

# Going Concern Audit Opinion in Agricultural Sector

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**Abstract**—The agricultural sector has an important role for the Indonesian economy. Seeing the huge potential, investors should be interested to investing in the agricultural sector, but in reality the agricultural stocks are still quiet enthusiasts. This research aims to determine the factors influence to the Going Concern Opinion (GCO). The population are all agricultural sector companies listed on the Indonesia Stock Exchange until 2018. The research population is 11 companies. The sampling technique used purposive sampling., the number of samples in this study were 9 companies. The results showed that financial distress affected in GCO, while previous year audit opinion had no effect on GCO.

**Keywords:** *going concern, financial distress, prevoius year audit opinion*

## I. INTRODUCTION

Indonesia is a country that has abundant natural resources, consequently Indonesia is known as an agrarian country. The agricultural sector has an important role for the Indonesian economy. Seeing the huge potential, investors should be interested to investing in the agricultural sector, but in reality the agricultural stocks are still quite enthusiasts. Based on data from the Central Statistics Agency (BPS), the agricultural sector is the second largest contributor to gross domestic product (GDP), after the industrial sector. In fact, the growth of the agricultural sector in 2018 has decreased compared to 2017. The problems in agricultural sector are quite complex, agricultural products in Indonesia still difficult to compete with products from other countries. in addition, the agricultural sector has unique risks, beside the business risks, the agricultural sector also has natural risks that was difficult to predict.

A company is built with the aim of having unlimited life. Good companies should be able to maintain business continuity. Business continuity is a fundamental concept in financial reporting. Company is not assumed to intend liquidate or materially reduce its business scale [1]. Going Concern Opinion (GCO) is the auditor's opinion to assess the feasibility of the business stability. Going concern audit opinion is the opinion issued by the auditor if there is doubt in a company in maintaining its survival [2]. Going concern audit opinion is the auditor's judgment that gives a negative signal to the company [3]. Company value is the most important factor in every business entity. A good company value has ability to invite investor interest. Before make an investment decision, Investors will analyze the quality of company's financial

statements. The company has obligation to fully disclose all relevant financial information, in this case the auditor is very reliable to provide an objective opinion [4]. Investors consider that GCO is useful information for valuing shares in a company.

Business continuity can be maintained if the business entity has a good financial performance. Financial performance shown by sales growth, profit growth and asset growth. GCO indicates the company had a poor performance. Management considered inefficient in making financial decisions. The existence of GCO is a pressure for managers to make improvements and evaluations to restore financial stability [5]. Poor performance explains that the company on the financial distress. Financial distress is a signal of bankruptcy. Financial distress provides great potential for business entities to receive GCO, the companies with no financial distress will most likely not receive a GCO [6].

The auditor very carefully in giving GCO opinions. Some factors that cause companies to accept GCO include negative financial trends, defaults on loans, and internal company problems. Poor financial condition becomes a special concern for auditors. Companies that receive GCO in the current year have the potential to receive GCO again in the coming year if the company does not make improvements [7]. This means that the audit opinion of the previous year has an important role for the auditor to provide GCO opinion in the current year.

This research aims to determine the factors influence to the GCO. Similar research has been done by other researchers, but the originality of this research is the research applicate in the agricultural sector, where the agricultural sector is still rarely a concern of researchers. This research is important because it can provide benefits. For investors, this research contributes to the importance of GCO as an investment decision making consideration. For this management, this research contributes as consideration the importance of maintaining business stability and avoiding GCO.

## II. RESEARCH METHODS

### A. Object of Research

The object of this research is going concern audit opinion, financial distress, and the previous year audit opinion. The subjects in this study is agricultural sector companies which listed on the Indonesia Stock Exchange from 2015-2018.

**B. Design and Research Method**

This research is an associative research. This research aims to determine the effect of financial distress and previous year audit opinion to GCO. The type of data is secondary data, the data obtained from annual reports which can be downloaded on the website www.idx.co.id. The data analysis method used logistic regression analysis, all calculations are done through the SPSS version 20.0.

**C. Population and Sampling Techniques**

The population are all agricultural sector companies listed on the Indonesia Stock Exchange until 2018. The research population is 11 companies. The sampling technique used purposive sampling. frame sampling criteria in this study are:

- Agricultural sector companies listed on the Indonesian stock exchange until 2018
- agricultural sector companies that have complete financial statements from 2014 - 2018
- companies that have negative income for at least 3 financial statement periods.

Based on the specified criteria, the number of samples in this study were 9 companies with the following details:

TABLE I. LIST OF SAMPEL COMPANIES

Code	Company name	Date of IPO
AALI	Astra Agro Lestari Tbk	09/12/1997
ANJT	PT Austindo Nusantara Jaya Tbk.	08/05/2013
BISI	BISI INTERNATIONAL Tbk	28/05/2007
BTEK	Bumi Teknokultura Unggul Tbk	14/05/2004
BWPT	Eagle High Plantations Tbk	27/10/2009
CPRO	Central Proteina Prima Tbk	28/11/2006
GZCO	Gozco Plantations Tbk	15/05/2008
JAWA	Jaya Agra Wattie Tbk	30/05/2011
LSIP	PP London Sumatra Indonesia Tbk	05/07/1996

Source : www.idx.co.id

**III. RESULTS AND DISCUSSION**

**A. Results**

1) *The Hosmer-Lemeshow test:* The Hosmer-Lemeshow is a goodness of fit test for logistic regression, especially for risk prediction models. A goodness of fit test tells us how well our data fits the model.

TABLE II. TABLE OF HOSMER-LEMESHOW TEST

Step	Chi-square	df	Sig.
1	2.089	7	.955

Source: Idx.co.id, processed by researchers

From the table 2, the value sig is 0,955 greater than 0.05, this shows that the model is acceptable because matches with the observational data.

2) *Hypotesis test – wald test:* Hypothesis testing in this research uses the Wald test. The aim of wald test is to determine an influence the dependent variable to the independent variable.

TABLE III. WALD TEST RESULT

Variable in the Equation						
		B	S.E.	Wald	df	Sig.
	X1	.840	.726	1.340	1	.011
Step 1a	X2	26.137	5452.975	.000	1	.996
	Constant	-4.659	1.836	6.439	1	.247

<sup>a</sup>. Variable(s) entered on step 1: X1, X2.

Source: Idx.co.id, processed by researchers

Based on table 3, the value of sig X1 (Financial Distress) is 0.011 smaller than 0.05. this means that Ha is accepted and H0 is rejected, or in other words financial distress affects the going concern audit opinion.,

The value of sig X2 (previous year's audit opinion) is 0.9961 bigger than 0.05. this means that H0 is accepted and Ha is rejected, or in other words opine audit year before have no affects tp the going concerns audit opinion.

3) *Determination coefficient test:* The coefficient of determination test is a test to find out how much the contribution of the independent variable to the dependent variable. Test the coefficient of determination in this study using the nagelkerke R Square test. The results of testing the coefficient of determination in this study are as follows:

TABLE IV. DETERMINATION COEFFICIENT TEST

Step	-2 log likelihood	Cox & Snell R Square	Nagelke R Square
1	11.531a	.486	.775

<sup>a</sup>. Estimation terminated at iteration number 20 because

Based on table 4, the value of Nagelke R Square is 0.775, this means that the variation of going concern audit opinion changes in the agricultural sector in Indonesia 77.5% is influenced by financial distress and previous audit opinion, while the remaining 12.5% is influenced by variables others that were not examined in this study.

**B. Discussion**

Financial distress is a situation where the company's operating cash flow is not sufficient to pay off current liabilities (such as trade payables or interest expense) and the company must take corrective action. Indicators of financial distress can be seen from the analysis of cash flow, analysis of corporate strategies, and financial statements. Lack of cash flow (liquidity), decreased in asset values, failure to manage profits, are main indicators of financial distress. The hypothesis testing shown that financial distress affected on GCO it means Ha accepted and H0 declined. Financial distress affected for the company to accept going-concern audit opinion. Companies which failed to pay debt and had a negative income trend potentially greater to get a going-concern audit opinion than companies which had a positive income trend [8].

The most fundamental causes of a company received GCO is a loss that occurred in a row for three years. Company performance is a determining factor for going concern audit opinion [9]. The most fundamental causes of a company received GCO is a continued loss for at least three years. Company performance is a determining factor for going

concern audit opinion. companies that accept GCO are required to make improvement performance in the coming year, so that the company will not be accept the going concern audit opinion again. In essence, an auditor issues a GCO because there are doubts about the survival of the company [10].

The auditor in giving opinion will pay attention to the previous audit opinion. companies that received GCO in the previous year potentially receive GCO again in the current year [11]. Improving company performance is not an easy thing to do. The company's efforts to repay all of its debts to avoid default are a heavy burden. considerations that performance improvements can be made in one accounting period are unlikely to occur. This research showed that the previous year audit opinion has no effect on GCO. The company certainly doesn't want lose the credibility and trust of its investors. the company will not make the same mistake by accepting GCO [12]. Finally, the company make a maximal effort to minimize the possibility receiving GCO in the current year. Companies that received GCO in the previous year and did not receive GCO in the current year means the company has improved performance. performance improvements reflected in increased sales and reduced liability [13]. The acceptance of audit opinion in the current year is not only based on the previous year audit opinion, but rather the loss of public confidence in the company's ability to maintain business stability [14]. GCO is very important because is able influenced investor decisions. companies with no GCO more valuable in the eyes of investors and become the choice of investors to invest.

#### IV. CONCLUSION

This study examines the factors that influence companies receiving GCO. The results showed that financial distress affected in GCO, while previous year audit opinion had no effect on GCO. This research has many shortcomings, so further researchers advised to add research variables such as financial ratios, opinion shopping and audit quality [15]. Researchers is also recommended to be carried out in other business sectors not only in the agricultural sector.

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