

Company's Financial Condition Representing Going Concern Audit Opinion Issue Implication for Substitution Public Accounting Firm (Survey at Public Accounting Firms in Jabodetabek)

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Abstract. Clients who have the potential to get a going concern audit opinion are very likely to find auditors with lower quality so that they can provide an opinion that a client supports in accordance with the company's financial condition. The purpose of this study is to determine how big the company's financial condition represents going concern audit opinion issuance and how enormous the implications of going concern audit opinion issuance are for substitution public accounting firm. The method used in this research is descriptive and verification with the Structural Equation Modeling test tool to make it easier to draw conclusions. The sample in this study was 55 public accounting firms in Jabodetabek, with junior and senior public accountant observation units. The results of this study indicate that a bad company's financial condition will not lead to the publication of a going concern audit opinion so that there will also be no substitution public accounting firm. In conclusion, better company financial condition, lower the chances going concern audit opinion issuance, so that lower changing probability the public accounting firm. The impact of this research, as an accountant, should issue an opinion in accordance with the evidence obtained even though there will be a risk of losing a client due to a change in public accountant to fulfill his wishes.

Keywords: Financial Condition, Going Concern Audit Opinion, Substitution Public Accounting Firm

1. Introduction

Going concern audit opinion issuance is a company's financial condition description which is indicated to have financial difficulties, internal problems or external problems that result in the investors cancellation to invest or creditors withdrawing funds that have been loaned to the company [1]. More and company's financial condition is disrupted or worsens due to the fact that company's hasn't optimized its assets or assets, company's experiences losses, company's has not been able to fulfill its short and long term obligations, company's doesn't have good governance and company's hasn't been able to optimize risk anticipation to face problems internally and externally, more likely company's will receive a going concern audit opinion or unqualified opinion with an additional explanatory paragraph and vice versa [2].

A Going concern audit opinion issuance by an auditor or public accounting firm often creates a conflict between management wishes to expect an auditor or public accounting firm to issue an Unqualified Opinion (FWE) on audited financial report because an Unqualified Opinion (FWE) implies that numbers listed in financial statements are free from material misstatement and company's protected from possibilities that could endanger company's business sustainability, going concern audit opinion is reasons one for the companies tendency to move from large public accounting firms (high audit quality) to small public accounting firms (low audit quality) to get better or desired audit results by the company [3]. Therefore, a going concern audit opinion issuance by an auditor or public accounting firm is bad news for company's which will cause company's to change its public accounting firm or auditor voluntarily or mandatory [4] Based on the background description and phenomenon above, the authors are interested in making a study with the title that is **"Company's Financial Condition Representing Going Concern Audit Opinion Issue Implication for Substitution Public Accounting Firm (Survey At Public Accounting Firms In Jabodetabek)"**.

FRAMEWORK AND HYPOTHESIS

Influence Company's Financial Condition to Going Concern Audit Opinion Issuance

According to [5] states that poor financial reporting conditions will increasingly allow an auditor to provide a going concern audit opinion if the auditor concludes that an management plan cannot (disclaimer of opinion) or can (unqualified) be effectively responsible for the entity survival and if an auditor concludes that an management plan has effective for the entity survival, but a client doesn't disclose a situation in the Notes to Financial Statements (adverse).

The above statement supports the research results of [1,2] [6-8], which states that if company's hasn't been able to show a good financial condition, it will reflect that company's hasn't been able to be responsible for the company survival which will allow company's external auditors to issue a going concern opinion (disclaimer of opinion).

Influence Going Concern Audit Opinion Issuance to Substitution Public Accounting Firm

According to [9] states that an auditor assigned to assess company's on the financial statements issued by a going concern audit opinion will lead to a greater possibility substitution public accounting firm because entity condition or public accounting firm is less effective or replacement is mandatory or voluntary. The above statement supports the research results of [3,4] [10-12] which states that going concern opinions issuance for most companies in Asia requires companies to periodically substitution public accounting firms so that there is a match between the company's wishes and an opinions published from the public accounting firm with rotating public accounting firm to provide a fresh look to company's and help company's appropriately deal with financial reporting problems when the tenure for a public accounting firm is limited, based on the explanation above, the research paradigm can be seen in Figure 1 below:

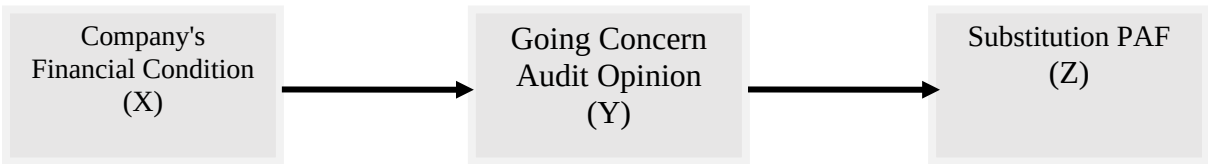


Figure 1. Research Paradigm

This study has two objectives, namely to determine how much the company's financial condition represents the issuance of going concern audit opinion and how big the implications of going concern audit opinion issuance for substitution public accounting firms, with descriptive and verification research methods using the Stuctural Equation Modeling test tool.

Research Hypothesis

Based on the framework and problem formulations previously described, authors try to formulate a provisional conclusion (hypothesis) as follows:

- H₁: Company's Financial Condition affects to Going Concern Audit Opinion Issuance.
- H₂: Going Concern Audit Opinion Issuance affects to Substitution Public Accounting Firm.

2. Method

Method in this study uses the descriptive verification method (causal), and this research uses Structural Equation Modeling as a test tool in helping make conclusions with data collection techniques through structured questionnaires with a questions list based on the concept of each variable aimed at obtaining optimal answers from respondents. Analysis unit in this study is a public accounting firm registered at [13] In Jabodetabek there are 350 head offices and branches, while sample is obtained using Slovin Technique [14], minimum summary for Public Accounting Firms in Jabodetabek as a sample in this study is at least 78 Public Accounting Firms in Jabodetabek, each Public Accounting Firm in Jabodetabek is represented by 3 junior auditors. However, in fact after that distributing questionnaires there was only 55 responsive Public Accounting Firms in Jabodetabek to assist this research and Covid-19 Pandemic conditions made it limited to conduct research. This study uses data collection methods with survey methods and data used types in this study primary data consist and secondary data.

3. Results

Based on research results for Company's Financial Condition affects to Going Concern Audit Opinion Issuance dan Going Concern Audit Opinion Issuance affects to Substitution Public Accounting Firm, then it can be described as Figure 2 below :

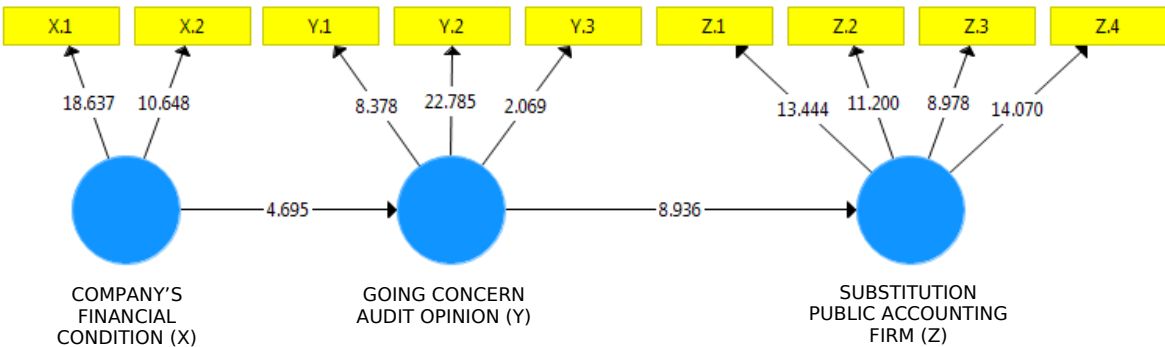


Figure 2. Path Coefficient Value

Company's Financial Condition affects to Going Concern Audit Opinion Issuance

Table 1 Test Value t						
Latent Variable			Path Coefficient	t _{statistics}	t _{critical}	Information
Company's Financial Condition (X) → Going Concern Audit Opinion (Y)			-0,443	4,695	1,674	H _o rejected

Source: Statistical Results of *Software SmartPLS 3*, 2020

Based on the results on t-Test as output table 1 and Path Coefficient Value in Figure 2 above, it can be seen that Company's Financial Condition $t_{statistics}$ value variable (4,695) is greater than $t_{critical}$ (1,674). Because value $t_{statistics}$ is greater than $t_{critical}$ value, with an error level of 10% it is decided that H_0 is rejected and H_a is accepted with a sample estimate value of -0,433. So based on the test results with a confidence level of 90%, it can be concluded that the Company's Financial Condition has a negative effect to Going Concern Audit Opinion Issuance at Public Accounting Firms in Jabodetabek.

Going Concern Audit Opinion Issuance affects to Substitution Public Accounting Firm

Table 2. Test Value t						
Latent Variable			Path Coefficient	t _{statistics}	T _{critical}	Information
Going Concern Audit Opinion (Y) → Substitution Public Accounting Firm (Z)			0,633	8,936	1,674	H _o rejected

Source: Statistical Results of *Software SmartPLS 3*, 2020

Based on the results on t-Test at output table 2 and Path Coefficient Value in Figure 2 above, it can be seen that Going Concern Audit Opinion $t_{statistics}$ value variable (8,936) is greater than $t_{critical}$ (1,674). Because value $t_{statistics}$ is greater than $t_{critical}$ value, with an error level of 10% it is decided that H_0 is rejected and H_a is accepted with a sample estimate value of 0,633. So based on the test results with a confidence level of 90%, it can be concluded that the Going Concern Audit Opinion Issuance has a positive effect to Substitution Public Accounting Firm at Public Accounting Firms in Jabodetabek.

4. Discussion

Company's Financial Condition affects to Going Concern Audit Opinion Issuance

Table 3. Analysis Coefficient of Determination (R ²)			
	Structural Path Coefficients	Correlation With Bound Variables	Influence (%)
Company's Financial Condition (X) → Going Concern Audit Opinion (Y)	-0,443	-0,833	36,9

Source: Statistical Results of *Software SmartPLS 3*, 2020

Based on the Analysis Coefficient of Determination results as output table 3 above, Company's Financial Condition contributed 36.9% to Going Concern Audit Opinion at Public Accounting Firms in Jabodetabek. Pressure on reduced company achievement or company profitability and effectiveness lack and company efficiency managing liquid funds in order to fulfill its short-term obligations, causes company's financial condition to decline which will illustrate that company's isn't yet able to be responsible for its survival, public accounting firm or an auditor supervising and auditing will make it increasingly possible to issue a going concern audit opinion with a statement that management plan cannot be effectively responsible for entity survival (disclaimer of opinion) [5].

This study results are the same as previous results studies with [1-2,6-8] which states that company's poor financial condition will encourage public accounting firms or an auditor to tend going concern audit opinions issue, financial conditions can be represented with profitability and liquidity where both can show company's ability to generate profits, profitability lower and liquidity shows a decrease in operating activities and not being able to fulfill its obligations will encourage public accounting firms or auditors to provide a going concern audit opinion on entities that are supervised by Public Accounting Firms in Jabodetabek.

Going Concern Audit Opinion Issuance affects to Substitution Public Accounting Firm

Table 4. Analysis Coefficient of Determination (R²)

	Structural Path Coefficients	Correlation With Bound Variables	Influence (%)
Going Concern Audit Opinion (Y) → Substitution Public Accounting Firm (Z)	0,633	0,875	55,4

Source: Statistical Results of *Software SmartPLS 3*, 2020

Based on the Analysis Coefficient of Determination results as output table 4 above, Going Concern Audit Opinion contributed 55,4% to Substitution Public Accounting Firm at Public Accounting Firms in Jabodetabek. Going concern audit opinion issuance by Public Accounting Firm or an auditor causes an entity to experience two conditions, namely a company that will later survive and a company that will later fail to survive or go bankrupt. These both conditions can harm auditors, clients and financial statements users where an auditor will risk losing a client in first condition because a client can lose investors trust and creditors to get a funding source so that it can accelerate failure and second condition auditors will face losing risk a client because a client moves or looks for an accounting firm that can fulfill his wishes [9].

This study results are the same as previous results studies with [3-4,10-12] which states that company's is in a loss condition, unable to pay short-term and long-term obligations as well as problems from internal parties who don't manage company's operational activities properly and from external parties (principle) whose risks are less anticipated by company's management causing opinion going concern audit issuance by a public accounting firm or auditor, this condition is a factor in company's replacing a public accounting firm or auditor that is easily regulated by management or with low quality or by rotating it and or an auditor volunteered to resign so that later public accounting firm or auditor will provide a fresh look on company's to produce a opinion desired by company management.

5. Conclusion

Going Concern Audit Opinion Issuance has a positive effect to Substitution Public Accounting Firm at Public Accounting Firms in Jabodetabek. In other words, financial reports information company financial condition and indicate management performance level who is responsible for the principle. Principle have any doubts to management who has greater information about financial statements correctness, internal control then acts as an independent party in a company that can mediate information limitation principle to conduct a company's financial statements audit and report it to principle. Public accounting firms or auditors that issue a Going Concern Audit Opinion will be faced with two conditions, namely companies that will later succeed in surviving and companies that will later fail to survive or go bankrupt. These both conditions can be detrimental to public accounting firms or auditors, company management and principal as users of financial reports. For public accounting firms or auditors at losing clients risk, in the first condition a client will lose investors confidence and creditors to get funding sources so that it can accelerate failure and in second condition a client will change an public accounting firm or auditor to fulfill his wishes.

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