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THE INFLUENCE OF DEBT DEFAULT, COMPANY SIZE, AND OPINION SHOPPING ON RECEIVING GOING CONCERN OPINIONS

Lego Waspodo[1*]
[1]Universitas Lampung
*Corresponding author: lego.waspodo@feb.unila.ac.id

Abstract

This study aims to examine the effect of debt default, company size and opinion shopping to the acceptance of going concern audit opinion. The population in this study are all of the property, real estate, and building construction companies that are listed on the Indonesia Stock Exchange. The sampling method used in this research was purposive sampling, so 83 company samples were obtained for four years (2019-2022). The data were analyzed using descriptive statistics and logistic regression. The results of this study indicate that: (1) debt default has a positive effect on the acceptance of going concern audit opinion; (2) company size has negative effect on the acceptance of going concern audit opinion; (3) opinion shopping has a positive effect on the acceptance of going concern audit opinion.

Keywords: debt default, company size, opinion shopping, going concern opinion.

INTRODUCTION

Going concern (survival) of the company is one of the basic assumptions used in preparing the financial statements of an entity so that if an entity experiences the opposite condition, it means that the entity is experiencing problems (Petronela, 2004). It is assumed that the company does not intend or wish to liquidate or materially reduce its business scale (IAI, 2015). With a going concern status, an entity is considered to be able to maintain its business activities in the long term and will not be liquidated in the short term (Hani et al, 2003). Going concern audit opinion is an opinion given by the auditor to ascertain whether an entity can maintain its business continuity (SPAP, 2001). Users of financial reports consider that giving a going concern audit opinion can be used as a predictor of a company's bankruptcy. Public Accountant Professional Standards SA Section 341 (2011) states that the auditor is also responsible for assessing whether there are major doubts about the company's ability to maintain its going concern within a period of not more than one year from the date of the audit report.

Problems related to going concern are complex and always exist, so factors are needed to be used as benchmarks in determining the company's going concern status and factor consistency. These factors must always be tested so that when the economy is in a fluctuating state, the going concern status can still be predicted (Praptitorini and Januarti, 2011). One of the factors influencing the auditor's acceptance of a going concern audit opinion is debt default. The hallmark of the bankruptcy of a company experiencing financial problems is a condition in which the company's cash flow is experiencing a crisis and is likely to be threatened with bankruptcy. Other research conducted by Santosa and Wedari (2007) and Pradika (2017) shows that company size affects the acceptance of going concern audit opinions. This research proves that the larger the size of the company, the company can guarantee its business continuity. Meanwhile, the research by Krissindiastuti and Rasmini (2016) and Harris and Merianto (2015) states that company size has no effect on acceptance of going concern audit opinions.

Based on agency theory, there is a relationship that leads to an imbalance between agents and principals. This happens because the agent has more adequate knowledge about the state of the company compared to the principal. So it is assumed that the individuals in the company act to maximize their respective interests. The existence of information asymmetry encourages agents to hide some information that is not known to the principal.

In a situation of limited information owned by the principal, the agent can do various ways to get a better assessment of the principal's performance. One way that agents can do is to do opinion shopping. Opinion shopping as defined by the SEC (Securities Exchange Commission), as an activity to find auditors or change auditors who are willing to support the accounting treatment proposed by management to achieve company reporting objectives. The goal is to manipulate operating results or financial condition.

Based on some of the research above and research gaps, this study aims to analyze and find empirical evidence of the effect of debt default, disclosure, company size and opinion shopping on going concern audit opinions.

FRAMEWORK FOR THINKING AND HYPOTHESES

Audit opinion is very necessary for the company as an explanation of the circumstances and conditions of the company. This makes the auditor in giving his opinion more careful, because a slight error in the audit process can disrupt the company's survival and can also affect the public's view of the auditor and his accounting firm. This study aims to determine the relationship of the independent variables to the dependent variable. The dependent variable in this study is acceptance of going concern audit opinions, and the independent variables in this study are debt default, company size, and opinion shopping. The following illustrates the framework of thought in Figure 2.1.

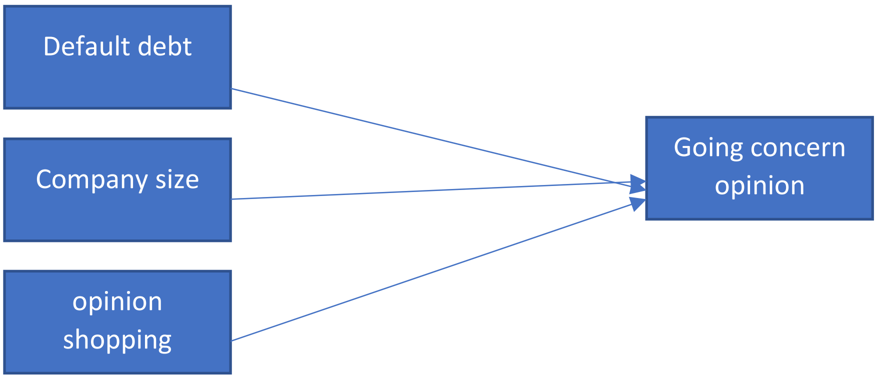

Figure 2.1. Framework

Research Hypothesis

The Effect of Debt Default on Going Concern Opinion

Based on agency theory, the principal assesses the performance of the agent through the auditor to determine the condition of the company. The auditor will conduct an examination of the company, especially on debt activities. In PSA 30 it is stated that the going concern indicator that is widely used by auditors in making audit opinion decisions is failure to fulfill their debt obligations (default). If the company fails to pay debts (debt default), then the sustainability of the company will be doubtful, therefore the possibility of giving a going concern audit opinion will be even greater, and investment by outsiders will decrease (Kholifah, 2015).

Some previous research between Praptitorini and Januarti (2011), Dewi and Latrini (2018), Harris and Merianto (2015), and Mughni (2018) showed that debt default significantly affects the acceptance of going concern audit opinions.

When the amount of company debt is very large, then a lot of the company's cash flow is of course allocated to cover the debt so that it will disrupt the continuity of the company's operations. If this debt cannot be repaid, the creditor will give a default status. Thus, it is in accordance with the agency theory that the existence of information asymmetry causes the

granting of debt default status to be higher and the possibility of a company getting a going concern audit opinion becomes even greater. Based on the above considerations, the following hypothesis is obtained:
H1: Debt default has a positive effect on going-concern opinions.

The Effect of Company Size on Going Concern Opinion

The size of the company proxied by the total assets owned shows the company's ability to maintain business continuity. The higher the total assets owned, the company is considered to have a large size so that it is able to maintain its business continuity. Large companies have better ability to manage the company and produce higher quality financial reports. The smaller the company scale, the smaller the company's ability to manage its business
From the results of research conducted by Butarbutar (2017), Santosa and Wedari (2007), and Pradika (2017) stated that company size influences going-concern audit opinion.Company size has a significant negative effect on going concern audit opinion, meaningthe larger the size of the company, the smaller the probability of getting a going concern audit opinion.
H2: Company size has a negative effect on going concern opinion

The effect of opinion shopping on Going Concern Opinion

The difference in information known by the principal and the agent is a loophole for the agent to do opinion shopping. According to the SEC (Securities Exchange Commission), opinion shopping is an activity to find auditors who are willing to support the accounting treatment proposed by management to achieve company reporting objectives. The purpose of doing opinion shopping might be to get an unqualified opinion because a bad audit opinion will create problems for companies to compete in the capital market (Hardi et al., 2020). Lennox (2000b) states that the company threatens the auditor to change the auditor if the auditor does not give the desired opinion. When the auditor maintains his independence, management will terminate the auditor and look for another auditor. Januarti (2009) states that opinion shopping is not significant, the sign is the same as predicted (negative), so auditees who receive a going concern audit opinion will not change auditors. Januarti's research (2009) found evidence that auditees can threaten to change auditors and this concern will cause the auditor to become no longer independent.
H3: Opinion Shopping has a negative effect on Going Concern Opinion

RESEARCH METHODOLOGY

Types of research

The type of research used in this research is quantitative research. Quantitative research emphasizes testing theory through measuring research variables with numbers and analyzing data with statistical procedures (Erlina, 2011)

Population and Sample

Research Population is the entire object of research (Hartono, 2013). The population used in this study were all property, real estate and building construction companies listed on the Indonesia Stock Exchange. The research sample was selected using the purposive sampling method, which is a research sample determination technique with several considerations of certain criteria that aim to make the data obtained more representative (Sugiyono, 2016). The criteria used in determining the sample are as follows: Property, real estate and building construction companies listed on the Indonesia Stock Exchange (IDX) in

2019 – 2022. These companies are not delisted and experience a loss of at least one time during the observation period.

Data analysis method

The data analysis technique used in this study is descriptive statistics and logistic regression. Logistic regression is used to test the effect of debt default, company size, and Opinion Shopping on going concern audit opinions in property, real estate, and building construction companies listed on the Indonesia Stock Exchange (IDX) for the 2019-2022 period.

RESULTS AND DISCUSSION

Description of research variables

The population used in this study are 100 companies from the property, real estate and building construction sectors listed on the Indonesia Stock Exchange in 2019-2022. Sampling was carried out using purposive sampling technique. Of the 100 companies, there were several companies that did not meet the research criteria, bringing the total to 83

Results and Discussion

Logistic regression analysis is the model that will be used to test the hypothesis in this study and has the aim of examining the effect of debt default, firm size, and opinion shopping on the acceptance of going concern audit opinions. Data analysis in this study consisted of descriptive statistical tests, multicollinearity tests, and logistic regression analysis tests. The following are the results of the descriptive statistical test

Table 4.1. Statistical Test Results

	Minimum	Maximum	Mean	Std. Deviation
Debt	0	1	0.21	0.411
Size	26.123	29.817	28.48517	0.657082
OS	0	1	0.27	0.437
OAGC	0	1	0.07	0.369

Source: Processed data, 2023

Based on table 4.1, the going concern audit opinion variable has a minimum value of 0, a maximum value of 1, with an average value of 0.07 and a standard deviation of 0.369. The standard deviation has a higher value than the average value of 0.369 greater than 0.07 so that the going concern audit opinion data is heterogeneous, which means that the average going concern audit opinion has a high deviation rate. The average value of the dependent variable is 0.07 indicating that there are 7% of the sample that receive going concern audit opinions, fewer than the companies that receive non going concern audit opinions. Descriptive statistical analysis on variable X1, namely debt default, has a minimum value of 0 and a maximum value of 1, with an average value of 0.21 and a standard deviation of 0.411. The standard deviation has a higher value than the average value so that debt default data is heterogeneous and the average debt default value has a high level of deviation. The average value of 0.21 indicates that debt default status occurs less often than companies that do not receive debt default status.

Descriptive statistical analysis on variable X2, namely size (company size) shows a minimum value of 26.123, and a maximum value of 29.817, with an average value of 28.48517 and a standard deviation0.657082. The research sample shows that many companies in the property, real estate and building construction sectors that have been

listed on the Indonesia Stock Exchange (IDX) have large size companies. The average value is greater than the standard deviation, which is 28.48517, which is greater than 0.658082, which means that the data is relatively homogeneous so that the average company size has a low deviation rate. Descriptive statistical analysis on variable X3, namely opinion shopping, has a minimum value of 0 and a maximum value of 1, with an average value of 0.27 and a standard deviation of 0.437. The average value has a smaller value than the standard deviation, which is 0.27 smaller than 0.437 so that audit quality data is heterogeneous and the average value of opinion shopping has a high level of deviation.
Based on the results of the multicollinearity test, it is known that the model is also free of multicollinearity so that it can be submitted for hypothesis testing. The following shows the results of hypothesis testing

Table 4.2. Hypothesis Test Results

		B	SE	Wald	df	Sig.	Exp(B)
Step	Debt	1.007	0.496	4.224	1	0.043	2.736
1	Size	-0.063	0.019	0.558	1	0.001	0.939
	OS	2.147	0.487	4.408	1	0.032	8.555

Source: Processed data, 2023

The results of testing the effect of the debt default variable on the acceptance of going concern audit opinions obtained a Wald value of 4.224 and a significance value of 0.043. The significance value indicates that the debt default variable has a significant positive effect on the acceptance of a going concern audit opinion, so that **H1 is accepted**. The firm size variable shows a significance of 0.001 less than 0.05, the coefficient is negative at -0.063 so it can be concluded that **H2 is accepted**. This shows that company size has a negative effect on the chances of receiving a going concern audit opinion.
The results of testing the effect of opinion shopping on acceptance of going concern audit opinions were obtained from the Wald value of 4,408 with a significance value of 0,032. The significance value indicates that the opinion shopping variable has a significant effect on the acceptance of a going concern audit opinion because its significance value is below 0.05 (5%). The direction of the resulting coefficient shows a positive value at 2.147 indicating that the direction of the coefficient is not in accordance with the hypothesis. A positive direction indicates that companies that do opinion shopping will tend to have the opportunity to get a going concern audit opinion compared to companies that do not do opinion shopping. Thus **Hypothesis 3 is rejected**

Discussion

The Effect of Debt Default on Going Concern Opinion

The results of the study show that debt default has a positive effect on acceptance of going-concern opinions. The results of this study are in line with research conducted by Muchler et al., (1992), Ramadhany (2004), Praptitorini and Januarti (2009), and Werastuti (2013). Debt default is a company's failure to pay its principal debt and interest when due. When the amount of a company's debt is very large, a lot of the company's cash flow is of course allocated to cover its debts, so that it will disrupt the continuity of the company's operations. If this debt cannot be repaid, the creditor will give default status (Januarti, 2008). Debt default status can increase the likelihood of the auditor issuing a going concern audit opinion.

The Effect of Company Size on Going Concern Opinion

The results of testing the effect of company size on acceptance of going-concern audit opinions obtained that company size has negative effect on acceptance of going concern opinion.Large companies are seen as capable of preparing supporting facilities such as more advanced technology and stronger management compared to small companies so that large companies have a better ability to solve their financial problems. In addition, large companies also have access and more trust from the public so that they can support the survival of their companies in the future for a long period of time. This causes the auditor to tend not to issue a going concern audit opinion on large companies. The results of this study are supported by Butarbutar (2017), Pradika (2017), Adhityan (2017), and Minerva, et al (2020).

The effect of opinion shopping on going concern opinion

The results of the third hypothesis show that rejection of Opinion Shopping statements has a negative effect on acceptance of going-concern audit opinions. The results of the study show that Opinion Shopping has a positive effect on acceptance of going-concern audit opinions. A positive direction indicates that companies that do opinion shopping will tend to have the opportunity to get a going concern audit opinion compared to companies that do not do opinion shopping. Opinion shopping is defined as an activity to find auditors who are willing to support the accounting treatment proposed by management to achieve the company's reporting objectives. Companies usually use auditor switching to avoid receiving going concern opinions (Teoh, 1992). The audit opinion is based on whether the auditee's financial statements fairly present the company's financial condition. The results of this study support research conducted by Rahmat Akbar Simamora (2019) opinion shopping has a significant effect on going concern audit opinion. The results of this study also support the research results of Nathan J. Newton (2016) which reveals that companies tend to do opinion shopping in order to get clean reports, internal control of opinion shopping occurs especially in competitive audit markets.

CONCLUSIONS AND SUGGESTIONS

CONCLUSION

1. Debt default has a positive effect going-concern audit opinion.
2. Company size has negative effect on going concern opinion.
3. Opinion Shopping has a positive effect on going concern audit opinions.

SUGGESTION

1. This research was only conducted for a period of 4 years, namely 2019 – 2022, in further research it can increase the range of research periods to be longer so as to obtain better results
2. Future research should add other variables in expressing a going concern audit opinion, both in matters relating to internal and external companies. Because in giving an opinion, the auditor must consider the plans that will be carried out by management.

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