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THE INFLUENCE OF PREVIOUS YEAR AUDIT OPINIONS, COMPANY GROWTH AND LEVERAGE ON GOING CONCERN AUDIT OPINIONS

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ABSTRACT

A going concern audit opinion is an opinion issued by an auditor to ascertain whether the company can maintain its survival (IAP, 2011). This research aims to determine the influence of the previous year's audit opinion, company growth and leverage on going concern audit opinion. This research method uses the Literature Study method, where the nature of the research is descriptive research. Literature study is a technique used to look for ideas or reference sources in research. The results obtained from this research are that the previous year's audit opinion has a positive effect on going concern audit opinion, company growth has a positive effect on going concern audit opinion and leverage has a positive effect on going concern audit opinion.

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INTRODUCTION

Audit opinion plays an important role in providing an initial picture of the company's financial position, influencing investment decisions, loans and strategic actions by stakeholders such as investors, creditors and management. The main focus is on the following auditor statements, which demonstrate the company's ability to maintain operational continuity. Companies that aim to meet the needs of society through their production activities must be able to manage resources effectively in order to continue their operations. This qualification assessment can be seen in the financial information presented, especially in public sector companies which are required to present audit results of financial reports to stakeholders. Before investing, an investor usually carefully evaluates the company's financial condition, especially its business continuity. The audit opinion issued by the auditor is considered an important basis for investors because audited financial reports are expected to be more accurate, complete and neutral.

The ratio of company debt to total assets is an important parameter in assessing management performance. A high debt ratio can make investors and financial institutions worry about the continuity of a company's business operations and increase the risk of bankruptcy. Public Accountant Professional Standards (SPAPs) contained in Standards on Auditing (SA) 570 provide guidelines for evaluating management's ability to maintain business continuity. Factors such as uncertainty, size and complexity of the entity, business conditions and the influence of external factors are taken into account when issuing an audit opinion. Based on information obtained from the Indonesian Stock Exchange, several companies still receive audit opinions on their business operations, this shows how important it is to understand the impact of audit opinions on the sustainability of company operations. The important role of sustainability audit opinions in investment decisions, loans and strategic phases of companies is an important highlight in today's accounting and audit environment. Careful evaluation of the factors that influence the audit opinion is very important for auditors to ensure that the audit results reflect the actual situation of the company being audited.

Bankruptcy of a company is a legal situation where a company or entrepreneur cannot fulfill its financial obligations, especially in terms of paying debts to creditors. This situation is frequently encountered by companies in serious financial difficulties and is often a sign of deeper problems in management, politics, or the economy. Bankruptcy of a company can have a significant impact not only on the company itself, but also on creditors, employees and the wider market. This can also be a very complex and sensitive topic, especially if it involves a large company or entity with many creditors and assets. In Indonesia there are two types of drinks that are often drunk, namely tea and coffee. Talking about one of the best tea products, everyone knows how successful sariwangi is. In almost all small shops to retail, this decline is always dominant in various lines. Even though Sariwangi's name was big, Sariwangi was declared bankrupt. The bankruptcy of this health drink occurred because they had a fairly large debt burden. Based on the decision of the Central Jakarta Commercial Court, PT. The Sariwangi Agricultural Plantation Agency is said to be unable to pay debts of up to one trillion rupiah. They have borne this burden since 2015 in front of several creditors, one of which is PT. Bank ICBC Indonesia.

Sariwangi is not alone in bankruptcy. because his partner PT. The Sumber Wadung Indorub Plantation Airline also experienced the same thing. This tea plantation located in Bogor has to bear debts of up to 35.7 billion. In fact, both companies have paid interest payments, but the amounts paid do not meet the permitted provisions. Based on the case above, PT. Sariwangi and the tea plantations it owns are a clear example of how a company can experience financial disaster due to bad expansion decisions. Some analytical points that can be taken from this case are: Undeveloped expansion plans: The desire to expand a business is a normal step in the business world, but a thorough plan is very important. In this case it seems that PT. Sariwangi and its subsidiaries did not carry out adequate risk analysis and did not have contingency plans if expansion did not go as expected. Excessive Borrowing: To support expansion, these companies had to borrow huge amounts. This indicates high financial leverage, which can be a high risk if the investment does not produce the expected results.

Inefficient Management Practices: Successful management of business expansion requires good planning and effective execution. Management's ability to control, manage and measure the impact of expansion is key. In such cases, management policies may not be strong enough to manage the investment well. Bad economy: In some cases, companies almost went bankrupt and had to apply for approval. This indicates that the company's finances are disorganized and must be seriously addressed. The homologation process is an effort to restructure debt and avoid bankruptcy, but it can also be a sign that the company's financial problems have reached a critical point. Learning from mistakes: This case is an important reminder of the importance of learning from mistakes. Failed expansion decisions should be carefully examined and analyzed, and companies should ensure that similar mistakes are not repeated in the future. This case also highlights the importance of risk management, good financial planning and effective political management in the business world. Mistakes made when expanding a business can have serious consequences, and companies must be careful in making big decisions that can affect the continuity of their business.

THEORY

According to Jensen and Meckling (1976), agency theory is a model that explains the context between principals and agents, namely between two or more people, groups or organizations. The principal is the party who has the right to make decisions about the future of the company and assigns responsibility to other parties (agents). From this it can be concluded that agency theory is a relationship between two parties, namely the first party who has the position of owner (commander) and the second party who has the position of management (agent). Agency theory explains when there is a difference between the owner-principal and the managing agent.

Agency theory can help auditors understand problems between agents and principals. In the context of representation, the third party's task is to control management's behavior as an agent and ensure that the representative acts in accordance with the wishes of the principal.

The auditor is considered a party who can bind the principal and agent as the agent's responsibility to the principal. The auditor's task is to issue a statement regarding the correctness of the financial report results provided by the agent, the problem of which can be seen in the quality of the audit carried out by the auditor. Apart from assessing whether the financial statements are correct or not, auditors also assess business continuity. If it is found that it cannot continue its business, the auditor issues an audit report, namely a going concern audit opinion (Andrian et al., 2019).

According to SPAP section 341 (2011:06), a going concern audit opinion is an auditor's statement whose aim is to determine whether a company can maintain its viability within a certain period of time (no more than one year after the date of the audited financial report). According to Nuraprianti (2011), business continuity is the survival of a business entity. If there is a going concern, then the business entity is considered capable of maintaining its business activities for a long period of time and is not discontinued. Factors that give rise to operational uncertainty include large and recurring business losses or lack of working capital, the company's inability to pay short-term obligations and lawsuits or problems that could threaten the company's ability to operate.

In paragraph 06 in SA section 341 it is stated that the auditor can identify information about certain circumstances or events that indicate serious doubts regarding the ability of an economic entity to maintain its viability for a reasonable period of time (maximum one year from the date of the audited financial statements). Examples of these conditions and events include negative trends, other signs such as possible financial difficulties, internal problems and emerging external problems (IAI, 2001). Auditors are required to carry out audit procedures designed to identify conditions related to going concern at least twelve months after the date of the financial statements (ISA 570). The auditor must obtain information regarding the management plan if there is doubt about the continuity of the business.

The previous year's audit opinion is the auditor's opinion given in the previous year (Trenggono & Triani, 2015), and the previous audit opinion is used as reference material for issuing the current year's opinion. The previous year's audit opinion provides an overview of how the auditor evaluated the company in the previous period. Previous year audit reports are an important part of a company's ongoing audit and can provide the historical context necessary to understand the company's current state and performance. Auditors should always refer to past statements to understand changes and trends that may affect current audit findings. The previous year's audit report provides an overview of how the auditor evaluated the company in the previous year or period. This includes information regarding compliance with accounting standards, audit findings, and the company's current financial position. This information can be the basis for evaluating a "going concern" audit opinion.

Growth is the effect of cash flow from changes in business activities caused by business growth or a decrease in company volume (Helfert, 1997: 333). The company's growth is highly expected by internal and external parties, because good growth indicates the company's development. From an investor's perspective, company growth is a sign that the company has profitable aspects, and investors also hope that their investment performance will develop in a good direction. Helfert (1997) states that the growth of a company (business unit) requires continuous and increasing financial commitment. This situation is reversed when a crisis occurs. If sales (of services or goods) decline, management must be careful in reducing operations, working capital, and operating assets.

According to Kasmir, 2017, 113; RatioLeverage measures the extent to which a company's assets are financed by debt, namely how much debt the company uses to finance its business compared to equity. To measure the debt ratio used to finance company assets, a leverage indicator can be used, where the amount of debt is compared with the company's total assets to show the ability to pay its obligations while determining the company's financial performance (Juanda and Lamury, 2021). According to Kasmir, the leverage ratio has several advantages, namely the ability to assess and see the company's ability to fulfill fixed obligations, such as paying loan payments and interest.

RESEARCH METHODS

This research uses a literature study method. Literature study is a technique used in research to find ideas. According to M. Nazir, in his book entitled *Research Methods*, he states that library research or literature study is a data collection technique by conducting research studies on books, notes and reports related to the problem you want to solve. Before reviewing library materials, researchers must first know exactly from which sources they can obtain scientific information. Some of the sources used are for example scientific journals, research results in the form of theses, dissertations and the internet as well as other relevant sources. This research is descriptive research, descriptive research focuses on systematic explanations of the facts obtained during research.

RESEARCH RESULTS AND DISCUSSION

The results of the literature study show that companies that received a going concern audit opinion in the previous year now have the opportunity to obtain a going concern audit opinion. This is because going concern audit opinions in the previous period caused more problems with the company's survival compared to companies that did not obtain going concern audit opinions. This means that the company has demonstrated survival problems and is not enough to restore its financial position within a year, so that if these problems are not resolved properly then the problems will continue and increase. Therefore, it is likely that companies that previously received a going concern audit opinion will receive a reassessment this year. Kusuma Indawati Halim's research (2021) states that the previous year's audit opinion had a positive impact on going concern audit opinion. Trisna Amelia (2022) also conducted research which showed that the previous year's audit report had an effect on going concern audit opinion. Research by Yohana Ernawati and Lilis Ardini (2023) in "Factors that Influence the Acceptance of Going Concern Audit Opinions: Literature Study" states that the previous year's audit opinion factors influence the acceptance of going concern audit opinions. And research by Intan Permata Hati and Iin Rosini (2017) shows that the previous year's audit opinion has a significant influence on going concern audit opinion.

Asset growth can be used to measure company growth (Akbar & Ridwan, 2019). Assets are assets used for the operational activities of a company, and the more assets a company has, the more it is expected to influence the volume of operational results achieved later. An increase in asset value accompanied by an increase in operating profit increases public confidence in the entity and shows that the entity is in good financial condition, and can reduce the possibility of the entity receiving a going concern audit opinion. (Oetama and Sari, 2017) said in their research that company growth influences going concern audit opinion. The good growth of a company can be assessed every year through sales growth (Srimindarti et al., 2019). Increased sales show that the company can operate normally and without problems. Sales growth supports company profits (Lazăr, 2016). It can be interpreted that the growth in company performance every year shows that the company's income is relatively stable every year, so it can be said that the company can guarantee the continuity of its business. Research conducted by Anindra Salsabilla, Cris Kuntadi, and Maidani (2022) states that company growth influences going concern audit opinion. When a company is experiencing a decline in sales, it will affect profits which will also decrease, which means there is a possibility that the company will not be able to maintain its survival, thus causing the auditor to issue a going concern audit opinion.

The Leverage Ratio is a type of financial ratio that is used as a guideline for financing assets from loans and looking at a company's ability to pay its debts. The benefits of the leverage ratio are to determine the company's position in terms of obligations to creditors, to assess the impact of debt on asset management, to see the value of assets financed by debt, to see and measure the share of capital used as collateral for the company's long-term debt, to find out the balance between the value of assets such as fixed assets and capital, and can determine the amount of funds or loan capital that will match the tempo in the near future. The higher the company's debt ratio, the higher the company's debt, so the greater the risk of the company being unable to pay its obligations or debts (Chen and Church, 1992). This provides an opportunity for companies to obtain a going concern audit opinion. In research conducted by Wira Eka Banias and Cris Kuntadi (2022), the results of Leverage with the tests carried out show

that there is an influence of the leverage variable on the acceptance of going concern audit opinions. Research conducted by Ahmad Juanda and Thomas Fernandez Lamur (2021) also states that the Leverage Ratio partially influences the acceptance of going concern audit opinions. This proves that if a company has a high level of debt policy, it will raise doubts for auditors in assessing its viability. the company, because the funds obtained were used up in debt financing. And research conducted by Kusuma Indawati Halim (2021) states that the Leverage Ratio has a positive influence on going concern audit opinion.

CONCLUSION

Based on these findings, it can be concluded that the going concern audit opinion in the previous year, company growth, and the leverage ratio have an impact on the current acceptance of the going concern audit opinion. Understanding these factors can help companies mitigate risks and increase auditors' confidence in the company's survival.

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