

The Effect of Corporate Governance Mechanism, Company's Growth and Company Performance toward Going Concern Audit Opinion in Non-Financial Service Companies for the Period of 2012-2015

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Abstract

A company receiving going concern audit opinion from public audit firm can be a sign that the company is in doubt to have a long business run, according to the auditor judgment. The aim of this study is to investigate the determinant of company's likelihood to receive a going concern opinion from auditor in the Indonesian capital market context. In order to discover the factors behind a company receiving going concern audit opinion, this study employs a logistic regression method, with the dependent variables of going concern audit opinion and the independent variables of corporate governance mechanism, company's growth, and company's performance. In detail, researcher choses board size, independent commissioner, institutional ownership, management ownership to define corporate governance. As for company's performance, researcher employs liquidity, profitability and solvency ratios. Researcher uses data from non-financial service companies listed in Indonesian stock exchange during the period of 2012-2015. The result shows a significant effect of institutional ownership, board size, liquidity and solvency toward the going concern audit opinion.

Keywords: Going Concern Audit Opinion, Corporate Governance, Company's Growth, Company's Performance

Introduction

Companies nowadays do not only seek for profit but also maintain its sustainability in the long business run, which can also be viewed as the company's going concern. In SPA 30, it is stated that going concern is the ability of a business unit to maintain its viability over a year from the date of audited financial statements (SPAP, 2011). Meanwhile, a financial statement containing unqualified audit opinion with explanatory paragraph of going concern shows that the company is in doubt to continue their operation. Thus, an audit opinion can be one of the important consideration for financial information user in evaluating a company. Gallizo and Saladrigues (2015) also contend that going concern audit opinion is one of an important

benchmark in assessing and recognizing a company financial information. Audit opinion can be a concern into the extent where user believes a certain company receiving going concern opinion shows a sign that the company is facing difficulties in business and is heading toward bankruptcy.

According to AU Section 341, it is auditor's work to judge whether a company deserve a going concern opinion based on several factors (SPAP, 2011). SAS no. 55 asserts the quality of financial reporting has a crucial relation to corporate governance characteristic (AICPA, 1988). A number of researchers have revealed the factors associated with going-concern opinion. Ballesta and Garcia- Meca (2005) finds the relation between company's tendencies to receive audit concern opinion with its corporate governance mechanism. A good corporate governance application is a sign that a company manages their business neatly in order to provide a financial report that satisfies its users. Meanwhile, Gallizo and Saladrigues (2015), Carson et al. (2013), Rudkhani and Jabbari (2013), and Laitinen and Sourmumnen (2012) evaluate company's performance through ratios to determine company's acceptance of going concern audit opinion. Many mentioned that company with good performance and stable growth will sustain in long time because company do not show any sign of business failure in certain period of time (Carson et al, 2013; Laitinen and Sourmumnen, 2012; Kuruppu, Laswad and Oyelere, 2012).

However, there are still little studies that discuss about the determinant of going concern audit opinion in service sector companies in Indonesia. Most research focus on finance sector (Puspita and Rinaldo, 2015; Fransiska, 2014) and manufacturing sector (Susanto, 2011; Sherlita and Puspita, 2012; Krissindiastuti and Rasmini, 2016). It is generally used, nevertheless, to avoid generalized results, researcher focuses on different sector to give another view of the result. This research extends new perception of the determinants of going concern audit opinion explained by data from service company listed in Indonesia.

Literature Review

Going Concern Opinion

Going Concern Audit Opinion is included as the unqualified audit opinion with explanatory paragraph. IAI (2001) defines going concern audit opinion as an opinion issued by the auditor to assure whether the company can maintain its viability. Based on PSA 29, it is stated that auditors' doubt on company's going concern requires auditor to add explanatory paragraph in the auditors' report.

SAS No. 59 (1988) stated that the auditors' consideration of an entity's ability to continue as going concern requires them to appraise whether there's substantial doubt about company's going concern issue. Based on that, (PSA No. 30) auditors carry the responsibility to evaluate company's ability to continue as going concern. If the auditors find any doubt about company's going concern, auditors must ensure that the management has prepared the mitigation plan and disclose the sufficient disclosure.

Company's Performance

Knechel (2001) evaluates financial company performance using financial ratios. These ratios provide auditor information from the balance sheet and income statement to discover any suspicious relationship within the financial statement. Bernstein (1989) also states that ratios are the best known and most widely used tools of financial analysis.

Bellovary, Giacomino and Akers (2007) examine that profitability and liquidity are considered most important on going concern opinion. Financial ratios that researcher used in this

research are liquidity current ratio, profitability and solvency ratio. The ratio formulas used in this research is based on formulas used by Gallizo and Saladrignes (2015).

Liquidity

It defines the short-term ability of the company to pay its maturing obligations and unexpected expense with its assets available to be converted to cash (Weygandt, Kimmel and Kieso, 2012). Liquidity is computed by the current ratio formula below;

$$\text{Liquidity} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

Profitability

Profitability measures the operating activity and income of a company in the given period of time (Weygandt, Kimmel and Kieso (2012). It defines the view of how well the company used its resource to generate profit and shareholder value. Profitability is measured by Return on Asset (ROA) to show the company's ability to achieve return from its assets.

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Solvency

Solvency measures the ability of a company to survive in long time (Weygandt, Kimmel and Kieso, 2012). It shows the company's level of leverage on asset financed by the creditor. The solvency ratio is computed using the formula below:

$$\text{DTA} = \frac{\text{Total Debt}}{\text{Total Asset}}$$

Company's Growth

The company's growth is measured by the ratio of the sales growth. It shows whether company's sales are increasing from the previous period. The ratio used in this study is based on formula used by Krissindiastuti and Rasmini (2016).

$$\text{Sales Growth Rate} = \frac{\text{Net Sales}_t - \text{Net Sales}_{t-1}}{\text{Net Sales}_{t-1}}$$

Corporate Governance

Talamo (2011) sums the definition of corporate governance to controlling and supervising the management conduct of a company. The Organization for Economic Cooperation and Development (OECD) furthermore describe that corporate governance is one of tools for the management to attain company's objectives as well as to monitor its process. In the term of monitoring, Kautsar and Kusumaningrum (2015) explain corporate governance as mechanism to improve company performance by supervising and monitoring the management accountability based on the rules and regulation of the company. By supervising and monitoring the company management, corporate governance is believed to decrease the agency problem. Thus, corporate governance is needed to mitigate agency problems between owner and the agent (Kautsar and Kusumaningrum, 2015).

Ballesta and Garcia-Meca (2005) examine several variables of corporate governance on its relation to financial report quality, such as management ownership, board size, and family as board member. Furthermore, Pergola and Joseph (2011) explain that corporate governance factors

among others are management ownership and independent commissioner. Meanwhile Talamo (2011) finds institutional ownership to be an important variable of corporate governance. Narrowing from the journals above, researcher uses board/insider ownership, institutional ownership, board size and independent commissioner.

Management Ownership

Pergola and Joseph (2011) explain management ownership as the proportion of ownership by company's management which is measured by the shares owned by the management of the company. The management ownership percentage includes the ownership by members of commissioner and directors who also take part in making decisions and the amount of shares is calculated in certain period of time (Wardani and Hermuningsih, 2011).

Institutional Ownership

Shien et. al. (2006) defines the institutional ownership as the ownership by government institution, financial institution, incorporated institutions, foreign institutions, trust funds and other institutions. Furthermore, Katan and Nor (2015) explains institutional investors are institutional shareholders with significant percentage of ownership have the incentives to monitor and influence management decision.

Board Size

Fernandez (2014) examines board size with the number of directors on the board. Specifically, based on research by Ramdani and Witteloostujin (2010), researcher will measure board size with the number of total independent directors, non-executive directors and executive directors on the board. Jensen (1983) believes it is best for company to have less than 7 members of directors on the board.

Independent Commissioner

In general, board independence will include both independent commissioner and independent directors. But in Indonesia there is only independent commissioner that takes place. A decree from Indonesian Stock Exchange Directors regulates companies who want to be listed must have at least 30 per cent independent commissioner (*Surat Keputusan Direksi Bursa Efek Indonesia Nomor Kep-305/BEJ/07-2004*). Corporate Governance Codes (2006) describe independent commissioner must hold no interests toward the company because that may influence their independence toward their duties in the company.

Actually there has been another decree from Indonesian Stock Exchange Directors that regulates about company's independent director (*Surat Keputusan Direksi Bursa Efek Indonesia Nomor Kep-00001/BEI/01-2014*). But this decree is newly ratified in 2014, thus in this research will only use independent commissioner as one of the variable that explains corporate governance.

Research Gap

Many researcher had previously analyze the factors behind a company receiving a going concern opinion. Some of the most-frequently used variables are corporate governance mechanism, auditor factors and financial ratios. Regarding corporate governance factors, Ballesta and Garcia-Meca (2005) found that managerial ownership and family members on the board are the most significant factors of going concern qualifications. In addition, Zureigat (2015) also

found managerial ownership to be significant, followed by foreign ownership, board meeting, board size, audit fees and audit firm size. In terms of ratio, Gallizo and Saladrigues (2015) analyze profitability, liquidity and solvency as the determinant.

In some countries such as Spain, companies are regulated to state family ownership on the annual report (Ballesta and Garcia-Meca, 2005). Meanwhile in Indonesia, this regulation doesn't exist and thus companies do not state family ownership in annual report.

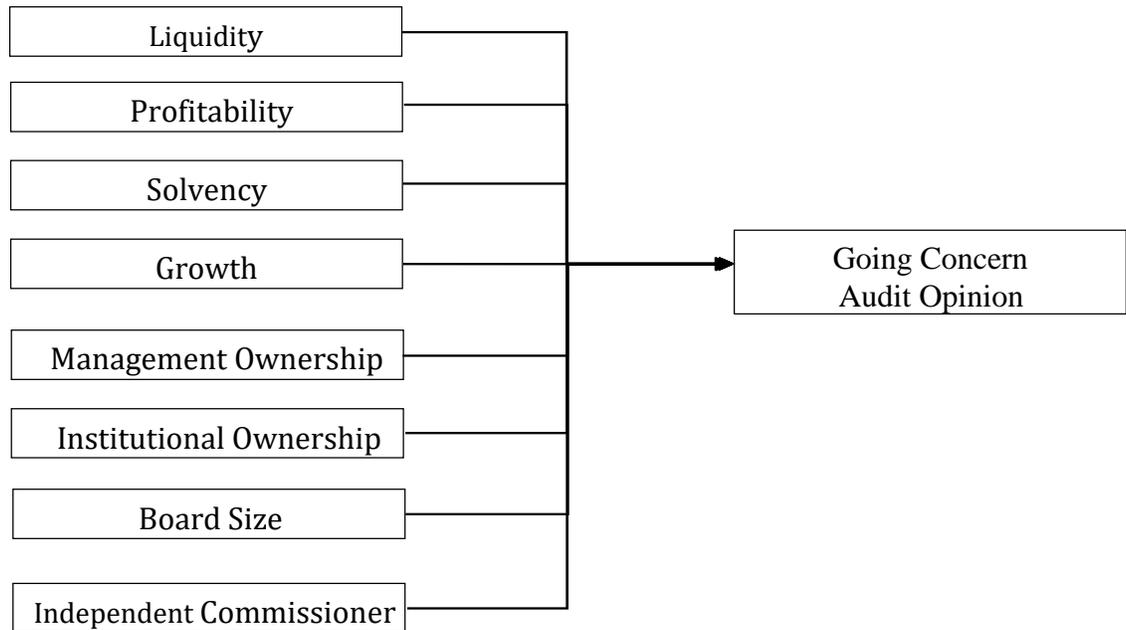
Furthermore, in terms of samples, most of the going concern studies in Indonesia use finance company (Puspita and Rinaldo, 2015; Fransiska, 2014) and manufacturing company (Susanto, 2011; Sherlita and Puspita, 2012; Krissindiastuti and Rasmini, 2016). Meanwhile, in this research, researcher focuses on non-financial service companies to contribute another perspective of study.

To sum up, we are willing to analyze corporate governance mechanism and financial ratios to going concern qualification in non-financial service company in Indonesia for the year of 2012-2015.

Theoretical Framework

Based on the theories and hypothesis written on this research, researcher figures out the relationship between dependent variable and independent variables as below:

Figure 1.
Theoretical Framework



Hypothesis Development

The Relationship between Liquidity Ratio and Going Concern Audit Opinion

Liquidity ratio reflects how much the company's liquid asset is available for its short-term liability and unexpected expenses. Gitman (2009) emphasizes that liquidity ratio also can be seen as a sign of a cash flow problem of a company. Because company with low or declining liquidity shows that the company is having difficulties in paying its obligations, which will lead to a

financial difficulties and probability of bankruptcy.

Gallizo and Saladrigues (2015) find that a company with higher liquidity is save from receiving going concern audit opinion. In this state, auditor believes that the company is capable enough to pay its debts. Thus, the higher the liquidity of a company, the less likely they will get going concern audit opinion.

H1: Liquidity Ratio affects Going Concern Audit Opinion negatively

The Relationship between Profitability Ratio and Going Concern Audit Opinion

Profitability can be one of an instrument to measure company's earning power (Weygandt, Kimmel, and Kieso, 2012). A higher profitability ratio shows that the company used its assets well in gaining profits. A larger firm may be less likely to fail and auditor may be in doubt to issue an unqualified opinion because the company is doing well (Gallizo and Saladrigues, 2015). Thus, the higher the profitability, the less likely auditor will issue a going concern audit opinion.

H2: Profitability Ratio affects Going Concern Audit Opinion negatively

The Relationship between Solvency Ratio and Going Concern Audit Opinion

Weygandt, Kimmel, and Kieso (2012) indicate solvency as the percentage of assets funded by the creditors. A ratio of 0.3 means that 30% of an asset is financed by the creditors, meaning a higher ratio indicates a higher use of leverage and it may be risky that company may be unable to pay its debt at maturity. Thus, Weygandt, Kimmel, and Kieso (2012) prefer a lower solvency to indicate that company is better at paying its debt. Laitinen and Sormunen (2012) infer that company facing insolvency will cause financial loss and is risky to sustain in the future. Thus, a positive relationship is expected to show that company with higher solvency ratio will more likely to receive going concern audit opinion.

H3: Solvency Ratio affects Going Concern Audit Opinion positively

The Relationship between Company's Growth and Going Concern Audit Opinion

Based on Weston and Copeland (1985), growth rate pictures company's ability to maintain its economic condition. A stable growth of a company is also one indication that the company will stably run in the future. Krissindiastuti and Rasmini (2016) revealed that a company with higher growth is more desirable because it shows a sign of survival and evolvment in the future. Thus, a higher ratio of sales growth will give auditor doubt to give a going concern audit opinion.

H4: Company's Growth affects Going Concern Audit Opinion negatively

The Relationship between the Proportion of Managerial Ownership and Going Concern Audit Opinion

Managerial ownership indicates the shares owned by insider or the management of the company itself. A study from Li and Sun (2014) showed that managerial ownership has a positive effect on financial performance of the company. To that concern, Pergola and Joseph (2011) explains how management works reflecting to the firm's stock circumstances. Company management is motivated to do a stronger control over the financial of the company as it may improve their stock value (Pergola and Joseph, 2011). Pergola and Joseph (2011) also agrees that a bigger managerial ownership lead to a better quality of financial reporting. It is because the more share that management owns, the less likely they will misuse the company's wealth and act according to company's interest that will benefit them (Jensen and Meckling, 1983). Thus, management will have to increase performance and produce satisfying financial information.

Company with promising financial performance have tendency to run well in the future.

It concludes that better the quality of financial reporting, the less likely that the company will receive qualified audit opinion.

H5: Proportion of Managerial Ownership affects Going Concern Audit Opinion negatively

The Relationship between the Proportion of Institutional Ownership and Going Concern Audit Opinion

Institutional ownership indicates the company's share ownership by other institutions. These institutional investors usually make a better investors because they also act to monitor the company's activities. As explained by Katan and Nor (2015), institutional investors have the incentive to monitor the management activity because they have more voting power and ability to influence the management. Fazlzadeh (2011) and Fauzi and Locke (2012) also find the positive impact of institutional investors toward the company performance. As company with good performance will sustain in the future, it will be exempted from going concern issue.

Thus, company with large institutional investors will less likely to have going concern audit opinion because the probability of agency problem is reduced as it has third monitoring-party as their shareholders.

H6: Proportion of Institutional Ownership affects Going Concern Audit Opinion negatively

The Relationship between Board Size and Going Concern Audit Opinion

Board size indicates the number of board of director member. As regulated in UU No. 40 (2007), directors are responsible to lead the company in running its business. Jensen (1983) finds that a bigger board size represents a more effective directing activity capacity and leads the company to have a better quality of financial reporting. Constantinou et al. (2005) also find that a bigger board size will impact positively on a company because they may contain more skills and expertise. A board contained of more experts will less likely to face major problems within the company because it has diversity of experts and experiences (Bebeji, Mohammed, and Tanko, 2015; Salihi and Jibril, 2015).

Thus, a bigger board size will save company from going concern issue as the board member leads the financial performance well.

H7: Size of the Board affects Going Concern Audit Opinion negatively

The Relationship between the Proportion of Independent Commissioner and Going Concern Audit Opinion

Independent commissioner indicates commissioner member who has no relation to the company. UU No. 40 (2007) regulates that commissioner holds the right to monitor and supervise certain company.

Commissioners who come from outside the company are believed to perform professional work. Li and Xu (2014) explain that an independent commissioner will carefully examine the risks that may enter the company. This is because commissioners who are not affiliated to the company will view the company's problem as third party and thus, provide a wider problem solving. This has been proved by a research from Puspita and Rinaldo (2015), who find that a greater proportion of independent commissioner of a board will lead to less likelihood of auditor will give going concern audit opinion. A good company performance supported with effective monitoring indicates that company will produce a good quality of financial reporting and less likely receive a going concern audit opinion.

H8: Proportion of Independent Commissioner affects Going Concern Audit Opinion negatively
Research Method

Operational Definitions of Variables

The hypothesis testing is using logistic analysis equation below;

$$\frac{\ln \frac{GCO}{1-GCO}}{1-GCO} = \beta_0 + \beta_1 \text{Liq} + \beta_2 \text{Prof} + \beta_3 \text{Sol} + \beta_4 \text{Growth} + \beta_5 \text{Man_Own} \\ + \beta_6 \text{Ins_Own} + \beta_7 \text{Board} + \beta_8 \text{Ind_Com}$$

Where:

- GCO; is the unqualified opinion with going concern paragraph. The audit opinion is measured using dummy variable, that is 1 (one) for company receiving unqualified opinion with going concern paragraph, and 0 (null) for company receiving unqualified opinion. The information about audit opinion is contained in the independent audit report of the financial statement of the company.
- Liq; represents Liquidity Ratio using current ratio as defined by Current Asset/Current Liabilities (Gallizo and Saladrigues, 2015)
- Prof; represents Profitability Ratio using Return on Asset (ROA) ratio as Net Income/Total Assets (Gallizo and Saladrigues, 2015)
- Sol; represents Solvency Ratio using Debt to Asset ratio as Total Debt/Total Assets (Gallizo and Saladrigues, 2015)
- Growth; represents Company's Growth measured by comparing company's this year and last year respective net sales as $\frac{\text{Net Sale}_t - \text{Net Sale}_{t-1}}{\text{NET Sale}_t}$ (Krissindiausti and Rasmini, 2016)
- Man_Own; represents the proportion of managerial ownership seen from the percentage of shares owned by the management of the company (Li and Sun, 2014).
- Ins_Own; represents the proportion of institutional ownership seen from percentage of shares owned by other institution (Chung and Zhang, 2011).
- Board Size; represents the number of directors on the board of the company (Ballesta and Garcia-Meca, 2005).
- Ind_Com; represents the percentage of number of independent commissioner compared to the total number of the commissioner on the board of the company (Ballesta and Garcia-Meca, 2005).

Instrument

In this research, we employs Logistic Regression Model. Hair et al. (2010) explain that logistic regression model, or referred to as logit analysis, is used when one or more independent variables are used to predict a single dependent variable. The single dependent variable must be dichotomous (e.g. girl-boy) or multichotomous (e.g. high-medium-low) and thus, non-metric, or referred to as dummy variable. Meanwhile, logistic regression accommodates all types of independent variables; metric and nonmetric. The data in this research is being run using the EViews 9.5 Student Lite Version for Windows.

Sampling

The population of this research is companies that are listed in Indonesian Stock Exchange (IDX). From the population, researcher then takes sample with purposive method of sampling. The further requirements of companies used in this research are;

1. The company is listed in Indonesian Stock Exchange (IDX) in service sector (advertising & printing, property, real estate, construction, IT, retail, trading, infrastructure, utility, transportation, hotel, restaurant & tourism, and health companies) for 2012-2015.
2. The company's financial statement and annual report are issued for the year 2012- 2015 and is audited by audit firm respectively.
3. The company receive unqualified audit opinion.
4. The company did not exit (delisting) from IDX during the observation period.

The sampling process can be seen in the table below:

Table 1.
Research Sampling Criterion

Description	Number of Companies
Companies run business in service sector and are listed in IDX as of December 31, 2012	300
Finance Company	(80)
Incomplete data	(62)
Companies receiving qualified, adverse and disclaimer opinion during 2012-2015	(6)
Companies delisting from IDX during 2012-2015	(1)
Number of samples	151
Number of samples run for the analysis (4years)	604

Source: idx.co.id

The type of data collected in this research is secondary data obtained from the IDX official website (idx.co.id). The financial statement that is used is from year 2012 until 2015. The auditor report of the financial statement provides information whether the company receives going concern opinion or not. The information related to ratio is obtained from the Financial Statement and Balance Sheet, and the information related to corporate governance is obtained from the notes to the financial statement.

Result and Discussion

Descriptive Analysis

The population in this research is company listed in Indonesian Stock Exchange (IDX) for the year 2012-2015. The total sample chosen are 151 service companies in 4 years period. The

descriptive statistics for independent variables are presented below:

Table 2.
Descriptive Analysis Statistics

	Total Observation	Mean	Median	Max.	Min.	Std. Deviation
GCAO	604	0.093	0.000	1.000	0.000	0.290
BOARD	604	4.609	4.000	9.000	2.000	1.768
IND_COM	604	0.408	0.375	0.833	0.000	0.107
INS_OWN	604	0.610	0.626	0.990	0.000	0.212
MAN_OWN	604	0.265	0.000	0.707	0.000	0.090
GROWTH	604	2.794	0.095	872.47 ?	-79.040	40.517
LIQ	604	3.339	1.394	247.12 ?	0.000	13.658
PROF	604	0.041	0.042	0.609	-1.729	0.146
SOL	604	0.0243	0.191	4.976	0.000	0.364

Source: EViews 9.5

From the total observation number of 604 companies, 56 companies receive going concern audit opinion in the past 4 years (9% of the total sample). The descriptive analysis result of independent commissioner shows a minimum value of 0% and maximum value of 83%. This indicates that there are some companies who do not have independent commissioner. The average value of 40% shows that the proportion of independent commissioner in Indonesia is good, according to the decree from Indonesian Exchange Directors that regulates a minimum independent commissioner proportion of 30% (*Surat Keputusan Direksi Bursa Efek Indonesia Nomor Kep-00001/BEI/01-2014*).

The descriptive statistic shows minimum value institutional ownership of 0%, it shows that there are companies who do not have institutional ownership. Meanwhile, there are companies whose most of the shares are owned by institutions, with maximum value of 99%. Furthermore, the mean is 61%, it means that on average, institutional owners have the right to control company's decision.

Managerial ownership also has minimum value of 0% showing that there are companies whose the management does not own any share of the company. While, the maximum share ownership by management is 70.7%. According to *Peraturan Bapepam No. IX*, shareholders who has 20-50% of shares of a company can only influence company's decision making. Meanwhile, shareholders with 51-100% share ownership can control the company (*Peraturan Bapepam No. IX*). With the mean of 26%, it means that on average, managerial owners can only influence company's decision, without having control over it.

To describe company's growth, the descriptive analysis result shows a mean of 2.794% with maximum value of 872.472% and minimum value of -79.040%, which is quite a far range. A

negative value shows that the company's net sales in current year is lower than the last year. It means that there are companies whose growth is decreasing, and vice versa.

The mean for liquidity is 3.339. The maximum value of this variable is 247.127 and the minimum value is 0.0003, which is quite a far range. The positive ratio shows that there are companies which own large amount current assets to cover its current liabilities. The data shows that on average, company can cover one unit of current liability with 3.339 of current asset.

The mean for profitability is 0.041. The maximum value of this variable is 0.608 and the minimum value is -1.729. The negative ratio shows that there are companies which face losses (negative net income), while the positive ratio shows that there are also companies which generate high profit. The data shows that on average, with one unit of asset, company can generate 004.1% net income.

The mean for solvency is 0.243. The maximum value of this variable is 4.976 and the minimum value is 0.000. It shows that there are companies whose solvency is quite good, showing a low leverage level. The data shows that on average, within one unit of asset, 0.243 part of it is financed by creditor.

Inferential Analysis
Multicollinearity Test

Multicollinearity testing is used to assess the relationship between independent variable. There should not be a significant relationship between independent variable being tested in a research. In logistic regression, multicollinearity testing is using correlation matrix between independent variable. Hair et al. (2010) sets that correlation matrix value between independent variables should not be over 0.9. From the table 4.2 below, it can be seen that there's no multicollinearity between independent variables in this research.

Table 3.
Multicollinearity Table

	Board	Ind_Com	Ins_Own	Man_Own	Growth	Liq	Prof	Sol
Board	1.000	-0.028	-0.076	0.024	-0.026	-0.112	0.145	0.048
Ind_Com	-0.028	1.000	-0.076	-0.069	0.014	-0.030	-0.070	0.021
Ins_Own	-0.076	-0.076	1.000	-0.344	0.077	0.080	0.137	0.007
Man_Own	0.024	-0.069	-0.344	1.000	-0.018	-0.025	-0.013	-0.002
Growth	-0.026	0.014	0.077	-0.018	1.000	0.397	0.075	-0.009
Liq	-0.112	-0.030	0.079	-0.025	0.397	1.000	0.035	-0.020
Prof	0.145	-0.070	0.137	-0.013	0.075	0.035	1.000	0.013
Sol	-0.125	0.107	0.081	-0.561	-0.028	-0.100	0.005	1.000

Source: EViews 9.5

Matrix Classifications (Expectation-Prediction Evaluation)

Matrix classification table shows a predictive power of the regression model, determining whether the predicted value match the actual value in percentage.

Table 4.
Classification Table

Evaluation for Binary Specification
 Success cutoff: $C = 0.5$

	Estimated Equation			Constant Probability		
	Dep=0	Dep=1	Total	Dep=0	Dep=1	Total
P(Dep=1)≤C	545	41	586	548	56	604
P(Dep=1)>C	3	15	18	0	0	0
Total	548	56	604	548	56	604
Correct	545	15	560	548	0	548
% Correct	99.45	26.79	92.72	100.00	0.00	90.73
% Incorrect	0.55	73.21	7.28	0.00	100.00	9.27
Total Gain*	-0.55	26.79	1.99			
Percent Gain**	NA	26.79	21.43			

Source: EViews 9.5

According to EViews User Guide (2014), the table shows that from the total of 56 companies that receive going concern in 4 years, 15 of the observations (going concern companies) are correctly classified by the model. It means that this model only can correctly predict 15 companies (26.79% of total 56) receiving going concern audit opinion. Meanwhile, the prediction of companies receiving non going concern audit opinion is 99.45%, which means that this model can predict correctly 545 companies receiving non going concern audit opinion. Overall, this model can correctly predict 92.72% of the observed data (Eviews User Guide, 2014). It means from all of the companies (both companies receiving going concern and non-going concern audit opinion) 91.72% of them is predicted to receive respective opinion.

Logistic Regression Analysis

The logistic regression result on the data is presented as follow:

Table5.
Logistic Regression Table

Method: ML - Binary Logit (Newton-Raphson / Marquardt steps)

Sample: 2012 2015

Included observations: 604

Convergence achieved after 8 iterations

Coefficient covariance computed using observed Hessian

Variable	Coefficient	Std. Error	z-Statistic	Prob.
BOARD	-0.434559	0.128914	-3.370915	0.0007
IND_COM	1.285721	1.380279	0.931493	0.3516
INS_OWN	-3.251761	0.837013	-3.884959	0.0001
MAN_OWN	-2.687018	2.203734	-1.219302	0.2227
GROWTH	-0.004674	0.011424	-0.409151	0.6824
LIQ	-0.006362	0.009860	0.645268	0.5188
PROF	-7.696962	2.009358	-3.830559	0.0001
SOL	1.626878	0.410177	3.966288	0.0001
C	0.449238	0.935981	0.479965	0.6313
McFadden R-squared	0.276996	Mean dependent var	0.092715	
S.D. dependent var	0.290273	S.E. of regression	0.247221	
Akaike info criterion	0.476293	Sum squared resid	36.36531	
Schwarz criterion	0.541909	Log likelihood	-134.8404	
Hannan-Quinn criter.	0.501828	Deviance	269.6809	
Restr. deviance	373.0005	Restr. log likelihood	-186.5003	
LR statistic	103.3196	Avg. log likelihood	-0.223246	
Prob(LR statistic)	0.000000			
Obs with Dep=0	548	Total obs	604	
Obs with Dep=1	56			

Source: EViews 9.5

$$\ln \frac{GCO}{1-GCO} = \beta_0 + -0.006362 \text{ Liq} - 7.696962 \text{ Prof} + 1.628878 \text{ Sol} - 0.004674 \text{ Growth} - 2.687018 \text{ Man_Own} - 3.251761 \text{ Ins_Own} - 0.434559 \text{ Board} + 1.285721 \text{ Ind_Com}$$

Overall Model Fit

It explains whether all independent variables in the logistic regression influence the dependent variable. According to Widarjono (2015), in logistic regression, the overall model test can be explained by the value of -2LL of LR statistic. Sarwono (2015) prefers a bigger value of LR because it may prevent rejection if the LR is small.

According to Widarjono (2015), if the LR statistic is less than 0.05, then independent variables have significant influence to the dependent variable. From the result, the significance of LR statistics is 0.000, lower than 0.05 meaning that independent variable have significant influence dependent variable together (Widarjono, 2015).

McFadden R Square

According to Widarjono (2015), R square in logistic regression is used to measure the goodness of fit using the coefficient of determinant. It explains how well the independent variables explain the dependent variable in the research. From the table above, it shows the R-square of this research is 0.276996, meaning that the independent variables employed in this research can explain 27% of the dependent variable. The remaining 73% factors are explained by other variables outside this research.

Z-Statistics

This test is used to examine the significance of independent variable individually. This test replaced the function of t-test in linear regression (Widarjono, 2015). According to Widarjono (2015), with the significance level of 0.05, the test above showing that all of the independent variables are not significant in influencing the dependent variable individually.

Discussion

The Effect of Liquidity on Going Concern Audit Opinion

From the statistic result, it can be seen that liquidity shows a non-significant effect toward going concern audit opinion. This result goes along with a research from Rudkhani and Jabbari (2013) who also find that liquidity is not a significant determinant of going concern opinion. It is because liquidity ratio only measures company's current condition. It show how much liquid assets that company have to cover short-term debt, meanwhile going concern issue is a concern for long term business.

The Effect of Profitability on Going Concern Audit Opinion

From the statistic result, profitability shows a significant relationship toward going concern audit opinion, supporting research by Gallizo and Saladrigues (2015). Furthermore, the result shows a negative relationship, supported also by Gallizo and Saladrigues (2015) where the profitability decrease, the possibility to obtain going concern increases. It is because a loss faced

by a company is showing doubt that company will run well in the near future.

The Effect of Solvency on Going Concern Audit Opinion

The result of statistics analysis shows a significant relationship between solvency and going concern audit opinion, supporting a research from Laitinen and Sormunen (2012). The solvency also shows positive direction of relationship with the going concern opinion, supporting a research from Sherlita and Puspita (2012) who also find a higher solvency ratio leads company to receive a going concern audit opinion because it shows a high leverage of a company toward the creditor and becomes risky whether the company can pay its debt at maturity.

The Effect of Company's Growth on Going Concern Audit Opinion

From the statistic result, company's growth shows non-significant relationship toward going concern audit opinion in negative direction. This result shows that as the company grows, the possibility of receiving going concern is decreasing (Krissindiastuti and Rasmini, 2016). This research shows that as long as the company generates profit, whether the profit amount increase or decrease each year, it will safe from going concern issue. It means that a company doesn't have to grow to avoid bankruptcy.

The Effect of Managerial Ownership on Going Concern Audit Opinion

From the statistic result, the proportion of managerial ownership gives a non-significant relationship toward going concern audit opinion in negative direction. This result supports a previous study by Ballesta and Garcia-Meca (2005) who also find a non-significant relationship between insider ownership and going concern opinion. This happens because management of the company could have made the financial statement based on their interest to increase their own profit, such as marking up some accounts. So the financial statement doesn't really show the real condition of the company.

The Effect of Institutional Ownership on Going Concern Audit Opinion

From the statistic result, the proportion of institutional ownership has significant relationship toward going concern audit opinion. Consistent to that, a research by Marn and Romuald (2012) also find a significant effect of ownership structure on the going concern opinion. Zureigat (2015) also find a negative relationship between institutional ownership and going concern opinion. This shows that a bigger proportion of institutional ownership will save company from receiving a going concern audit opinion because the monitoring function gets more effective. Institution owner tends to perform a better monitoring function because it has the power to influence management of the company Fazlzadeh (2011) and Fauzi and Locke (2012).

The Effect of Board Size on Going Concern Audit Opinion

From the statistical result, the board size has significant effect to the going concern opinion, following a research by Marn and Romuald (2012). The result also shows a negative direction. This is supported by Jensen (1983) who finds that a bigger board size will contribute a better performance to the company since more experts are involved in controlling the company.

The Effect of Independent Commissioner on Going Concern Audit Opinion

From the statistical result, the proportion of independent commissioner has a non-significant effect to the going concern opinion. The result shows a positive direction. It supports a study by

Puspita and Rinaldo (2015) who also finds that the more independent commissioner will decrease company performance to its relation to going concern opinion. Daniri (2005) finds the commissioner's role in Indonesia is still not functioning optimally because commissioners are still affiliated the majority shareholders Thus, the independence status is still questioned.

Conclusion

From the hypothesis testing, the result shows that Liquidity, Company's Growth, Independent Commissioner and Managerial Ownership do not have any significant influence toward the going concern opinion. Meanwhile, the result shows that institutional ownership, board size and profitability shows significant effect toward going concern audit opinion in negative way. This means that the bigger the profitability ratio, proportion of institutional ownership and the board size, the less likely a company will receive a going concern opinion. The result also shows that solvency has significant effect to the going concern audit opinion in positive way. It means that a lower solvency ratio will save company from the likelihood of receiving going concern.

For companies, it is recommended to be sensitive about and improve their financial ratios with significant effect (profitability and solvency) on audit opinion issuance, and to keep it safe at acceptable level. It is also recommended for companies to manage their corporate governance, focusing on board member size and institutional owners. Both are intended to reduce the probability of receiving going concern audit opinion

For investors, it is recommended to evaluate company activity continuance and company value by considering the significance factors of going concern audit opinion as consideration before investing.

For future researcher, it is recommended to enlarge the range of data sample and sample size to predict a larger viewpoint, and to extend the results by adding other determinant of corporate governance mechanism and company performance ratios, including the auditor influence in determining going concern audit opinion recipient.

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