern opinion.

E. Prior Audit Opinion

Prior audit opinion is the opinion obtained by the Company in the previous year. Companies that received a going concern opinion during the previous year were suspected of having problems in maintaining viability, the auditors were more likely to submit a going concern accounting audit opinion for the current year (Pratiwi and Lim, 2018).

Companies that receive notice of an ongoing audit of their operations in the previous year will have implications for their share price dropping, making it more difficult to obtain loans, and loss of trust among investors, creditors, customers and employees. As a result, companies that received a going concern opinion in the previous year are indicated to receive a going concern opinion again in the current year (Zulfikar et al., Syafruddin, 2013).

The research of Hati and Rosini (2017), Fahmi (2015), and Andini and Mulya (2015) obtained the results that prior audit opinion had an impact on going concern opinion.

H3: Prior audit opinion has a significant effect on the going concern opinion.

III. RESEARCH METHOD

The data analysis method used is the quantitative method. The analytical technique used to analyze the hypothesis is logistic regression analysis which is supported by the Eviews 10 application. Logistic regression analysis is a test that does not require testing assumptions on the independent variables.

The object of this research is a mining company that went public for the period 2015 to 2019. The following table is a sample obtained that matches the specified conditions.

No.	Criteria	Total
1	Mining sector companies that went public for the 2015-2019 period.	44
2	The company conducted an IPO after 2015.	(6)
3	The data required in the financial statements are incomplete.	(4)
Sample used		**34**
Total sample (5 years)		**170**

Table 2:- Selection Criteria

IV. RESULTS AND DISCUSSION

A. Descriptive Statistical Results

	DAR	ROA	OAS	OGC
Mean	0.503529	0.001176	0.252941	0.270588
Maximum	1.900000	0.460000	1.000000	1.000000
Minimum	0.020000	-2.850000	0.000000	0.000000
Std. Dev.	0.274492	0.288583	0.435982	0.445576
Observations	170	170	170	170

Source: Data processed
Table 3:- Results of Descriptive Statistics

Table 3 explains that the solvability variable expressed as a debt ratio (DAR) has a mean value of 0.50 or 50%. This means that on average, companies in the mining sector use 50% of their debt to finance their assets. The sample with the lowest DAR is the company with the ticker CKRA 2016, while the sample with the highest DAR is the company with the ticker symbol BUMI 2018.

Profitability which is expressed by ROA reaches a mean value of 0.001 or 0.1%. This means that companies in the mining sector have a profit margin of 0.1%. The sample with the lowest ROA is the company with the 2018 CKRA code, and the sample with the highest ROA is the company with the 2018 BYAN code.

Prior audit opinion has mean of 0.25. The number of samples that received a going concern opinion in the previous year were 3 samples or 25.29% of the total sample, while the sample that did not receive a going concern audit opinion in the previous year was 127 samples or 7.71% of the total sample.

Going concern opinion achieved mean of 0.27. The number of samples with a going concern opinion in the current year is 6 samples or 27.06% of the total sample, while the sample that does not receive a going concern opinion during the current year is 12 hectares or 72.9% of the total sample.

B. Coefficient of Determination Test Results

McFadden R-squared	0.783824	Mean dependent var	0.270588
S.D. dependent var	0.445576	S.E. of regression	0.173640

Source: Data processed
Table 4:- McFadden R-squared . test results

Table 4 shows that the results obtained are R-squared worth 0.7838 or 78.38%. The results of this study conclude that the solvability, profitability and prior audit opinion can explain the going concern opinion of 78.38%, then the difference of 21.62% is described by other variables outside this research.

C. Simultaneous Hypothesis Test Results (Likelihood Ratio Statistics)

LR statistic	155.5942	Avg. log likelihood	-0.126213
Prob(LR statistic)	0.000000		

Source: Data processed
Table 5:- Test Results of Likelihood Ratio Statistics

The results in Table 5 show that based on the statistical test the probability ratio produces a probability of 0.000 or <0.05. These results lead to the conclusion that solvability, profitability and prior audit opinion together have an impact on going concern opinion.

D. Partial Test Results (Z Statistical Test)

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-3.562249	1.002287	-3.554120	0.0004
DAR	0.181653	1.591692	0.114126	0.9091
ROA	-15.69653	5.003739	-3.136960	0.0017
OAS	6.022417	1.002543	6.007143	0.0000

Source: Data processed
Table 6:- Z Statistical Test Results

- The Effect of Solvability on Going concern Opinion

Based on data processing, solvability (DAR) reached a coefficient of 0.18. These results indicate that every 1% change in DAR increases the company's chances of obtaining a going concern opinion by 0.18. The results of the Z statistic indicate that the DAR achieves a significance value of 0.9091 or exceeds 0.05. This means that the estimated debt to assets ratio (DAR) has no impact on going concern opinion or rejects the hypothesis (H1 is not accepted).

- The Effect of Profitability on Going concern Opinion

Based on data processing, the variable profitability (ROA) coefficient is 15.70. These results indicate that for every 1% change in ROA, there is a 15.70 reduction in the company's chances of receiving a going concern audit opinion. The results of the Z test indicate that the ROA has a significance value of 0.0017 or <0.05. This means that the estimated profitability using return on assets (ROA) has a negative effect on going-concern opinion or supports the hypothesis (H2 is accepted).

- The Effect of Prior Audit Opinion on Going concern Opinion

Based on data processing, prior audit opinion variable produced a coefficient of 6.02. These results indicate that every 1% change prior audit opinion increases the company's chances of obtaining a going concern opinion by 6.02. The results of the Z test indicate that prior audit opinion has a significance of 0.0000 or <0.05. This means that the opinion of the previous year has an effect on the going concern opinion or supports the assumption (H3 is accepted).

E. Logistics Regression Results

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-3.562249	1.002287	-3.554120	0.0004
DAR	0.181653	1.591692	0.114126	0.9091
ROA	-15.69653	5.003739	-3.136960	0.0017
OAS	6.022417	1.002543	6.007143	0.0000

Source: Data processed
Table 7 Logistics Regression Results

The results obtained based on the logistic regression equation are as follows:

1) The resulting constant is - 3.56. These results indicate that if the value of DAR, ROA and the prior audit opinion is zero, then the going concern opinion value is 3.56.
2) The solvability variable uses the debt ratio (DAR) with a coefficient of 0.18. These results indicate that every 1% change increases the company's chances of obtaining a going concern opinion by 0.18. The results of the Z statistic explain that the DAR has a significance value of 0.9091 or greater than 0.05. This means that solvability with DAR does not have a significant impact on going-concern opinion.
3) Profitability using ROA produces a coefficient of 15.70. These results indicate that every 1% change in ROA reduces the company's ability to obtain a going concern opinion by 15.70. The results of the Z statistic indicate that ROA has a significance of 0.0017 or <0.05, which means that profitability and ROA have the opposite effect on going-concern opinion.
4) Prior audit opinion yielded a coefficient of 6.02. These results indicate that every 1% change in prior audit opinion increases the probability of the company getting a going concern opinion of 6.02%. The results of the Z test indicate that prior audit opinion has a significance of 0.0000 or <0.05, which means that the prior audit opinion has a material impact on the going-concern opinion.

F. Discussions

1) The Effect of Solvability on Going concern Audit Opinion

The results of the data test show that the DAR has a significance value of 0.9091 or greater than 0.05. This means that the debt to equity ratio (DAR) has no material effect on the going concern opinion, so H1 cannot be accepted.

The solvability ratio is the ratio used to analyze the extent to which the company's assets are financed with debt. Companies with assets less than liabilities face bankruptcy. Creditworthiness refers to the amount of funds a company owes to its creditors. The higher this ratio, the more negative the company's financial position. Higher solvability indicates the company's financial performance is not good and can create uncertainty about the company's existence.

An unaffected solvability ratio means that a company that is heavily indebted does not necessarily have a bad business, because if the debt can be managed properly, the debt will actually be profitable, beneficial to the company. The auditor of course does not only look at the solvability ratio when deciding whether a company will accept a going concern audit opinion, the auditor also considers other factors such as periodic mining business losses or the impact of national economic conditions that affect certain sectors.

The results of this study contradict the research of Lie et al (2016), Listantri and Mudjiyanti (2016) and Pasaribu (2015) which state that solvability has an effect on going-concern opinion.

- Effect of Profitability on Going concern Audit Opinion

The results of data testing indicate that ROA produces a significance value of 0.0017 or less than 0.05. This means that the estimated profitability using return on assets (ROA) has a negative impact on going concern opinion, so H2 is accepted.

Profitability ratio is a ratio that analyzes the ability of a corporation to earn a profit. The higher the level of profitability, the higher the profit of the company, which ensures the company with all the assets and profits it generates can continue its activities in the future, without danger, bankruptcy, and at the same time guarantees business continuity. audit opinion.

The higher the ROA, the less opportunity the auditor has to express a going concern opinion. Conversely, the smaller the ROA value, the more potential the company has to be given a going concern opinion.

In comparison, the lowest ROA obtained by CKRA in 2018 was 2.85, followed by MITI in 2019 at 1.5 and BUMI in 2015 at 0.6. During this period, the three companies received going concern opinions. The highest ROA value obtained by BYAN in 2018 was 0.6, followed by BSSR in 2017 at 0.39 and MBAP in 2017 at 0.36. During this period, the three companies did not have a going concern audit opinion.

These results support the research of Setiawan and Suryono (2015), Rahman and Ahmad (2018), and Haryanto and Sudarno (2019) which obtained the results that profitability has an impact on going concern opinions.

- Effect of Prior Audit Opinion on Going Concern Opinion

The results of testing the data show that prior audit opinion resulted in a significance of 0.0000 or <0.05. This means that prior audit opinion has a positive impact on the going concern opinion, so H3 is accepted.

Prior audit opinion is the audit opinion obtained by the Company one year before the current year. Companies that received a going concern opinion in the previous year are suspected of having problems in maintaining their viability, therefore the auditor is likely to release another going concern opinion in the current year.

The effect of prior audit opinion on the going concern opinion is proven. Activities over the past year have raised doubts about business continuity, so that it will be increasingly difficult for the company's management to improve it. In addition, the auditor's suggestion submitted at the LAI the previous year to improve business conditions may not have been implemented properly by the company, so this situation encourages the auditor to issue a going concern opinion.

The results of research supporting studies by Hati and Rosini (2017), Fahmi (2015) and Andini and Mulya (2015) show that prior audit opinion has an effect on going-concern opinion.

V. CONCLUSION

Solvability using the leverage ratio (DAR) approach does not have a material impact on going-concern opinion. An unaffected solvability ratio means that companies with high leverage are not necessarily underperforming, because if debt can be managed properly, debt will provide benefits to the company.

ROA has a significant negative effect on going-concern opinion. The higher the ROA ratio, the lower the opportunity for the auditor to issue a going concern opinion. On the other hand, the smaller the ROA value, the more potential the company has to get a going concern opinion.

Prior audit opinion had a material effect on the going concern opinion. The effect of prior audit opinion on the going-concern opinion is that the acquisition of the going-concern opinion during the past year raises doubts about the business continuity of the going-concern opinion, so that it will be increasingly difficult for the supported company to get out of this problem.

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