

**Yunus Anugerah Hulu<sup>1</sup>**  
*Universitas Prima Indonesia, Medan, Indonesia*

**Nagian Toni<sup>2</sup>**  
*Universitas Prima Indonesia, Medan, Indonesia*

**Wilsa Road Betterment Sitepu<sup>3</sup>**  
*Universitas Prima Indonesia, Medan, Indonesia*

## **The Effect of Audit Quality, Financial Condition and Earnings Management on the Going Concern Audit Opinion with Corporate Mechanism as a Moderating Variable**

**Abstract.** *Going concern is an accounting term used to describe a business that is expected to operate for the foreseeable future or at least the next 12 months. The concept of going concern is particularly relevant in times of economic difficulties and in some situations auditor may determine that a profitable company may not be a going concern, for example because of significant cash flow difficulties. This research aims to study the influence of audit quality, financial condition and earnings management on the auditor's opinion on going concern with corporate mechanism as a moderating variable. This study analyzes data from the financial statements of 49 manufacturing companies listed on the Indonesian Stock Exchange in 2018-2020. The results of this study provide empirical evidence that giving a going concern audit opinion by the auditor is not based on the quality of the auditor because he acts in accordance with auditing standards. Financial condition and earnings management have a significant effect on the going concern audit opinion. When a company experiences a bad financial condition, it is very likely that it will receive a going concern audit opinion because there are signs of difficulties in maintaining the viability of its business. The corporate mechanism is able to moderate only the influence of financial condition on the going concern audit opinion. Thus, the auditor's opinion on going concern based on analysis of financial reporting data is important for investors and other interested parties who want to be sure of their decisions.*

**Keywords:** *audit quality, financial condition, earnings management, corporate mechanism, going concern audit opinion.*

### **Suggested Citation**

Anugerah Hulu, Y., Toni, N., Sitepu, W. R. B. (2022). The Effect of Audit Quality, Financial Condition and Earnings Management on the Going Concern Audit Opinion with Corporate Mechanism as a Moderating Variable. *Oblik i finansi*, 3(97), 119-128. [https://doi.org/10.33146/2307-9878-2022-3\(97\)-119-128](https://doi.org/10.33146/2307-9878-2022-3(97)-119-128)

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<sup>1</sup> **Yunus Anugerah Hulu**, Universitas Prima Indonesia, Medan, Indonesia.  
**ORCID 0000-0001-8988-5666**  
E-mail: [anugrahoeloe99@gmail.com](mailto:anugrahoeloe99@gmail.com) (*Corresponding author*)

<sup>2</sup> **Nagian Toni**, Universitas Prima Indonesia, Medan, Indonesia.  
**ORCID 0000-0002-2597-9855**

<sup>3</sup> **Wilsa Road Betterment Sitepu**, Universitas Prima Indonesia, Medan, Indonesia.  
**ORCID 0000-0001-7164-053X**

## Вплив якості аудиту, фінансового стану та управління доходами на аудиторську думку про безперервність діяльності з корпоративним механізмом як модеруючою змінною

***Анотація.** Безперервність діяльності – це бухгалтерський термін, який використовується для опису бізнесу, який, як очікується, працюватиме в осяжному майбутньому або принаймні протягом наступних 12 місяців. Концепція безперервності діяльності є особливо актуальною під час економічних труднощів, і в деяких ситуаціях аудитор може визначити, що прибуткова на поточний момент часу компанія може не діяти безперервно, наприклад, через значні труднощі з грошовими потоками. Це дослідження спрямоване на вивчення впливу якості аудиту, фінансового стану та управління доходами на думку аудитора про безперервність діяльності з корпоративним механізмом як модеруючою змінною. У цьому дослідженні аналізуються дані фінансової звітності 49 виробничих компаній, зареєстрованих на Індонезійській фондовій біржі у 2018-2020 роках. Результати цього дослідження свідчать, що надання аудитором висновку про безперервність діяльності не ґрунтується на якості аудитора, оскільки він зобов'язаний діяти відповідно до стандартів аудиту. Фінансовий стан і управління доходами мають значний вплив на аудиторську думку про безперервність діяльності. Коли фінансовий стан компанії є досить важким, дуже ймовірно, що вона отримає негативний аудиторський висновок про безперервність діяльності, оскільки є ознаки труднощів у підтримці життєздатності її бізнесу. Корпоративний механізм здатний пом'якшити лише вплив фінансового стану на аудиторську думку про безперервність діяльності. Таким чином, висновок аудитора про безперервність діяльності на основі аналізу даних фінансової звітності є важливим для інвесторів та інших зацікавлених сторін, які хочуть бути впевненими у своїх рішеннях.*

***Ключові слова:** якість аудиту, фінансовий стан, управління доходами, корпоративний механізм, аудиторський висновок про безперервність діяльності.*

### INTRODUCTION

Profit is an essential reference to determine efficiency and effectiveness. Still, the acquisition of profit does not guarantee whether the company can operate long-term. In addition, the unstable economic conditions of a country and internal factors (such as financial condition, earnings management and corporate mechanism) can also affect a company's expected profit and, therefore, the ability of the company to continue its operations.

The concept of going concern is an underlying assumption in the preparation of financial statements, hence it is assumed that the entity has neither the intention, nor the need, to liquidate or curtail materially the scale of its operations. Company data will be more easily trusted by investors and other users of financial statements if the financial statements reflecting the company's performance and financial condition have received a fair statement from the auditor (Natong, 2021). In case the audit was not conducted, there is a possibility that the financial statements contain both intentional and unintentional errors.

Thus, the auditor's opinion on going concern based on analysis of financial reporting data is important for investors and other interested parties who want to be sure of their decisions. And therefore, this research aims to study the influence of some factors on the auditor's opinion on going concern.

### LITERATURE REVIEW

A number of previous studies have used the tendency of auditors to issue going concern opinions (GCO) as a proxy for audit quality when examining a sample of companies experiencing financial difficulties.

Guo et al. (2020) examine whether audit quality (measured by discretionary accruals) affects the likelihood of firms experiencing financial difficulties receiving GCO using a non-specific sample of 2937 firm-year observations from Australia over the period 2011-2015. The results show that companies experiencing financial difficulties are more likely to receive GCO. Companies experiencing financial difficulties that receive GCO from their auditors are limited to firms that have higher audit quality.

Auditors are required to assess whether their clients can survive without questioning their ability to continue operating. When a company faces a financial crisis without receiving a previous going concern report, it is recognized as an audit failure (Hsu, 2020). Giving a going concern audit opinion is the result of an auditor's evaluation which expresses doubts about the company's ability to maintain its viability (Utami and Abriandi, 2018).

Good audit quality will produce information that is very useful for users of financial statements in decision-making. Auditors with good audit quality are more likely to issue a going concern audit opinion if the client

experiences going concern problems. Large-scale auditors can provide better audit quality than small-scale auditors, including in disclosing going concern issues. The larger the scale of the auditor, the more likely the auditor is to issue a going concern audit opinion (Suharsono, 2018). A company naturally thinks about the survival of the company in the future. The company's survival can be seen from how its management manages, analyzes, thinks up strategies, and oversees and implements internal control in a company. In terms of company survival, the auditor's role is also needed. The role of the auditor here is to prevent the presentation of financial statements that are not in accordance with established standards and to assess how the company will be able to maintain its viability in the future (Bakar, 2020). The auditor assesses the company's going concern through an assessment of whether the financial statements prepared by the manager conform/meet the going concern assumptions. The going concern assessment is that this is born from the auditor if the manager has disclosed events/events that are of concern and already has a strategy/plan to deal with the possibility of disruption to the company's survival, indicated by sufficient disclosure in the financial statements. From this disclosure, the auditor can judge so that in the end it can influence the opinion results or clarify in certain paragraphs in the audit report on the Financial Statements. The auditor must evaluate the continuity of the company at a certain time limit (Afnan, 2020). As for the basic provisions regarding going concern audit opinion when carrying out appraisal procedures, the auditor must consider whether there are events that cast significant doubt on the entity's ability to continue as a going concern. In doing so, the auditor must determine whether management has made a preliminary assessment of the entity's ability to maintain its business (Bakar, 2020).

Good corporate governance, as measured by managerial ownership, is able to weaken the relationship between financial distress and acceptance of going-concern audit opinions, while the proportion of independent commissioners, institutional ownership, and audit committees is unable to moderate the relationship between financial distress and acceptance of going-concern audit opinions (Utami and Abriandi, 2018). Meanwhile, the managerial ownership variable, the independent board of commissioners, has no effect on going concern audit opinions (Rachma and Nurbaiti, 2021). Meanwhile, other research shows that the application of good corporate governance in companies is able to weaken the effect of financial distress on the going-concern audit opinion. The implications of the research results support the signal theory seen in financial distress which tends to give a signal to the auditor to provide a going concern audit opinion. The research results also support the agency theory where there is a tendency for information asymmetry between agents and principals, especially in companies experiencing financial distress (Wulandari and Muliarta, 2018).

## THEORETICAL BACKGROUND

### Audit Quality

Audit quality is an audit implementation in accordance with auditing standards so that it can be disclosed and reported if an auditor violates it (Rosnidah, 2012). Audit quality is the probability that a competent auditor will be able to understand and carry out audit procedures correctly and report independently if a violation occurs (Widiastuty & Febrianto, 2010). An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessing the risks of material misstatement of the financial statements, whether due to fraud or error. In making such risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the risk assessment entity internal control. Therefore, we do not express such an opinion (Flood, 2015). Auditor quality in this study was measured using a dummy variable. Where companies audited by the big four will be coded 1, and companies audited by non the big four will be coded 0.

### Financial Condition

According to Indriani & Wahasusmiah (2018), financial statements are reports that show the company's financial condition at this time or in a certain period. By obtaining the financial statements of a company, it can be seen the overall financial condition of the company. This financial condition shows how the actual condition of the company, is it in good condition, so that it can maintain its viability or vice versa. A company that suffers a loss or is in a difficult position to pay off its debts will have a tendency to delay writing off its receivables which are difficult to collect or its merchandise inventory which has not been sold, or forgets to record its debts. This is not possible in a company whose financial condition is good (Morck & Steier, 2005). The financial condition is a reflection and description of the level of the soundness of a company. This is because financial conditions can display the complete condition of the company's finances in a certain period of time and can describe the performance of a company (Nurkhasanah & Nurbaiti, 2020). From the understanding of the financial condition above, it can be concluded that the financial condition is a description of the level of soundness of a company and how the actual condition of the company is, whether it is in good or bad condition, so that it can maintain its survival or vice versa. By looking at the financial condition of a company by obtaining a company's financial statements, it can be seen the overall financial condition of the company. Financial condition is measured using the Altman Z-score Model formula.

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### Earnings Management

According to Moeller (2008), earnings management can be defined as intentional management intervention in determining profits, usually to fulfil personal goals. According to Healy & Wahlen (1999), earnings management is a consideration in financial reporting and preparing transactions to change financial reports, with the aim of manipulating the amount of profit to some stakeholders about the company's economic performance or to influence the results of agreements that depend on the reported accounting numbers. This process often beautifies the financial statements, especially the bottom number and profit. Fahmi (2012) defines earnings management as an action that regulates profits according to what is desired by certain parties, or especially by company management. Carrying out earnings management practices will cause financial reports to become unreliable or unreliable. This can cause disruption of decisions that must be made by interested parties who believe the engineering results as numbers on financial statements without engineering. According to Santosa (2017), there are three patterns in earning management, namely income increasing, income decreasing and income smoothing. From the several opinions above, it can be concluded that earnings management is intentional management intervention in the process of determining profits by considering financial statements and preparing transactions to change financial statements, with the aim of manipulating the amount of profit by certain parties or especially by

company management. So that it will cause financial reports to be unreliable or unreliable. This can disrupt decisions that interested parties, especially investors, must make. Earnings management is measured using discretionary accruals using the Modified Jones Model:

$$DAC_{PT} = (TAC_{PT}/Sales_{PT}) - (TAC_{PD}/Sales_{PD})$$

### Corporate Mechanism

A mechanism is a way of working that has a system to fulfil certain conditions. Corporate mechanisms are defined as a clear form of strategy and relationship between decision-makers and supervisors (Rosmalinda et al., 2017). This mechanism is divided into 2 groups, namely internal and external. This mechanism is useful for resolving agency conflicts that occur in companies. Internal mechanisms related to the company's internal control such as ownership structure, executive compensation, board of directors, board of commissioners, audit committee, and financial disclosure (financial disclosure). The external mechanism is a control mechanism that utilizes all existing devices outside the company, be it economic, legal or social, to control the running of the company so that it is under the wishes of shareholders and other stakeholders. These tools include competitive money and capital markets, completely legal and regulatory instruments, fair law enforcement, active and open markets for goods and services and consumers who are active and aware of their rights and obligations. This mechanism has more role in disciplining managers than internal mechanisms because it has more power and influence.

$$\text{Corporate Mechanism} = \frac{\text{Number of independent commissioners}}{\text{The total number of commissioners}}$$

### Going Concern Audit Opinion

The audit opinion is part of the audit report, which contains the auditor's opinion regarding the fairness of the financial statements from the audit examination. The audit report consists of three paragraphs, namely the introductory paragraph, the scope paragraph, and the opinion paragraph. The audit opinion is contained in the opinion paragraph. According to the Public Accountant Professional Standards (SPAP) The objective of an audit of financial statements by an independent auditor is generally to express an opinion on the fairness in all material respects, financial position, results of operations, changes in equity and cash flows in accordance with generally accepted accounting principles in Indonesia. The auditor is responsible for planning and examining the audit to obtain reasonable assurance about whether the financial statements of the audited company do not contain material misstatements due to errors or fraud.

Going concern audit opinion is the survival rate of a company which means that the company is considered capable of surviving its business activities in the long term and will not be liquidated in the short term (Kurnia & Mella, 2018). Accountants (IAPI) states that a going

concern audit opinion is an opinion given by the auditor to the auditee because the auditor doubted the ability of the corporate entity to maintain its viability in future operations.

The appropriate measurement of a going concern audit opinion is to use a dummy variable code 1 for auditees who receive a going concern audit opinion and code 0 for auditees who do not receive a going concern audit opinion.

**RESEARCH METHODOLOGY**

The hypothesis of this study is as follows:

H1: Audit quality positively affects the issuing going concern audit opinion.

H2: Financial condition positively affects the issuing going concern audit opinion.

H3: Earnings management positively affects the issuing going concern audit opinion.

H4: The corporate mechanism moderates the effect of audit quality on the going concern audit opinion.

H5: The corporate mechanism moderates the influence of financial condition on the going concern audit opinion.

H6: The corporate mechanism moderates the influence of earnings management on the going concern audit opinion.

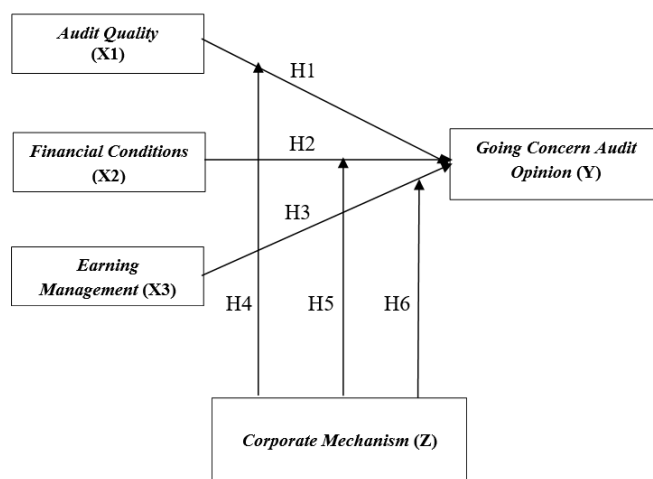


Figure 1. Research conceptual framework

This study analyzes data from the financial statements of 49 manufacturing companies listed on the Indonesian Stock Exchange in 2018-2020 (Table 1).

Table 1. Research sample

Number	Code	Companies Name's
1	SMCB	Solusi Bangun Indonesia Tbk
2	WSBP	Waskita Beton Precast Tbk
3	AMFG	Asahimas Flat Glass Tbk
4	IKAI	Intikeramik Alamasri Industri Tbk
5	KIAS	Keramika Indonesia Assosiasi Tbk
6	TOTO	Surya Toto Indonesia Tbk
7	BAJA	Saranacentral Bajatama Tbk
8	GDST	Gunawan Dianjaya Steel Tbk
9	JKSW	Jakarta Kyoei Steel Works Tbk
10	LION	Lion Metal Works Tbk
11	LMSH	Lionmesh Prima Tbk
12	PICO	Pelangi Indah Canindo Tbk
13	ETWA	Eterindo Wahanatama Tbk
14	APLI	Asiaplast Industries Tbk
15	BRNA	Berlina Tbk
16	YPAS	Yanaprima Hastapersada Tbk
17	MAIN	Malindo Feedmill Tbk
18	TIRT	Tirta Mahakam Resources Tbk
19	INCF	Indo Komoditi Korpora Tbk
20	AUTO	Astra Otoparts Tbk
21	BOLT	Garuda Metalindo Tbk

Number	Code	Companies Name's
22	GJTL	Gajah Tunggal Tbk
23	IMAS	Indomobil Sukses Internasional Tbk
24	PRAS	Prima Alloy Steel Universal Tbk
25	SMSM	Selamat Sempurna Tbk
26	HDTX	Panasia Indo Resources Tbk
27	MYTX	Asia Pacific Investama Tbk
28	RICY	Ricky Putra Globalindo Tbk
29	SSTM	Sunson Textile Manufacture Tbk
30	TRIS	Trisula International Tbk
31	ZONE	Mega Perintis Tbk
32	BATA	Sepatu Bata Tbk
33	BIMA	Primarindo Asia Infrastructure Tbk
34	KBLI	KMI Wire & Cable Tbk
35	AISA	Tiga Pilar Sejahtera Food Tbk
36	ALTO	Tri Banyan Tirta Tbk
37	IKP	Inti Agri Resources Tbk
38	MGNA	Magna Investama Mandiri Tbk
39	PANI	Pratama Abadi Nusa Industri Tbk
40	PCAR	Prima Cakrawala Abadi Tbk
41	PSDN	Prasidha Aneka Niaga Tbk
42	RMBA	Bentoel Internasional Investama Tbk
43	INAF	Indofarma Tbk
44	MBTO	Martina Berto Tbk
45	MRAT	Mustika Ratu Tbk
46	TCID	Mandom Indonesia Tbk
47	KICI	Kedaung Indah Can Tbk
48	LMPI	Langgeng Makmur Industri Tbk
49	BTEK	PT Bumi Teknokultura Unggul Tbk

Data analysis was carried out using the Partial Least Squares Structural Equation Modeling.

Audit quality is the probability that a competent auditor will be able to understand and carry out audit procedures correctly and report independently if a violation occurs (X1).

Financial condition is a reflection and description of the level of soundness of a company. It can display the complete condition of the company's finances in a certain period of time and can describe the performance of a company (X2).

Earnings management is a consideration in financial reporting and preparing transactions to change financial statements, with the aim of manipulating the amount of profit to several stakeholders about the company's economic performance or to influence the outcome of

agreements that depend on the reported accounting numbers (X3).

Corporate mechanism is a form of strategy and a clear relationship between decision makers and supervisors (Z).

Going concern audit opinion is a modified audit opinion in which in the auditor's consideration there is significant inability or uncertainty over the viability of the company in carrying out its operations in the future (Y).

## RESULTS AND DISCUSSION

Analysis of the results of descriptive statistics, namely N is the amount of data processed in the core research, namely 147 data consisting of audit quality, financial condition, earnings management, going concern audit opinion, and corporate mechanisms:

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Audit Quality	147	0.000	1.00	0.220	0.410
Financial Condition	147	-0.728	0.694	0.994	0.162
Earnings Management	147	-0.120	0.888	-0.549	0.215
Going Concern Audit Opinion	147	0.000	1.00	0.250	0.430
Corporate Mechanism	147	0.000	0.667	0.213	0.189
Valid N (listwise)	147				

## Economics & Management

Audit Quality results from this descriptive statistical analysis shows that the average value is 0.220. As for the minimum and maximum values of 0.000 and 1.00. Financial Condition results from this descriptive statistical analysis shows that the average value is 0.994. As for the minimum and maximum values -0.728 and 0.694. Earning Management results from this descriptive statistical analysis shows that the average value is -0.549.

As for the minimum and maximum values -0.120 and 0.888. Going Concern Audit Opinion results from this descriptive statistical analysis shows that the average value is 0.250. As for the minimum and maximum values of 0.000 and 1.00. The Corporate Mechanism results from this descriptive statistical analysis shows that the average value is 0.213. As for the minimum and maximum values of 0.000 and 0.667.

a) Test the Coefficient of Determination (Value of  $R^2$ )

Table 3. Test the Coefficient of Determination

Matrix	R Square	Adjusted R Square
Audit Opinion	0.264	0.233

It is known that the coefficient of determination or R square is 0.264. The magnitude of the coefficient of determination (R square) is 0.264 or equal to 26.4%. It can be interpreted that the independent variables contained in this study are able to explain the factors that influence audit opinion by 0.264 or equal to 26.4%, and the remaining 73.6% is influenced by other variables outside this study.

b) Test of Size Effect ( $F^2$ )

Table 4. Test of Size Effect

Variable	Audit Opinion	Description
Financial Condition	0.116	Moderate Influence
Audit Quality	0.067	Moderate Influence
Earnings Management	0.156	Big Influence
Corporate Mechanism	0.006	Little Impact

The F Square value in the table above shows different numbers. The financial condition variable obtains an F2 value of 0.116 or has a moderate effect on the direct influence of exogenous constructs on endogenous constructs. The audit quality variable obtains an F2 value of 0.067 or has a moderate effect on the direct effect of exogenous constructs on endogenous constructs. The earnings management variable obtains an F2 value of 0.156 or has a large influence on the direct influence of exogenous constructs on endogenous constructs. While the corporate mechanism variable obtains an F2 value of 0.006 or has a small effect on the direct influence of exogenous constructs on endogenous constructs.

c) Hypothesis Test

Table 5. Hypothesis Test

Variable	T Statistic	P Values
Financial Condition	2.685	0.007
Audit Quality	3.613	0.000
Earnings Management	3.192	0.002
Corporate Mechanism	1.192	0.234
Moderation X1 – M - Y	0.392	0.695
Moderation X2 – M - Y	2.013	0.045
Moderation X3 – M - Y	0.273	0.785

Based on the results of calculations using the Partial Least Square (PLS) approach, the results of hypothesis testing are obtained as presented as follows:

**H1.** Audit quality has a significant effect on going concern audit opinion is accepted. Testing the direct effect of audit quality on the going concern audit opinion obtained a T-statistic value of 2,685 and a P-value of 0,000 because the T-statistic value > 1.96, and P-value < 0.05, there is a significant direct effect between audit quality and audit opinion going concern. Given that the inner weight coefficient is positive, it indicates that the relationship between the two is positive.

**H2.** The financial condition has a significant effect on going concern audit opinion is accepted. Testing the direct effect of the financial condition on the going concern audit opinion obtained a T-statistic value of 3,613 and a P-value of 0,000 because the T-statistic value is > 1.96, and the P-value is <0.05. So there is a significant direct effect of financial condition on the going concern audit opinion. Given that the inner weight coefficient is positive, it indicates that the relationship between the two is positive.

**H3.** Earnings management has a significant effect on going concern audit opinion is accepted. Testing the

direct influence of earnings management on the going concern audit opinion obtained a T-statistic value of 3,192 and a P-value of 0,000 because the T-statistic value  $> 1.96$ , and P-value  $< 0.05$ . There is a significant direct effect of earnings management on the going concern audit opinion. Given that the inner weight coefficient is positive, it indicates that the relationship between the two is positive.

**H4.** The corporate mechanism is unable to moderate the effect of audit quality on the going concern audit opinion. Testing the direct effect of audit quality on the going concern audit opinion with the corporate mechanism as a moderating variable obtained a T-statistic value of 0.392 and a P-value of 0.000 because the T-statistic value  $> 1.96$ , and P-value  $< 0.05$ .

**H5.** The corporate mechanism is able to moderate the effect of the financial condition on the going concern audit opinion. Testing the direct effect of financial condition on the going concern audit opinion with the corporate mechanism as a moderating variable obtained a T-statistic value of 2.013 and a P-value of 0.000 because the T-statistic value is  $> 1.96$  and P-value  $< 0.05$ .

**H6.** The corporate mechanism is unable to moderate the influence of earnings management on the going concern audit opinion. Testing the direct influence of earnings management on the going concern audit opinion with the corporate mechanism as a moderating variable obtained a T-statistic value of 0.273 and a P-value of 0.000 because the T-statistic value  $> 1.96$ , and P-value  $< 0.05$ .

## CONCLUSIONS

Based on the results of statistical testing and discussion in the previous chapter, this study can conclude the following:

1. The results of this study provide empirical evidence that giving a going concern audit opinion by the auditor is not based on the audit quality or the reputation of the auditor who belongs to the Big Four Public Accounting Firm (KAP) or others KAP. The big four and others KAPs use the same standards in financial statement audits. Large-scale KAP and small-scale KAP will express a going concern audit opinion if the auditor has doubts about the future viability of the entity or believes that the company cannot carry out its operational activities in the long term. The auditor does this because the auditor is responsible for disclosing the conditions experienced by the company. In addition, the auditor continues to strive to maintain independence.

2. Financial condition significantly affects the going concern audit opinion. The results of this study support the stakeholder theory, which says that accounting reports are considered to explain a strategy to influence the company's relationship with other parties that interact with it. Organizational management is expected to carry out activities considered important by their stakeholders and report them to stakeholders (Tandiontong, 2020). The company's financial condition is a picture of the actual health of the company where the company can avoid bankruptcy. The worse or more disturbed the financial condition of a company, the greater the possibility that the company will receive a going concern

audit opinion. Conversely, if the company's financial condition is improving, it is less likely it will receive a going concern audit opinion. In addition, the health level of a company can be seen from the company's financial condition in a certain period. Suppose a company experiences a bad financial condition. In that case, it will likely receive a going concern audit opinion because there are signs of difficulties in maintaining the viability of its business. Agency theory explains that one of the signs that will be of concern to an auditor in giving a going concern audit opinion to a company is the company's financial condition, where the company's owners (principal) will continuously monitor the performance of managers (agents). One of the things that the principal does in assessing the performance of his agent is through an audit conducted by a professional and independent auditor.

3. Earnings management significantly affects the going concern audit opinion. Earnings management carried out by managers in recording the preparation of company financial reports causes the information contained in financial reports to be inaccurate and does not reflect true value (Rani & Helmayunita, 2020). Meanwhile, report users assess the company's prospects based on the information contained in the financial statements. So that misleading information can be detrimental to users of financial statements in making decisions. Earnings management carried out by managers has an impact on the quality of company earnings, so that profits shown in financial reports do not accurately reflect profits from business activities. In such conditions, the auditor may issue a going concern opinion based on other conditions or events.

4. The results of this study provide empirical evidence that audit quality cannot be used as a factor that can influence a going concern audit opinion. Even though in reality, many companies and investors only use the services of KAPs that are included in the big four because there is an assumption that the results of audit opinions are more reliable than KAPs that are not included in the big four. Audit quality is the main indicator in building the theory of auditor selection, i.e the quality of auditor services provided to clients is the main basis for consideration in selecting auditors. Consistent with agency theory, company management always tries to satisfy the wishes of investors by selecting auditors who can reflect a good image of managers in the eyes of investors. Large-scale audit firms have more incentives to avoid reputational damage criticism than small-scale audit firms. This proves that KAPs affiliated with the big four KAPs and those not affiliated with the big four KAPs provide good audit quality and are independent in issuing opinions. If the company experiences doubts about continuing its business, it will be given a going concern audit opinion.

5. The corporate mechanism can moderate the influence of financial condition on the going concern audit opinion. The financial condition can show financial problems or the company's inability to fulfil its obligations. In dealing with this problem, management often tries to hide information on actual financial conditions so that it

will cause the possibility for agents to commit fraud or manipulate financial statement information that will be submitted to the principal. The financial condition can increase the possibility of the company receiving a going concern audit opinion. This study provides additional empirical evidence that facts regarding the company's financial condition were used by the auditor as a consideration for giving a going concern opinion.

6. The corporate mechanism cannot moderate the influence of earnings management on the going concern audit opinion. The financial statements presented by the company should present the actual conditions the company is experiencing in the current period. However, in practice, there is a lot of management intervention in the preparation of financial reports to beautify these financial statements by arranging profit acquisition in

such a way that the main targets are shareholders, investors, creditors, or other external users of financial statements (Rani & Helmayunita, 2020). The practice of earnings management that is commonly used is to take advantage of opportunities to make accounting estimates (such as changing estimates of bad debts, estimating price, etc.); accounting policies (such as: changing the method for inventory, depreciation, etc.); or shift the recognition of revenues and expenses. Basically, earnings management practices do not violate generally accepted accounting principles but can add to external party doubts about the accuracy of the financial information presented. Earnings management activities can affect the quality of financial reporting, which can then influence the auditor's opinion received by the company.

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