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SEVERAL FACTORS AFFECTING AUDITOR'S GOING CONCERN OPINION ON APPAREL AND LUXURY COMPANIES LISTED ON IDX DURING THE COVID-19 PANDEMIC

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ABSTRACT
The aim of this research is to determine whether there is an influence of company size, leverage and previous year's going concern audit opinion to the company. The samples used for this research were 57 samples, where the data needed to conduct this research was taken from data from companies listed on the Indonesia Stock Exchange in consumer cyclicals with the Apparel & Luxury Goods sub-sector for 2020-2022. Logistic regression analysis is employed in this study's hypothesis testing to ascertain the impact of company's size, leverage and previous year's audit opinion on the going concern opinion. The results of this research are that previous year's going concern audit opinion has a significant influence on going concern opinion. On the other hand, company size and leverage have no significant influence on going concern opinion.

Keywords: *Going concern opinion, company size, leverage, previous year's audit opinion.*

1. INTRODUCTION

Financial reports are reports that are made by the company or management as a form of accountability to parties who have an interest in the company. Financial reports contain the financial performance of a company which can be used by internal and external parties to make decisions. The preparation of financial reports must be based on Financial Accounting Standards (SAK). Financial reports that has been made by the management have to be examine by an independent parties, such as public accountants or what we usually call as an auditor. One of the auditor's responsibilities is to provide an opinion on the client's financial reports which have been examined in accordance with Audit Standards (SA). Auditors who doubt the business continuity of the company being audited can give a going concern opinion to the company. The auditor's assessment of the entity's capacity to maintain its business continuity is known as a going concern opinion. The auditor must ensure that the company's use of the going concern basis is acceptable and adequately reported in the financial statements. Going concern audit opinion given by the auditor is very influential in decision making by parties who have an interest in the company, especially investors [2].

The COVID-19 pandemic has a huge impact on the world economy, including Indonesia. Since 2020, the world has been hit by the new corona virus (SARS-CoV-2) and its disease known as Corona virus disease 2019 (COVID-19). The Covid-19 pandemic resulted in supply chain disruptions on a national and international scale, financial market volatility, shocks to consumer demand, and negative impacts on several industries [1]. In an attempt to stop the spread of COVID-19, the Indonesian government has put the PSBB (Large-Scale Social Restrictions) policy into effect. Several business sectors suffered losses as a result of PSBB. Lack of revenue from few consumers is one of the causes of the losses in many business industries. Numerous businesses have been compelled to fire employees on a massive scale due to the drop in business profits. Due to the severance pay required by these layoffs, the company's expenses increased. This affects a number of company sectors that suffer from a prolonged period of economic uncertainty, which causes a very quick fall in business [7]. Company losses and business uncertainty for a long period of time can trigger some companies to receive going concern opinions from auditors. The majority of businesses in Indonesia, especially in the industrial sector, have experienced a decline in performance due to the COVID-19 pandemic. This is due to decreased market demand and difficulty in obtaining raw materials.

The impact of this pandemic has almost stopped production in several industries. One of the sub-sectors affected by the COVID-19 pandemic is the Apparel & Luxury Goods sub-sector, which is dominated by textile companies [15]. The COVID-19 pandemic has had a significant negative impact on the textile and textile products industry. Reporting from Liputan6 on 16 September 2021 [11], export sales in this specific sector falls 17.7% in 2020. This financial downturn, especially in the apparel and luxury goods sector, can result in higher debt and leverage, which increases the danger of debt default and necessitates a going concern opinion from auditors.

For businesses, the previous year's audit opinion acquired one year prior to the research year can be regarded as previous year’s audit opinion. Businesses who received a going concern opinion the prior year can find it difficult to sustain business continuity. This can be examined by auditors for the current year [12]. A going concern opinion was given to PT Asia Pacific Investama Tbk for both the 2020 and 2021 financial reports. This demonstrates that businesses that received a going concern opinion the previous year will probably still receive one on the current year.

Company size can be seen from the increase or decrease in a company's assets. Reporting from CNBC on April 22 2023 [4], in the 2022 financial year, PT Sri Rejeki Isman Tbk's assets decreased by 38% in the 2022 financial year, from 1.23 billion to 764.55 million. On that same year, PT Sri Rejeki Isman Tbk received going concern opinion from their auditor. This shows that the decrease was also the reason for a going concern opinion from its auditor, indicating that a decrease in company size could lead to such opinions.

According to Averio (2020) [3], leverage positively impacts going concern opinions. High debt ratio indicates a company's financial instability, potentially raising auditors’ doubts about its business continuity. Ramadhan and Sumardjo (2021) [12] suggest that previous year's audit opinion significantly impacts going concern opinions, indicating that companies with a going concern opinion on the previous year are likely to receive a similar opinion in the current year. According to Ramdhani, Gunawan, Yunus, Manurung and Cahyani (2020) [13], going concern audit opinion is significantly influenced by company size. This research is conducted based on the phenomena and description explained above. This research is also hoped to contribute as a reference to the future researcher.

Agency Theory

Jensen & Meckling (1976) [8] assert that agency theory addresses conflicts of interest between the interests of principals and those of their agents. This phrase denotes a relationship between the principal and agent of a corporation. In this case principals refer to the shareholder, meanwhile agent refers to the management. The agent's responsibilities are delegated by the principle, who also has the power to make decisions. The goal of managers acting as agents in this study is to increase business financial performance by providing principals with alluring financial reports. It is believed that the principle and agent are both economically rational people who are equally driven by their own self-interest. Agency conflicts could result from this self-interest. As a result, the connection between the principal and agent must be mediated by an independent third party. In managing a company's finances, auditors act as a bridge between shareholders' and management's interests. They keep an eye on how management is performing. Auditor tends to offer their view on how fair the financial reports are. One of the primary responsibilities of the auditors are centered to the concerns regarding the company's ability to continue surviving [3].

Signalling Theory

According to Spence (1973) [14], The information owner makes an effort to give recipients information. The information that is given by the owner of the information to the recipient shows that the information is the signals that is given from the owner to the recipients. The recipient will then modify their actions in accordance with comprehension of the signal. The signalling theory indicated that a high-quality business must be able to communicate its potential to the market so that stock traders and investors can reassess the company's worth and take it into account when making decisions. This idea states that businesses will make an effort to provide investors a positive signal by disclosing information in their financial reports [9]. According to signal theory, an auditor's job is to identify signals from the business and use those signals as material for an audit opinion. This is because the audit opinion, once issued, provides valuable information about the state of the business's financial statements such as the company's chances of survival and reduces discrepancies in information, making it possible for owners and investors to take the auditor's opinion into account when making capital investments [5].

Going Concern Audit Opinion

The audit report that presents going concern highlights a potential danger to the company's viability. The Public Accountant Professional Standards (SPAP) provide that auditors are required to assess the management plan and provide an explanation of the circumstances and events that raised questions about the entity's long-term viability [3]. Going concern opinion is the auditor's assessment of the entity's capacity to sustain its viability. The auditor's task is to make sure that the going concern basis is suitable and fully stated in the financial statements [2].

The Influence of the Company's Size to Going Concern Audit Opinion

Asset-based measures of company size could provide insight into a company's financial health. While small businesses have less resources and a higher likelihood of financial troubles, large corporations have strong financial circumstances and are less likely to receive a going concern audit opinion [2]. According to Ramdhani et al. (2020) [13], going concern audit opinion is significantly influenced by company size.
H1: Company's size positively has a significant effect on going concern audit opinion.

The Influence of Leverage to Going Concern Audit Opinion

A company's ability to meet both short-term and long-term obligations is gauged by its leverage ratio. High leverage denotes mostly loan-based finance, necessitating increased accountability for interest and debt repayment. This affects the company's audit opinion as where doubt will raise from the auditor whether can the company pay it's debt. The doubts will eventually lead to the going concern audit opinion given from the auditor [3]. According to Averio (2020) [3], leverage positively impacts going concern opinions.
H2: Leverage positively has a significant effect on going concern audit opinion.

The Influence of Previous Year's Audit Opinion to Going Concern Audit Opinion
The audit opinion from the prior year provides insight into a company's capacity to maintain business continuity. When re-issuing a going concern audit opinion, it is essential for auditors to take this into account. It is concluded that audit opinion from the prior year has a considerable impact on the audit opinion for the current year as a going concern [12].
H3: Previous year's audit opinion positively has a significant effect on going concern audit opinion.

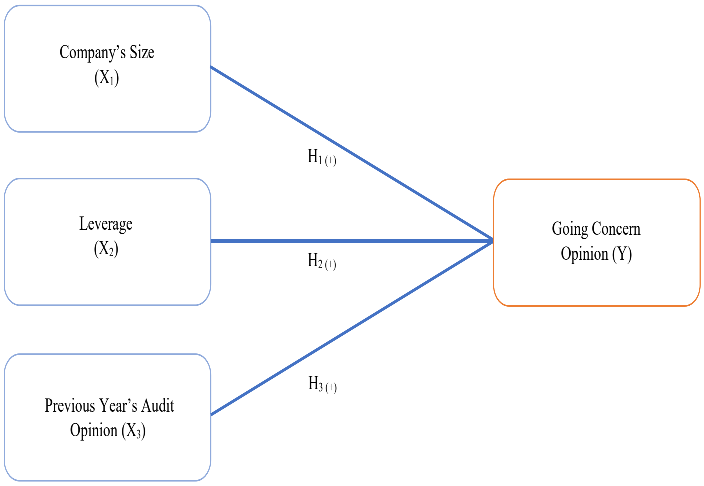

Figure 1. Theoritical Framework

2. RESEARCH METHOD

Population and Sampling Techniques
The method in this research is quantitative method. Data that is used is secondary data from companies listed on the Indonesia Stock Exchange (IDX) in consumer cyclicals with the apparel & luxury goods sub-sector for year 2020-2022. Sample selection was carried out using a purposive sampling method, where the criteria for this research are companies operating in the apparel & luxury goods sub-sector listed on the official website of the IDX in 2020-2022 consecutively, companies operating in the apparel & luxury goods sub-sector that is registered on the IDX before year 2020 and companies that have complete data on the official website of the Indonesian Stock Exchange in 2020-2022 consecutively. Data is analyzed using statistical analysis system SPSS 21.

Variables and the Indicators
The dependant variable of this research is going concern opinion. Proxy used for going concern opinion is dummy variable. Companies that received going concern opinion in the year of research are given code 1 and companies that did not receive going concern opinion in the year of research are given code 0. The independent variable of this research are company's size, leverage and previous year's audit opinion. The indicator for these variables are explained below:
1) Company's size is proxied with the natural logarithm of the company's total asset (Averio, 2020).
2) Leverage is proxied with debt to asset ratio 3 (Averio, 2020).
3) Previous year's audit opinion is proxied using dummy variable. Companies that received going concern opinion are given code 1 and companies that did not receive going concern are given code 0 (Pardede & Iqbal, 2020).

Data Quality Test

Classical Assumption Test- Multicollinearity Test & Autocorellation Test

Before the hypothesis test is conducted, classical assumption test have to be done for the regression model. Logistic regression analysis is employed in this study's hypothesis testing to ascertain the impact of company's size, leverage and previous year's audit opinion on the going concern opinion. Due to the data being used consist of a mixture of continuous (metric) and categorical (non-metric) variables, the normalility test is not required in this logistic regression [6].

Table 1. Multicollinearity Test

Collinearity Statistics			**Conclusions**
UP	Tolerance 0.991	VIF 1.009	Tol. 0.991 > 0.10 VIF 1.009 < 10.0 Qualified
DAR	Tolerance 0.883	VIF 1.132	Tol. 0.883 > 0.10 VIF 1.132 < 10.0 Qualified
OA	Tolerance 0.891	VIF 1.123	Tol. 0.891 > 0.10 VIF 1.123 < 10.0 Qualified

UP= Company's Size
DAR= Leverage
OA= Previous year's audit opinion

The table above shows that the result of the multicollinearity test are all qualified. Therefore it can be concluded that there are no symptoms of multicollinearity.

Table 2. Autocorrelation Test

Runs Test		**Conclusion**
Asymp. Sig. (2-tailed)	Unstandardized Residual	0.228 > 0.05 Qualified

UP= Company's Size
DAR= Leverage
OA= Previous year's audit opinion

The table above shows that the result of the autocorrelation test are qualified. Therefore it can be concluded that there are no symptoms of autocorrelation.

Hypothesis Test

Coefficient of Determination (R2)

Table 3 Test of Coefficient of Determination (R2)

Variable	Value R2	Percentage of R2
UP, DAR, OA	0.623	62.3%

UP= Company's Size
DAR= Leverage
OA= Previous year's audit opinion

Table 3's value of 0.623 indicates that going concern audit opinion has a 62,3% affects on the independent variables of company's size, leverage, and the previous year's audit opinion. The affects of additional variables not included in the research model accounts for the remaining 37.7%.

Partial T-Test

Table 4 Test of Partial T-Test

Variable	t	Sig
UP	1.493	0.141
DAR	1.637	0.108
OA	6.586	0.000

UP= Company's Size
DAR= Leverage
OA= Previous year's audit opinion

The study's findings indicate that the company's size t value is 1.493 in a positive direction, and that the significance value of the variable is 0.141 which is greater than 0.05 (0.141>0.05), indicating that the hypothesis that company's size positively has a significant effect on going concern audit opinion could not be accepted.

The leverage's t value is 1.637 in a positive direction, and that the significance value of the variable is 0.108 which is greater than 0.05 (0.1081>0.05), indicating that the hypothesis that leverage positively has a significant effect on going concern audit opinion could not be accepted.

The previous year's audit opinion t value is 6.586 in a positive direction, and that the significance value of the variable is 0.000 which is smaller than 0.05 (0.000<0.05), indicating that the hypothesis that previous year's audit opinion positively has a significant effect on going concern audit opinion could be accepted.

Simultaneous F Test

Table 5 Test of Simultaneous F Test

Variable	F	Sig
UP, DAR, OA	20.322	0.000

UP= Company's Size
DAR= Leverage
OA= Previous year's audit opinion

The sig. value is 0.000 with a F result of 22.322, as shown in table 5. The sig. value is less than 0.05 in these results. It can be concluded from this that the company's size, leverage and previous year's audit opinion affecting going concern opinion hypothesis can be accepted.

3. RESULTS AND DISCUSSION

Descriptive Statistics

Table 6 Test of Descriptive Statistics

	N	Min	Max	Mean	Std. Deviation
UP	57	24.28	30.89	28.0030	1.37085
DAR	57	.08	6.39	1.0678	1.30239
OA	57	.00	1.00	.3860	.49115
OGC	57	.00	1.00	.3860	.49115

UP= Company's size
DAR= Leverage
OA=Previous year's audit opinion
OGC=Going concern audit opinion

It can be seen from the statistic description above that company's size as the independent variable has the average of 28.0030, minimum value of 24.28 and maximum value of 30.89. Leverage as the independent variable has the average of 1.0678, minimum value of 0.08 and maximum value of 6.39. The previous year's audit opinion as the independent variable has the average of 0.3860, minimum value of 0.00 and maximum value of 1.00. Going concern opinion as the dependent variable has the average of 0.3860, minimum value of 0.00 and maximum value of 1.00.

Table 7. Test of Logistic Regression

Variable	B	Sig.	Conclusion
UP on OGC	0.473	0.110	Rejected
DAR on OGC	0.634	0.087	Rejected
OA on OGC	3.637	0.000	Accepted

UP= Company's size
DAR= Leverage
OA=Previous year's audit opinion
OGC=Going concern audit opinion

Based on table 7, it can be concluded that company's size did not significantly affecting going concern opinion. Leverage did not significantly affecting going concern opinion. The only independent variable that has significancy to going concern opinion is previous year's audit opinion with significant value of 0.000 which is smaller than 0.005.

It is confirmed by all of the test that has been conducted that the only variable that is, previous year's audit opinion has a major impact on going concern opinion. Company's size and leverage on the other hand, did not have a major impact on going concern opinion. The study's findings lead to an important conclusion and provide the business with valuable information for parties who have interest to the company.

The Influence of the Company's Size to Going Concern Audit Opinion

Based on the test it can be concluded that company's size did not have any influence to going concern audit opinion given by the auditor and so the first hypothesis is rejected. The company's size did not determine as the basis for the auditor to give a going concern opinion to the company. This is in line with the previous research by Averio (2020) [3], who stated that company's size does not have an effect to the going concern audit opinion significantly. The size of the company, as determined by its total assets, does not represent its performance in turning a profit or its capacity to maintain business continuity, hence it is not a primary indicator used by the auditor to produce the going concern audit opinion. This research is however in contrast with the previous research of Ramdhani et al. (2020) [13], who stated that company's size does have an effect to the going concern audit opinion significantly.

The Influence of Leverage to Going Concern Audit Opinion

Based on the test it can be concluded that leverage did not have any influence to going concern audit opinion given by the auditor and so the second hypothesis is rejected. This is in line with the previous research by Septiana & Diana (2019) [14], who stated that leverage did not have an affect to the going concern opinion significantly. Leverage that is proxied by using the debt to asset ratio has no effects on the ability to determine a going concern. There are two types of debt, short-term debt and long-term debt. Businesses with higher levels of long-term debt have more time to strengthen their financial position and reduce their debt. This ensures the company's survival and ongoing operations. This research is however in contrast with the previous research by Averio (2020) [3] who stated that leverage do have an effect to the going concern audit opinion significantly. A high debt ratio suggests that debt accounts for the majority of a company's funding. This is quite dangerous because there's a good chance the business won't be able to pay its debts if things become worse. The possibility of a corporation defaulting on its obligations can make auditors more skeptical about the sustainability of the business.

The Influence of Previous Year's Audit Opinion to Going Concern Audit Opinion

Based on the test it can be concluded that previous year's audit opinion does have an influence to going concern audit opinion given by the auditor and so the third hypothesis is accepted. This is in line with the previous research by Ramadhan & Sumardjo (2021) [12], who stated that previous year's audit opinion does have an effect to the going concern audit opinion significantly. Company that received going concern opinion from the previous year, will most likely received going concern opinion for the current year. This research is however in contrast with the previous research of Pardede & Iqbal (2021) [10], who stated that that previous year's audit opinion does not have an effect to the going concern audit opinion significantly.

4. CONCLUSIONS AND SUGGESTIONS

From the research that have been conducted, previous year's audit opinion positively and significantly affects going concern audit opinions based on the findings of logistic regression analysis, which was used to identify the factors influencing going concern audit opinions using research data Indonesia Stock Exchange (IDX) in consumer cyclicals with the apparel & luxury goods sub-sector for year 2020-2022. This demonstrates that dummy variable is a good indicator for previous year's audit opinion. Auditor will most likely consider the previous year's audit opinion when accessing the current year financial report. Previous year's audit opinion could raise doubt for the auditor regarding the continuity of the company's business. Company's size and leverage however do not have a significant influence to going concern audit opinion given from the auditor. Planning for probable going concern audit views is necessary for management to reduce risks and their negative effects. Comprehending the elements auditors take into account when releasing such opinions is essential to efficient internal control.

The purpose of the study is to give businesses a resource to help them choose the best planning approach. Going concern audit opinions are influenced by the audit opinion from the prior year, therefore efficient management of the business is crucial to preventing going concern audit opinions from being prolonged. Future investigations may take into account the limitations of this study. The percentage of the Nagelkerke R2 determinant coefficient is 62.3 percent, which means that there are another 37.7 percent of additional factors beyond the variables examined. Therefore, it is strongly advised to conduct additional research to include more factors in determining going concern. This research is also limited to the company in consumer cyclicals sector with the apparel & luxury goods sub-sector for year 2020-2022. For this reason, it is suggested that the next researcher could use other sector for the research to determine whether this result is also valid in another business sector.

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