

Determinants of the Going Concern Audit Opinion

Suwadiman^{1*}, Asfa Rofilla²

^{1,2}Accounting Department Universitas Islam Indonesia

^{1*}Corresponding Author

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Abstract

The going concern audit opinion reflects auditors' assessments of a company's ability to continue its operations. This study aims to examine the effect of profitability, liquidity, leverage, audit tenure, and prior audit opinion on the issuance of going concern audit opinions. The study was conducted on 80 basic materials companies listed on the Indonesia Stock Exchange during 2022–2024, selected using purposive sampling. Logistic regression was employed for data analysis. The results show that profitability, leverage, and prior audit opinion significantly affect the issuance of going concern audit opinions, while liquidity and audit tenure have no significant effect. These findings indicate that going concern audit opinions are mainly influenced by companies' financial conditions and the consistency of auditors' judgments.

Keywords: going concern audit opinion; profitability; liquidity; leverage; audit tenure; prior audit opinion.

1. Introduction

In the increasingly complex and challenging world economic landscape, financial statements serve as the main foundation for strategic decisions taken by various related parties. The information contained in it, such as financial position, operating performance, and fund flow, is crucial for investors to assess investment prospects, creditors to assess lending risks, company management to develop business strategies, and regulators to ensure market resilience (OJK, 2022). However, because these reports are made by companies within the company, the potential for subjectivity, biased tendencies, or even dishonest data management is a big issue. As a result, inspection from external parties has become an inevitable necessity.

Independent auditors are here as an important answer to meet these needs. As a neutral and competent external party, the auditor is responsible for thoroughly examining the financial statements and expressing opinions on whether their presentation is in line with the applied accounting standards (Tihar et al., 2021). This audit assessment is not just about regulatory compliance, but rather is the main foundation for fostering public trust, improving the reliability of financial data, and substantially reducing information disparities among related parties.

Without a fully independent and reliable audit process, the validity of financial statements will be doubted.

One of the important aspects of the independent audit process is an in-depth evaluation of the basic principles underlying the preparation of financial statements, particularly related to the assumption that the company can continue to operate in the future (*going concern*). This assumption is based on the rational thinking that business entities will continue their operations for an estimated period of time, without any intention or external pressure to liquidate, massively stop activities, or significantly reduce activities (Proho, 2023). In the context of audits, assessing these assumptions involves not only examining historical evidence and future projections, but also analyzing key indicators such as operating cash flows, debt levels, market conditions, and management policies that may indicate a risk of bankruptcy. If the business continuity assumption is deemed to be no longer valid, the auditor is required to consider the broader implications of the audit, including potential modifications to the audit opinion that could affect the credibility of the overall financial statements. This highlights the role of auditors as custodians of the integrity of financial information, where failure to accurately assess these assumptions can lead to incorrect risk assessments by stakeholders, reinforcing the importance of a holistic and evidence-based audit approach in a dynamic business environment.

The audit opinion *going concern* is determined by the auditor through a thorough assessment of various conditions that can affect the sustainability of the company's operations, both financial and non-financial, as well as the company's internal and external conditions, as stipulated in the Indonesian Audit Standard (SA) 570 (IAPI, 2021). This standard is the main guideline that regulates the evaluation of business continuity assumptions in the financial statement audit process, requiring auditors to assess whether the company can continue to operate normally for at least the next 12 months by considering available financial, operational, and external evidence (Widhiastuti & Kumalasari 2022). In general, unhealthy financial conditions, audit characteristics, and market dynamics are the main triggers for the issuance of this opinion, where the auditor must identify risk indicators such as ongoing losses or liquidity difficulties, as well as evaluate the management plan to address these issues.

The purpose of SA 570 is to ensure that financial statements do not mislead stakeholders by presenting unrealistic information if the *assumption of going concern* is no longer valid, so that the auditor can submit an appropriate opinion, including *the opinion of going concern* if the auditor considers that there are considerable doubts about the company's ability to continue to maintain its operations (Averio, 2020). In practice, this standard is reflected in audit reports as a form of transparency and professional prudence, becoming an important foundation in modern auditing, especially in an era of economic uncertainty, to maintain the integrity of financial information and protect the interests of investors and creditors (Hidayat, 2022). Extensive research has identified several key factors influencing this opinion, but often with inconsistent findings, indicating the complexity and multifaceted nature of the *going concern* phenomenon that this research focuses on (Ramadhan & Sumardjo, 2021).

The complexity of this evaluation is increasing in the current business phenomenon, which has been affected by the global and domestic macroeconomic situation after the COVID-19 pandemic, especially for companies in the raw materials sector *listed* on the Indonesia Stock Exchange (IDX) during the period from 2022 to 2024. The pandemic has caused major economic shocks, affecting almost all industrial sectors, with consequences such as declining economic activity, surging unemployment rates, and increased uncertainty at the global level (Ghardini et al., 2024). Although Indonesia is showing signs of economic recovery, activity levels remain below pre-crisis trends. The government has implemented a series of fiscal and monetary policies to stimulate growth. However, the impact of the pandemic and the ongoing recovery process have directly changed the financial and operational conditions of *basic materials companies*, which have had to adjust to changing consumption patterns and disruptions in supply chains.

In business practice, the existence of material uncertainties often raises significant doubts about an entity's ability to continue its operations on an ongoing basis. This condition can arise from a variety of factors, ranging from severe financial difficulties and legal issues to significant changes in the operational environment. In such a situation, auditors are required to have strict professional responsibilities to carefully evaluate the conditions and events and communicate them through the issuance of an audit opinion on business continuity (Averio, 2020). This opinion has great significance, especially for *basic materials* companies listed on the Indonesia Stock Exchange, which are capital-intensive industries, easily affected by economic changes, and require a solid long-term strategy. The issuance of business continuity opinions on these companies serves to provide vital early warning signals for all stakeholders (Hidayat, 2022). Various studies have examined the factors that affect the acceptance of going concern audit opinions, but show inconsistent results. Profitability reflects a company's ability to generate profits from its operational activities and is often used as an early indicator of financial health. Ramadhan and Sumardjo (2021) in IDX mining companies, Putra and Purnamawati (2021) in the IDX manufacturing sector, and Resky Adiningrat (2024) in IDX financial sector companies found that low profitability increases the likelihood of companies receiving *going concern* opinions. However, Amr and Shehata (2024) on public companies on the Egyptian Stock Exchange and Naziah and Nyale (2022) on the IDX's basic and chemical industries stated that profitability did not have a significant effect.

Liquidity describes a company's ability to meet its short-term obligations and reflects the stability of operating cash flows. Naziah and Nyale (2022) on the IDX's basic and chemical industries sub-sectors showed that liquidity had a negative effect on *going concern* opinions, while Pham (2022) on manufacturing companies in Vietnam did not find a significant effect. Additionally, *leverage* reflects a company's level of reliance on debt-based funding, which has the potential to increase the risk of default. Theresia and Setiawan (2023) on IDX manufacturing companies and Amr and Shehata (2024) in Egypt found that *leverage* had a positive effect on the acceptance of *going concern* opinions, but Aldhanarisha and Herliansyah (2023) and Syofyan and Vianti (2021) in the IDX manufacturing sector reported the opposite results.

Audit *tenure* represents the length of the relationship between the auditor and the client, which can affect the auditor's independence and understanding of the company's condition. Ramadhan and Sumardjo (2021) in the IDX mining sector and Chun T'ing et al. (2021) in PN17 companies on Bursa Malaysia stated that there was no significant influence, while Theresia and Setiawan (2023) and Handoyo and Nurmeidita (2020) found a negative influence. In addition, the previous year's audit opinion is often used by auditors as an initial reference in evaluating the company's condition in the current period. Basita and Kuntadi (2024), Yuliani and Arief (2023), and Ramadhan and Sumardjo (2021) show that the previous year's audit opinion had a positive effect on the current year's *going concern* opinion, although Naziah and Nyale (2022) found different results in the IDX's basic industry and chemical sectors.

The inconsistency of these findings shows that there are research gaps, especially in raw material sector companies in Indonesia during the 2022–2024 economic recovery period that have different industrial characteristics and economic pressures than the previous period. Therefore, this study aims to re-examine the influence of profitability, liquidity, *leverage*, audit *tenure*, and audit opinion of the previous year on the acceptance of going concern audit opinions in *basic materials companies* listed on the Indonesia Stock Exchange. This research is expected to make an empirical contribution to the development of the auditing literature and become a basis for practical considerations for auditors, investors, and regulators.

2. Literature Review and Development of Hypothesis

2.1 Agency Theory

Agency theory, first introduced by M. C. Jensen & Meckling in 1976, describes the contractual relationship between the owner of the company as the principal and the management as the agent. In this regard, the principal gives some decision-making authority to the agent to manage the company's operations in order to achieve a common goal. However, in practice, conflicts of interest often arise as the agent may prioritize personal gain over the principal's interests.

The information imbalance between principals and agents is known as information asymmetry, which is a situation in which management has more access to internal data than the owners. This condition opens up opportunities for agents to manipulate profits, delay risk disclosure, or present financial statements that are not completely accurate.

According to (Vitolla et al., 2020), agency relationships are formed when the owner hands over certain responsibilities to the manager to be carried out with full authority, including in strategic decisions. Therefore, an independent oversight mechanism is needed that ensures the agent acts in accordance with the principal's interests. In the field of accounting, this mechanism is realized through external audits by neutral auditors.

Auditors have a role to verify and assess financial statements prepared by management, thereby reducing the risk of manipulation and increasing the reliability of reports. Thus, agency theory is

an important foundation to explain the need for audits in corporate governance systems to minimize agency conflicts and ensure transparency of financial data.

2.2 Signaling Theory

Signal theory, developed by Spence in 1973, describes the way in which the more informed party gives clues to the other party who has less information. In the corporate world, this theory describes how management communicates instructions to investors, creditors, and other *stakeholders* through financial statements to show business conditions and prospects.

According to Spence (1973) and Jean (2021), the instructions provided by companies can be in the form of disclosure of financial statements, profits, audit opinions, or dividend policies. Companies with good performance usually provide positive clues to attract investors and maintain market confidence. Conversely, underperforming companies may hide negative information or provide misleading leads, increasing the risk of *greenwashing* or information bias.

Signal theory aims to reduce information asymmetry between management and outside parties. One of the main ways to ensure that the instructions are credible is through an independent audit. According to Endiana & Suryandari (2021), audits conducted in a neutral manner can validate the accuracy of the information conveyed by management, so that the audited financial statements can be the basis for more appropriate economic decisions by report users. In other words, signal theory emphasizes the importance of audits in reinforcing the trust of financial information and ensuring that the instructions conveyed by the company reflect real conditions, not manipulations or misperceptions.

2.3 Going Concern Audit Opinion

A going concern audit opinion is issued when the auditor considers that there are substantial doubts about the ability of the company to continue its operations within an reasonably foreseeable period, generally for at least one year after the date of the financial statements. According to Pham (2022), this opinion reflects that auditors identify serious risks such as decreased revenue, liquidity difficulties, or the company's inability to pay off long-term obligations. The Indonesian Audit Standard (SA) 570 published and revised by IAPI in 2022 provides comprehensive guidance for auditors in assessing the application of business continuity assumptions by management when preparing financial statements. The auditor is required to gather sufficient and adequate audit evidence to assess whether the assumptions have been appropriately used. In addition, auditors must consider the existence of material uncertainties relating to certain conditions, which may cast significant doubts on the company's ability to continue operating. The evaluation then becomes the basis for the auditor to determine the impact of the findings on the audit report they submit, resulting in a high level of transparency and professional prudence.

Going concern audit opinions play an important role as an independent oversight mechanism that helps minimize information asymmetry between management and stakeholders, as described in *agency* theory and signal theory. Through *agency* theory, auditors act as neutral parties who ensure that the financial statements presented do not mislead the company owner, thereby reducing the potential for conflicts of interest. Simultaneously, signal theory views *going concern* opinions as reliable signals that provide information to investors, creditors, and other stakeholders about the company's potential financial risks, thereby supporting smarter economic decision-making. Therefore, auditors give a *going concern* opinion when they find that there are significant uncertainties, such as deteriorating financial conditions, which visibly threaten the company's business viability, serving as an early warning signal of possible bankruptcy risks.

2.4 Effect of Profitability on Going Concern Audit Opinion

Naziah and Nyale (2022) state that profitability reflects management's effectiveness in managing company resources, where a high level of profit reduces external pressure as well as lowers management's incentives to hide negative information. On the other hand, low profitability increases the risk of agency conflicts and increases auditors' concerns about business sustainability. Putra and Purnamawati (2021) and Ramadhan and Sumardjo (2021) found that companies with low profitability are more likely to receive going concern audit opinions because they are considered to have limited ability to maintain operations in the future. The findings show that profitability is an important indicator in the assessment of going concern risk by auditors. Based on these conceptual and empirical studies, the following hypotheses were formulated:

H1: Profitability has a negative effect on going concern audit opinion.

2.5 Effect of Liquidity on Going Concern Audit Opinion

Theresia and Setiawan (2023) stated that liquidity reflects a company's ability to meet short-term obligations, so a high liquidity ratio signals financial stability and reduces auditors' doubts about business continuity. Research by Averio (2020) found that companies with better liquidity levels tend to have a lower probability of receiving going concern audit opinions. These results are reinforced by Naziah and Nyale (2022) who show that liquidity has a negative effect on the acceptance of going concern opinions, even after considering other financial variables. Based on these findings, liquidity is seen as an important factor in auditors' evaluation of business continuity risks. Therefore, the following hypothesis is formulated:

H2: Liquidity has a negative effect on going concern audit opinion.

2.6 Effect of Leverage on Going Concern Audit Opinion

Aldhanarisha and Herliansyah (2023) stated that leverage indicates the level of dependence of companies on debt-based funding, which can increase the risk of default due to interest expense and principal liabilities. Pham (2022) emphasized that high-leverage capital structures increase liquidity pressures and magnify operational uncertainty. Research by Amr and Shehata (2024)

and Theresia and Setiawan (2023) found that leverage had a positive effect on the acceptance of going concern audit opinions, showing that auditors assessed companies with high debt levels as having a greater risk of business continuity. Based on the study, the following hypotheses were formulated:

H3: Leverage has a positive effect on going concern audit opinion.

2.7 Effect of Audit Tenure on Going Concern Audit Opinion

Chun T'ing et al. (2021) stated that an audit tenure that is too long can reduce auditor independence due to proximity to clients, thus potentially reducing objectivity in disclosing going concern issues. However, auditors with longer assignment periods also have a better understanding of the client's characteristics. Theresia and Setiawan (2023) and Yuliani and Arief (2023) found that tenure audits had a negative effect on the acceptance of going concern audit opinions, which shows that the longer the relationship between auditors and clients, the less likely the auditor is to issue a going concern opinion. Based on these findings, the following hypotheses were formulated:

H4: Audit tenure has a negative effect on going concern audit opinion.

2.8 Effect of the Previous Year's Audit Opinion on Going Concern Audit Opinion

Yuliani et al. (2023) stated that the previous year's audit opinion was an initial signal for auditors in assessing the risk of going concern in the current period. Handoyo and Nurmeidita (2020) found that companies that received going concern opinions in the previous year tended to return to similar opinions in the current year. This finding is strengthened by Halim (2021), who shows that there is a significant positive relationship between the previous year's audit opinion and the current year's going concern opinion. This indicates the consistency of the auditor's assessment of the company's business continuity risks. Based on the empirical study, the following hypothesis was formulated:

H5: The previous year's audit opinion has a positive effect on the going concern audit opinion.

3. Method

3.1 Population and Sample

The population in this study includes all *basic materials* companies listed on the Indonesia Stock Exchange (IDX) during the period 2022 to 2024. The selection of the *basic materials* sector as the focus of the study is based on the characteristics of this industry that require the use of large capital and face complex operational risks, so that the evaluation of going concern audit opinions is very important and relevant. The *basic materials industry* is also greatly influenced by changes in economic conditions and fiscal policies that can have a significant impact on the company's financial stability.

The sampling method in this study uses *the purposive sampling* technique. The selection of this method is adjusted to the research objectives that focus on companies in the *basic materials sector* that have the potential to receive going concern audit opinions. The consideration is that auditors generally do not give *going concern* opinions to entities whose financial condition is considered healthy. The sample criteria used are as follows:

1. Companies in the ***basic materials sector*** listed on the Indonesia Stock Exchange (IDX) for the period of 2022–2024.
2. Companies in the ***basic materials sector*** whose financial statements have been audited by independent auditors during the 2022–2024 period.
3. Companies in ***the basic materials sector*** that have not experienced *trade suspension* and are not *delisted* during the 2022–2024 period.

3.2 Research Variable

Dependent variable

Dependent variables are variables that undergo changes or appear as a result of the influence of independent variables. In this study, the dependent variable is the going concern audit opinion, which is the opinion given by the auditor regarding the company's ability to maintain its operational continuity for a certain period of time, generally at least one year after the financial statement period. This opinion reflects the auditor's evaluation of the existence of significant risks that may threaten the company's business continuity. Thus, the opinion of going concern is a relevant indicator in assessing these risks, in line with the professional responsibilities that must be fulfilled by the auditor.

The measurement of the going concern audit opinion is carried out categorically using a dummy variable, where the company that receives the going concern opinion is given a code of 1, indicating material uncertainty related to business continuity according to the auditor's assessment. In contrast, companies that do not receive this opinion are given a code of 0, which means that the auditor assesses that the company is able to continue its operations without any meaningful doubts (Halim, 2021).

Independent variables

Profitability (X_1)

Profitability reflects the company's ability to generate profits from operational activities as well as the effectiveness of management in managing assets and capital (Naziah & Nyale, 2022). In this study, profitability is measured using Return on Assets (ROA) because it is able to describe the efficiency of asset use in generating net profit. ROA is calculated by dividing net profit after tax by total assets, then multiplying by 100 per cent (Putra & Purnamawati, 2021). For auditors, profitability is an important indicator in assessing financial performance and potential uncertainty for business continuity.

$$\text{Return On Assets} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$$

(1)

Liquidity (X₂)

Liquidity indicates a company's ability to meet short-term obligations using current assets and reflects short-term financial stability (Sembiring et al., 2023). Liquidity is measured using the Current Ratio, which is a comparison between current assets and current liabilities. A high ratio value indicates good repayment ability and lowers auditors' concerns about going concern.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

(2)

Leverage (X₃)

Leverage describes the level of dependence a company has on debt-based funding. In this study, leverage was measured using the Debt to Equity Ratio (DER), which is a comparison between total liabilities and total equity. A high DER value indicates greater financial risk and increases auditors' attention to potential business continuity issues.

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

(3)

Audit tenure (X₄)

Audit tenure is the length of the working relationship between an auditor and a client as measured by the number of consecutive years the auditor conducted audits on the same company. An audit that is too long has the potential to lower the auditor's independence, while a tenure that is too short can reduce the auditor's understanding of the client's business. In this study, tenure audits are calculated numerically starting from the first year of assignment.

Previous year audit opinion (X₅)

The previous year's audit opinion was used as a dummy variable, with a value of 1 for companies that received going concern opinions and 0 for non-going concern (Saputra et al., 2021). This variable is used because auditors tend to maintain an opinion if there is no significant improvement in the company's financial and operational condition.

3.3 Data Analysis Procedure

Descriptive statistical analysis

Descriptive statistics are used to describe the characteristics of research data on the variables of profitability, liquidity, leverage, tenure audit, previous year's audit opinion, and going concern audit opinion. The analysis is carried out through the calculation of mean values, medians, modes, standard deviations, as well as minimum and maximum values, to provide an overview of the data distribution and support further analysis.

Multicollinearity test

The multicollinearity test aims to detect the presence of high correlations between independent variables that can affect the stability of the regression coefficients. In logistic regression, classical assumption testing is focused on multicollinearity because this method does not require residual normality and homogeneity of variance (Gregory et al., 2018). The test was carried out using the Variance Inflation Factor (VIF) and tolerance values. The model is declared free of multicollinearity if the VIF value is between 1 and 10 and the tolerance value is greater than 0.10.

Logistic regression analysis

Because the dependent variable is in the form of binary categorical data, i.e. whether the company receives the audit opinion going concern (1) or not (0), logistic regression analysis is the most appropriate method used in this study. Logistic regression is used to test the extent of the influence of independent variables such as profitability, liquidity, leverage, audit tenure, and the previous year's audit opinion on the acceptance of the audit opinion going concern. The logistic regression model applied in this study can be explained through the following equations:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e \quad (4)$$

Y = Going concern audit opinion (GCO)

α = Constant

$\beta_1, 2, 3, 4, 5$ = Regression coefficient

X₁ = Profitability

X₂ = Liquidity

X₃ = Leverage

X₄ = Audit tenure

X₅ = Previous year audit opinion

e = Standard error

Overall model fit test

A thorough evaluation of model fit using the -2 Log Likelihood (-2LL) statistic, which compares a constant model with a model containing independent variables. A decrease in the value of -2LL indicates an increase in model compatibility. In addition, the Hosmer-Lemeshow test is used as an indicator of goodness of fit. The model is said to be fit or in accordance with the data if the significance value (p-value) of this test is greater than 0.05, which means that there is no significant difference between the observation and the model's prediction.

Assessing the feasibility of regression models

The feasibility of the model was tested by considering the simultaneous significance of independent variables using the Wald test and the Likelihood Ratio. If the overall significance

value shows good results ($p\text{-value} < 0.05$), then the regression model can be said to be feasible and able to explain the variation of the dependent variables as a whole.

Coefficient of determination test (Nagelkerke's R^2)

The adjusted determination coefficient, namely Nagelkerke's R Square, is used to measure how much of the variation in audit opinion going concern can be explained by independent variables in the model. This R^2 value ranges from 0 to 1; A value close to 1 indicates an excellent model in explaining the dependent variable, while a low value indicates the model's limitations in explaining the data.

Individual parameter significance test (partial hypothesis test)

Hypothesis testing was carried out using the Wald test to assess the partial influence of independent variables on the audit opinion of going concern. The hypothesis is accepted if the $p\text{-value} < 0.05$. The direction of influence is determined by the regression coefficient (β) sign, where a positive value indicates an increased chance of receiving a going concern opinion, while a negative value indicates a decrease in the chance. If the $p\text{-value} > 0.05$, then the independent variable is declared to have no significant effect.

4. Results

This study uses an associative design with a quantitative approach focused on testing the interdependency between variables. This study was conducted on companies in the raw materials sector listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 observation period. Sample determination was carried out by a nonprobability sampling technique through the purposive sampling method as follows:

Table 1. Sample Withdrawal Criteria

No	Criteria	Quantity
1	Companies in the <i>basic materials sector</i> listed on the Indonesia Stock Exchange (IDX) for the period 2022–2024.	113
2	Companies in the <i>basic materials sector</i> whose financial statements have not been audited during the 2022–2024 period.	(12)
3	Companies in the <i>basic materials sector</i> that have suspended trade and are not <i>delisted</i> during the 2022–2024 period.	(21)
Sample number of research companies		80
Total data for 3 years (80 x 3)		240

Source: Data processed, 2026.3.1 Recruitment

4.1 Statistics and Data Analysis

Descriptive Statistic

Descriptive statistics aim to provide an overview of the data characteristics of each variable used in this study. These statistics include maximum, minimum, mean, and standard deviation values. The results are presented in Table 2.

Table 2. Descriptive Statistical Analysis

	N	Min	Max	Mean	Std. Deviation
GCO (Y)	240	0	1	0.12	0.327
Profitability (X1)	240	-0.54	0.31	0.02	0.96
Liquidity (X2)	240	0.10	163.16	3.88	12.12
Leverage (X3)	240	-7.73	11.33	1.01	1.591
Audit Tenure (X4)	240	1	3	1.78	0.801
Previous GCO (X5)	240	0	1	0.08	0.271
Valid N (listwise)	240				

Source: Data processed, 2026

Based on the results of the statistical test presented in Table 2, the characteristics and indicators of each variable are explained as follows:

1. The ROA has a minimum value of -0.54 and a maximum of 0.31 , with an average of 0.02 and a standard deviation of 0.096 . This indicates a relatively low level of profitability with variation between companies.
2. Liquidity (CR): The Current Ratio ranges from 0.10 to 163.16 , with an average value of 3.88 and a standard deviation of 12.12 , reflecting the wide difference in liquidity levels between companies.
3. Leverage (DER): The DER has a minimum value of -7.73 and a maximum of 11.33 , with an average of 1.01 and a standard deviation of 1.591 , indicating variations in funding structures between companies.
4. Audit Tenure: Tenure audits were dominated by a 1-year assignment period of 45.4% , followed by 2 years of 31.3% and 3 years of 23.3% . An average value of 1.78 with a standard deviation of 0.801 indicates a relatively short to medium period of work for the auditor.
5. Previous Year Audit Opinion: As many as 92.1% of companies did not receive going concern opinions in the previous year, while 7.9% had received them. The average value of 0.08 and the standard deviation of 0.271 indicate a low proportion of companies with a history of going concern opinions.
6. Audit Going Concern Opinion: As many as 87.9% of companies did not receive going concern opinions in the current year, while 12.1% received them. The average value of 0.12 and the standard deviation of 0.327 indicate that the majority of companies are not in a condition of significant doubt about business continuity.

Multicollinearity Test

The multicollinearity test result is presented in Table 3.

Table 3. Multicollinearity Test Results

Variables	Tolerance	VIF
Profitability (X1)	0.795	1.258
Liquidity (X2)	0.913	1.095
Leverage (X3)	0.880	1.136
Audit Tenure (X4)	0.950	1.052
Previous GCO (X5)	0.832	1.202

Source: Data processed, 2026

The multicollinearity test results showed that all independent variables had a tolerance value of > 0.10 and a VIF of < 10 , with a VIF range of 1.052–1.258 and a tolerance range of 0.795–0.950. This indicates no high correlation among independent variables, so the regression model is free of multicollinearity and suitable for logistic regression analysis.

Logistic Regression Analysis

Overall Model Fit Test

Table 4. Overall Model Fit Test

-2 Log likelihood number block = 0	-2 Log likelihood number block = 1
176.919	75.00

Source: Data processed, 2026

Table 5. Test Results -2 Log Likelihood Step 0

Iteration History a,b,c		
Iteration	-2 Log likelihood	Coefficients Constant
Step 0	1 183.196	-1.517
	2 177.037	-1.917
	3 176.919	-1.983
	4 176.919	-1.985
	5 176.919	-1.985

a. Constant is included in the model.

b. Initial -2 Log Likelihood: 176.919.

c. Estimation terminated at iteration number 5 because parameter estimates changed by less than 0.001.

Source: Data processed, 2026

Table 6. Test Results -2 Log Likelihood Step 1

Iteration History a,b,c,d							
Iteration		Coefficients					
		-2 Log likelihood	Constant	X1	X2	X3	X4 X5
Step 1	1	110.598	-1.653	-1.913	8	79	-109 3.358
	2	82.918	-2.211	-5.004	28	170	-294 4.798
	3	76.011	-2.371	-8.255	43	251	-555 5.915
	4	75.042	-2.342	-9.605	49	301	-774 6.563
	5	75.000	-2.306	-9.817	50	316	-851 6.727
	6	75.000	-2.302	-9.825	50	317	-857 6.736
	7	75.000	-2.302	-9.825	50	317	-857 6.736

a. Method: Enter

b. Constant is included in the model.

c. Initial -2 Log Likelihood: 176.919

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

Source: Data processed, 2026

Based on the iteration history results, the -2LL value at step 0 was 176,919, indicating that the baseline model was not able to optimally predict the audit opinion going concern. After the

independent variables were introduced into the model, the $-2LL$ value decreased significantly to 75.00 in Step 1, with the iteration stopping at the 7th stage as the parameters had converged. This decrease indicates a substantial increase in model match, where the smaller $-2LL$ value indicates the model's better ability to explain the dependent variable. The large difference between $-2LL$ Block 0 and Block 1 also confirms that the model is not random, but rather has a structure capable of explaining the variation in opinion of the audit *going concern*, making it feasible to use it for further testing, including the Wald test and the analysis of the influence of each independent variable.

Hosmer Test and Lameshow's Goodness of Fit

Tabel 7. Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	5.293	8	0.726

Source: Data processed, 2026

Based on the output, the chi-square value in the Hosmer and Lemeshow test was obtained as 5.293 with a degree of freedom (df) of 8 and a significance value (Sig.) of 0.726. Since the significance value is greater than 0.05 ($0.726 > 0.05$), this result shows that there is no significant difference between the observed value and the model's predicted value.

Coefficient Determination Test (Nagelkerke's R^2)

Table 8. Nagelkerke's R^2 Test

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	75.000a	0.346	0.663

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

Source: Data processed, 2026

The logistic regression determination coefficient was measured using Nagelkerke's R^2 . The results of the analysis showed that Nagelkerke's R^2 value was 0.663, which means that the model was able to explain 66.3% of the variation in going concern audit opinion through the variables of profitability, liquidity, leverage, tenure audit, and the previous year's audit opinion. The remaining 33.7% was influenced by other factors outside the model. This value shows that the model has good predictive capabilities and is suitable for use in the analysis.

Parameter Estimation and Interpretation

Table 9. Variables in the Equation

	B	df	Sig.	Exp(B)
Step 1a Profitability (X1)	-9.825	1	0.004	0.000
Liquidity (X2)	0.050	1	0.103	1.052
Leverage (X3)	0.317	1	0.035	1.373
Audit Tenure (X4)	-0.857	1	0.121	0.425
Previous GCO (X5)	6.736	1	0.000	842.311
Cons	-2.302	1	0.003	0.100

a Variable(s) entered on step 1: X1, X2, X3, X4, X5.

Source: Data processed, 2026

The following is an estimate of the **maximum likelihood parameters** of the logistic regression model:

$$\text{GCO} = -2.302 - 9.825 \text{ PROF} + 0.050 \text{ LIK} + 0.317 \text{ LEV} - 0.857 \text{ AT} + 6.736 \text{ OP}$$

Based on these equations, the interpretation of the regression coefficient is as follows:

1. Constant = -2,302

The constant value indicates that if the profitability, liquidity, leverage, audit tenure, and audit opinion of the previous year are assumed to be constant, then the log odds value of the acceptance of the going concern audit opinion is -2.302 (*ceteris paribus*).

2. Profitability regression coefficient = -9.825

This means that every increase in profitability by one unit will decrease the log value of the acceptance of the going concern audit opinion by 9.825, assuming that other variables are constant (*ceteris paribus*).

3. Liquidity regression coefficient = 0.050

This means that every increase in liquidity by one unit will increase the log odds value of the receipt of the going concern audit opinion by 0.050, assuming that other variables are constant (*ceteris paribus*).

4. Leverage regression coefficient = 0.317

This means that every increase in leverage by one unit will increase the log odds value of the acceptance of the going concern audit opinion by 0.317, assuming that other variables are constant (*ceteris paribus*).

5. Tenure audit regression coefficient = -0.857

This means that any increase in audit tenure by one unit will decrease the log value of the acceptance of the going concern audit opinion by 0.857, assuming that other variables are constant (*ceteris paribus*).

6. Previous year's audit opinion regression coefficient = 6.736

This means that companies that received a going concern audit opinion in the previous year had an increase in the log odds value of receiving the going concern audit opinion by 6,736 in the current year, assuming other variables are constant (*ceteris paribus*).

5. Discussion

5.1 The Effect of Profitability on Going Concern Audit Opinion

Profitability has a negative effect on the acceptance of the going concern audit opinion. This is evidenced by the regression coefficient value of -9.825 and a significance value of 0.004 , which is smaller than 0.05 . This result shows that the higher the company's profitability level, the less likely the company is to receive the going concern audit opinion. Thus, the first hypothesis (H1) is accepted.

This finding is in line with **signalling theory**, where high profitability is a positive signal regarding financial stability and the company's ability to maintain business continuity. On the other hand, low profitability is a negative signal that increases auditors' doubts about the company's operational sustainability. From the perspective of **agency theory**, an adequate level of profit also reduces pressure on management and reduces potential conflicts of interest with owners. The results of this study are consistent with the findings of Putra and Purnamawati (2021) and Ramadhan and Sumardjo (2021), but in contrast to Amr and Shehata (2024) and Naziah and Nyale (2022), who found that profitability does not always have a significant effect on the audit opinion of going concern.

5.2 The Effect of Liquidity on Going Concern Audit Opinion

Liquidity has no effect on the receipt of the going concern audit opinion. The liquidity variable has a regression coefficient value of 0.050 with a significance value of 0.103 , which is greater than 0.05 . Thus, liquidity is not statistically proven to affect the likelihood of the company receiving a going concern audit opinion. Liquidity describes the company's ability to meet short-term obligations, while the provision of a going concern audit opinion is related to the auditor's assessment of the company's ability to maintain its business continuity in the future. Therefore, even though the company has a certain level of liquidity, it is not directly the basis for the auditor to determine the acceptance of the going concern audit opinion. Thus, the second hypothesis (H2) is rejected.

Theoretically, based on **signalling theory**, liquidity should reflect the condition of the company's short-term cash flow. However, the results of this study show that auditors do not only rely on liquidity indicators, but rather consider structural financial conditions such as profitability and leverage. From the perspective of **agency theory**, auditors tend to assess business continuity risks comprehensively, so liquidity alone is not strong enough to influence audit decisions. This finding is in line with Pham (2022), but in contrast to Naziah and Nyale (2022) and Averio (2020) who found significant negative influences.

5.3 The Effect of Leverage on Going Concern Audit Opinion

Leverage has a positive effect on the acceptance of the going concern audit opinion. This is shown by the regression coefficient value of 0.317 with a significance value of 0.035, which is smaller than 0.05. This means that the higher the company's leverage level, the more likely the company is to receive the going concern audit opinion. Thus, the third hypothesis (H3) is accepted.

This result is in accordance with **agency theory**, which states that the use of high debt increases the risk of default and conflicts of interest between management and creditors. In addition, according to **signalling theory**, high leverage is a negative signal regarding the company's financial stability. Auditors interpret this condition as an increased risk of business continuity, so that companies with high leverage are more likely to receive going concern audit opinions. These findings are consistent with Amr and Shehata (2024) and Theresia and Setiawan (2023), but are different from Aldhanarisha and Herliansyah (2023) and Syofyan and Vianti (2021).

5.4 The Effect of Tenure Audits on Going Concern Audit Opinion

Audit tenure has no effect on the acceptance of the going concern audit opinion. The audit tenure variable has a regression coefficient value of -0.857 with a significance value of 0.121, which is greater than 0.05. This shows that the auditor continues to carry out audit duties based on professional standards and the principle of independence, regardless of the duration of the engagement. Thus, the length or shortness of the audit engagement period is not the main consideration of the auditor in determining the going concern audit opinion. Thus, the fourth hypothesis (H4) is rejected.

Within the framework of **agency theory**, longer audit tenure should reduce information asymmetry through increasing auditors' understanding of clients. However, the results of this study show that auditors prioritise the actual financial condition of the company over the length of the audit relationship. In addition, professional regulations help maintain auditor independence. These findings are in line with Ramadhan and Sumardjo (2021) and Chun T'ing et al. (2021), but different from Theresia and Setiawan (2023) and Handoyo and Nurmeidita (2020).

5.5 The Effect of the Previous Year's Audit Opinion on Going Concern Audit Opinion

The previous year's audit opinion had a positive effect on the acceptance of the going concern audit opinion. This is evidenced by the regression coefficient value of 6.736 and the significance value of 0.000, which is smaller than 0.05. These results show that companies that received a going concern audit opinion in the previous period have a much greater probability of returning to receive a similar opinion in the current period. Thus, the fifth hypothesis (H5) is accepted.

These findings are in line with **signalling theory**, where the previous going concern opinion became a strong negative signal regarding the company's condition. From the perspective **of agency theory**, the opinion serves as a control mechanism to reduce information asymmetry

between management and stakeholders. Auditors use this historical information as the basis for continuous risk evaluation. The results of this study are consistent with Handoyo and Nurmeidita (2020) and Halim (2021), but different from Naziah and Nyale (2022).

6. Conclusion

This study shows that profitability has a negative effect and leverage has a positive effect on the acceptance of going concern audit opinions, while liquidity and tenure audits have not been proven to have a significant effect. The previous year's audit opinion was the most dominant factor, where companies that had received going concern opinions were much more likely to return to the same opinion. These findings indicate that auditors place more emphasis on profit performance, funding structure, and audit opinion history in assessing business continuity risk rather than indicators of short-term liquidity and length of audit relationship. The results of this study provide empirical evidence that fundamental financial conditions and auditors' historical evaluation play an important role in determining the audit opinion going concern for companies in the raw materials sector on the Indonesia Stock Exchange for the 2022–2024 period.

For company management, the results of this study emphasise the importance of maintaining profitability and managing debt structures carefully to reduce the risk of receiving going concern audit opinions. Auditors are expected to maintain independence and comprehensively consider financial conditions, especially when there is a history of going concern opinions. For future researchers, it is recommended to add other variables such as corporate governance, cash flow, or macroeconomic factors as well as expand research periods and sectors to obtain a more comprehensive picture of the determinants of going concern audit opinions.

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