

Analysis of Company's Financial Condition, Growth, Size and Reputation of the Public Accountant Firms on Going Concern Opinion

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Abstract—The purpose of the research was to analyze the company's financial condition, growth, size and reputation of the public accountant firms on going concern opinion, both partially and simultaneously. The data were collected from Indonesian Stock Exchange in a period of 2012 -2016. This research used purposive sampling method to determine the sample. The researcher used 450 financial data. The hypothesis has been analyzed by using logistic regression model. The results show the empirical evidence the company's financial condition has an influence on going concern opinion, growth of the company does not influence the provision of going concern opinion, the size of the company does not influence to the going concern opinion, the reputation of the Public Accounting Firm does not influence the provision of going concern opinion. The result of the omnibus test simultaneously indicated that company's financial condition, growth, size and reputation of the public accountant firms' influenced the going concern opinion.

Keywords—going concern opinion; company financial condition; company growth and reputation of public accounting office

I. INTRODUCTION

The accurateness of business information is one of the main needs for business people. Financial-related information can be gathered from external auditors. Levvit states that an audit opinion on financial statements is one of the most important opinion for investors in using good information for investors [1].

The company's sustainability is important for the stakeholders of the company, especially for the investors to determine which investments to take based on the auditor's opinion on going concern. The opinion that is released by the auditors will be considered as an early warning of failures in company's financial [2].

Problems will arise when there is a failure in auditing (opinion error) made by the auditor on going concern audit opinion [3]. One of the causes is the existence of self-fulfilling prophecy which is stated that the going concern opinion will influence the investor decision on investment. Some of the cases the investor might cancel the investment as the effect of

the going concern opinion [4]. It is expected that the auditor will give a going concern opinion for the company so that the company will be more responsive in solving the problems that are existing.

If the company is experiencing financial distress, the company's operational activities will be disrupted. This will also cause the company to face a high risk in order to maintain its business sustainability in the future. Altman argued that companies that have a positive profit and sales will not go bankrupt because it will make the company able to quickly solve problems which is threatening the continuity of its business [5].

Conditions and events experienced by a company can be used as an indicator of the company's business sustainability, for example continuing significant operating losses will raise doubts about the survival of the company [6].

The growth of the company is the company's ability to increase the size that can be used as an indicator for the future prospect assessment of the company. The higher the growth rate of a company the better the company. The company's growth indicates the company's ability to maintain its business continuity [7].

Firm size describes the size of a company, and can determine whether the company can continue its business life for a long time or not. Total Assets of a company is one of the parameters that can be used to determine the size of a company. The smaller the scale of the company shows the lack of the company's ability in managing its business. According to Mutchler going concern opinion is more often issued by auditors in small companies, because the auditor assumes that financial difficulties that occur in large companies have more opportunity to be solved than financial difficulties that occur in small companies [8].

The reputation of the Public Accounting Firm shows how credible is the auditor's professionalism. The reputation of Public Accounting Firm is considered to have an influence on going concern opinion. Public Accounting Firm based on its reputation is classified into two, they are Public Accounting Firm big four and Public Accounting Firm non-big four. Public

Accounting Firm with big four reputations is considered to have better audit quality compared to non-big four [7].

This research uses the financial statement audit failure cases as its background, such as Enron, WorldCom, Xerox and cases of some companies in Indonesia. This research will test again the influence of the company's financial condition, growth, size and the reputation of public accounting firm on going concern opinion both partially and simultaneously.

II. METHOD

The presentation of this analysis using the descriptive method with quantitative approach. While the source data obtained from the Indonesia Stock Exchange through the website <http://www.idx.co.id>. The population in this study is all the Go Public manufacturing companies by using Time Series data from 2012 until 2016.

The sample determination method is by purposive sampling. In this research using multivariate analysis with logistic regression. From criteria to produce a sample of 90 companies with observations over 5 years, the total data studied as much as 450.

III. RESULTS AND DISCUSSION

The variable used in this research are Going Concern Opinion ((GCO), company's financial condition (ZS), company growth (GR), Company size (ZS) (and the reputation of public accounting firm (REP).

TABLE I. DESCRIPTIVE STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation
GCO	450	0	1	.0644	.246
ZS	450	-3.083	20.631	3.17787	2.424609
GR	450	-.734	8.040	.12840	.604946
SZ	450	10.559	19.714	14.35229	1.623579
REP	450	0	1	3667	.482
Valid N (listwise)	450				

The overall assessment of the fit model can be seen by comparing the -2LogL statistic values without variables only constants with -2 Log L statistics with 4 variables (ZS, GR, SZ, REP).

TABLE II. -2 LOG L VALUES ONLY WITH CONSTANTS ITERATION HISTORY^{A,B,C}

Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	246.290	-1.742
	2	217.200	-2.409
	3	215.144	-2.647
	4	215.123	-2.675
	5	215.123	-2.675

^a Constant is included in the model.

^b Initial -2 Log Likelihood: 215.123

^c Estimation terminated at iteration number 5 because parameter estimates changed by less than .001.

The value -2LogL without variable (just constants) of 215.123, with degrees of freedom (df0) of 450-1 = 449. (**Block 0: Beginning Block**).

TABLE III. -2 LOG L VALUES OF CONSTANTS AND VARIABLES

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	190.776 ^a	.053	.139

Estimation terminated at iteration number 7 because parameter estimates changed by less than .001.

The value -2Log by entering variable variables ZS, GR, SZ dan REP of 190.776, with degrees of freedom (df1) of 450-1-4 = 445 (**Block 1: Method = Enter**)

There is a decrease of 215.123 - 190.776 = 24.347, with degrees of freedom (df) = 449-445 = 4. This decrease is significant or incommensurable with the value in Table t, (df) = 4, obtained at 2.776.

This decrease in value and degree of freedom can also be seen in the Omnibus Tests of Model Coefficients display.

TABLE IV. OMNIBUS TESTS OF MODEL COEFFICIENTS

Step 1	Step	Chi-square	df	Sig.
	Step	24.347	4	.000
	Block	24.347	4	.000
	Model	24.347	4	.000

The decrease value of 24,347 Chi-Square values is greater than the value of table 2.776 then the decrease of 24.347 with sig = 0.000 is significant.

H5 hypothesis that states the financial condition, company growth, company size and reputation of public accounting firm simultaneously affect the going concern audit opinion (**H5=accepted**).

The determinant coefficient test of Nagelkerke R Square is done to find out how big the independent variable is able to explain and influence the dependent variable.

TABLE V. MODEL SUMMARY

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	190,776 ^a	.053	.139

Table 5 shows that the value of R2 Nagelkerke = 0.139, variable dependent variable that can be explained by independent variable of 13.9%.

TABLE VI. HOSMER AND LEMESHOW TEST

Step	Chi-square	df	Sig.
1	17.592	8	.025

Shows that Chi-square value of 17,592 (> 0,05), so that the observation value can be predicted by the regression model.H0 is acceptable.

TABLE VII. VARIABLES IN THE EQUATION

	B	S.E.	Wald	df	Sig.	Exp (B)	95% C.I. for EXP(B)		
							Lower	Upper	
Step1 ^a	ZS	-.455	.118	14.789	1	.000	.634	.503	.800
	GR	-.112	.256	.191	1	.662	.894	.542	1.476
	SZ	-.021	.153	.018	1	.893	.980	.726	1.323
	REP(1)	.607	.592	1.051	1	.305	1.835	.575	5.852
	Constant	-1.772	2.404	.543	1	.461	.170		

Variable(s) entered on step 1: ZS, GR, SZ, REP.

Logistic regression model:

$$\ln \frac{P}{1-P} = -1.772 - 0.455(ZS) - 0.112(GR) - 0.021(SZ) + 0.607(REP)$$

Company's financial condition (ZS) with coefficient -0.455, in the negative direction with a significance value (sig) of 0.000 (<0.05). So the financial condition of the company (ZS) has a significant effect on the giving of going concern opinion. H1 = Accepted.

Company growth (GR) has a coefficient value of -0.112, in the negative direction with a significance value (sig) of 0.662 which is > 0.05. So the growth of the company (GR) has no significant effect on the giving of going concern opinion. H2 = Not accepted.

Company size (SZ) has a coefficient value of -0.021 in the negative direction with a significance value (sig) of 0.893 (> 0.05). So the size of the company (SZ) has no significant effect on the giving of going concern opinion. H4 = Not accepted.

The reputation of Public accounting firm (REP) has a coefficient value of 0.607 in a positive direction with a significance value (sig) of 0.305 (> 0.05). So the reputation of Public accounting firm (REP) has no significant effect on the giving of going concern opinion. H4 = Not accepted.

IV. CONCLUSION

Based on the test results, the authors can draw the conclusion: the company's financial condition has an influence on going concern opinion, growth of the company does not influence the provision of going concern opinion, the size of the company does not influence to the going concern opinion, the reputation of the Public Accounting Firm does not influence the provision of going concern opinion and Omnibus test shows that the financial condition, company growth, company size and reputation of public accountant office have an influence on giving going concern opinion.

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