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**THE EFFECT OF AUDIT QUALITY, LIQUIDITY, PROFITABILITY AND
FIRM SIZE ON THE ACCEPTANCE OF GOING CONCERN OPINION IN
TRANSPORTATION COMPANIES LISTED IN INDONESIA STOCK
EXCHANGE**

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Abstract

This study aims to determine the effect of 1) Audit Quality, 2) Liquidity, 3) Profitability, 4) Firm Size on the Acceptance of Going Concern Audit Opinions. This type of research is causality. The study population is a transportation company listed on the Stock Exchange in 2014-2018. The research sample used a purposive sampling method of 18 companies. The data used are secondary data obtained from the IDX and data analysis using descriptive statistics and logistic regression. The results showed that audit quality does not affect going concern opinion, liquidity affects going concern opinion, profitability does not affect going concern opinion, firm size influences going concern opinion in financial reporting on transportation companies listed on the Indonesia Stock Exchange in 2014- 2018. The significant value of the omnibus test must be below 0.05 This significant value meets the requirements of the significance level (0.05), thus the hypothesis is accepted. This shows that there is a significant influence of the independent variables simultaneously influencing the dependent variable so that the acceptance of this hypothesis shows that audit quality, liquidity, profitability and firm size on going concern opinion reception influence jointly in financial reporting on transport companies registered at Indonesia Stock Exchange in 2014-2018..

Keywords: Audit Quality, Liquidity, Profitability, Firm Size, Stock Exchange.

1. Introduction

Over the years the transportation technology system in Indonesia has increased. During the New Order administration, transportation technology was used as a development program. This is done so that the Indonesian government can provide convenience for the people of Indonesia to access the potential of other regions. The first transportation policy undertaken by the New Order government was to export public transportation equipment in the form of large-scale buses, construction of terminals, and connecting highways between regions. The program is carried out by the Department of Transportation. Then the new order government formed a land transportation institution, the Railway Bureau Company and a public bus transportation company called Perum Damri. Along with the emergence of the era of freedom transportation companies began to develop. Many transportation companies have sprung up in Indonesia. Besides that the Indonesian government also established a car body factory or an assembly plant for transportation equipment. The establishment of this factory brought a very rapid transportation progress in Indonesia. Even now the transportation era in Indonesia is at its peak to raise the problem of traffic density on the road. roads become

congested with increasing means of transportation. The auditor has the responsibility for opinions that have been issued so that the resulting report is not misleading. Auditors who have good audit quality tend to issue a going concern audit opinion if the client has problems regarding going concern.

2. Literature Review

Audit Quality

According to Clinch et.al. in Bing (2014), audit quality is a component of the quality of accounting information disclosed and higher quality disclosure leads to lower information asymmetry between traders. According to Tandiontong (2016), audit quality (Audit Quality) is the probability of an auditor in finding and reporting an error or deviation that occurs in a client's accounting system. According to Harmono (2015), things that must be observed are mainly related to the quality of auditors that have an impact on the quality of financial statements which will be the basis of one of the company's fundamental analyzes. Investors can be deceived by management who masters the company's fundamental information if the enforcement of standard financial reporting is not carried out in an obedient and accurate manner in accordance with generally accepted accounting principles. The intentions of the management to deceive investors by manipulating accounting information is called moral hazard caused by information asymmetry between the management that controls the detailed operational system and the investor who receives the report.

In this study audit quality is proxied using the KAP size. This variable is measured using a dummy variable. The auditor's reputation is proxied by using the KAP measurement. According to Ginting (2014), KAP size is divided into two, namely big four KAP given Code 1 and nonbig four KAP given code 0. The big four KAP in Indonesia is as follows:

- a) Price Water House Coopers with partners in Indonesia Haryanto Sahari and Partners.
- b) Deloitte Touche Tohmatsu with Indonesian partners Osman Bing Satrio and Partners.
- c) KPMG International with partners in Indonesia Siddharta and Widjaja.
- d) Ernst and Young with their partners in Indonesia Purwantono, Sarwoko, and Sandjaja.

Liquidity

According to Hanafi (2016), the liquidity ratio measures the company's short-term liquidity capability by looking at the company's current assets relative to its current debt (debt in this case is a company's obligation). According to Hery (2016), liquidity ratios are ratios that show a company's ability to meet obligations or pay off short-term debt. The overall objectives and benefits of the liquidity ratio:

- a) To measure the company's ability to pay obligations or debt that will soon be due.
- b) To measure a company's ability to pay its short-term liabilities using total current assets.
- c) To measure a company's ability to pay short-term liabilities using very current assets (without accounting for merchandise inventory and other current assets).
- d) To measure the level of cash availability of companies in paying short-term debt.
- e) As a financial planning tool in the future, especially those related to cash and short-term debt planning.
- f) To see the condition and position of the company's liquidity from time to time by comparing it over several periods.

The indicator used to measure liquidity is to use Current Ratio. According to Ross (2016), the current ratio is defined as follows:

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

Profitability

According According to Sartono (2014), profitability is the ability of companies to earn profits in relation to sales, total assets, and own capital. According to Fahmi (2015), the profitability ratio measures the overall effectiveness of management as indicated by the size of the level of profits obtained in relation to sales and

investment. According to Hery (2016), profitability ratios are ratios used to measure a company's ability to generate profits from its normal business activities. The profitability indicator in this study uses return on assets (ROA). According to Brigham (2014), the return formula on total assets is:

$$ROA = \frac{Net\ Profit}{Total\ Asset}$$

Leverage

According to Sjahrial (2013), the smaller the solvency ratio is the better (except the ratio of multiples of interest generated) because long-term liabilities are less than capital or assets and also large long-term liabilities also have large interest expense consequences. According to Sudana (2011), leverage ratios measure how much debt is used in corporate spending. According to Kasmir (2012), the solvency ratio or leverage ratio is a ratio used to measure the extent to which a company's assets are financed with debt. According to Fahmi (2015), leverage ratio is a measure of how much a company is financed with debt. In the leverage ratio, researchers take the debt to equity ratio indicator. According to Sartono (2012), the formula for calculating debt to equity ratio is:

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

Hypothesis Development

The Effect of Audit Quality on Going Concern Opinions

According to Ruiz Barbadillo et al, (2004) in Setyarno (2006), auditor reputation is often used as a proxy of audit quality, however in many studies competence and independence are rarely used to see how much the actual audit quality. According to Ramadhany (2004) in Susanto (2009) states that large-scale audit companies have more incentives to avoid criticism of reputation damage than in small-scale audit companies. Large audit firms are also more inclined to address existing problems because they are stronger at risk of litigation. The greater the scale of the auditor, the greater the possibility of the auditor to issue a going concern audit opinion (Azhar, 2014).

Effect of Liquidity on Going Concern Opinions

According to Januari (2008), the smaller the liquidity ratio owned by the Auditee, the more likely it is for auditors to provide GCAO and vice versa. Companies with low liquidity ratios should have doubts about their ability to be able to continue their business activities in the future, so it is likely that the company will get a going concern audit opinion (Setiawan, 2015). In conjunction with going concern audit opinion, the smaller the liquidity of a company, the smaller the company's ability to pay off its short-term liabilities using current assets, this tends to result in a lot of bad loans, which will lead to doubts for the auditor on the continuity company life. Conversely, the greater the company's liquidity, the greater the company's ability to pay off short-term obligations in a timely manner (Christian, 2016).

The Effect of Profitability on Going Concern Opinions

The higher profitability means that the company's management is considered capable of managing existing assets to generate profits effectively and efficiently so that the auditor has no doubts about the survival of the company (Kristiana, 2012). In the condition of profitability ratios the greater the company's ability to generate profits will increase, so that auditors will not experience doubts about the company's ability to continue its business in the coming period (Setiawan, 2015). In connection with going-concern audit opinion, all companies are required to be able to generate profits with all the resources they have, where later the profits generated will be used to maintain the continuity of the company's business. The lower the profitability of a company, the lower the company's ability to generate profits so that it will cause auditor doubt over the continuity of the company's business. Conversely, if the company's profitability is high, it means that the company's ability to make profits will also appear so that there will be no doubt about the continuity of the business the company (Christian, 2016).

Effect of Firm Size on Going Concern Opinion

Business continuity is always associated with management's ability to manage the company in order to survive. Therefore, even though a company is classified as a small company, but if the company has good management and performance so that it can survive in the long run, the smaller the potential for getting going concern audit opinion (Praptitorini and Januarti (2007) in Kristiana (2012). The bigger the company being audited, the better the audit quality provided by the auditor. Large companies have good management in managing the company and the ability to produce financial reports that are higher quality than small companies (Ginting, 2014). Firm size is not a signal or benchmark for the auditor in providing going concern audit opinion. Business continuity is usually associated with management's ability to manage the company to survive. Therefore, even though a company classified as a small company will survive for a long period of time because it has good management and performance so the smaller the potential for a company to get a going concern audit opinion (Monica, 2016).

The theoretical framework in this research can be described as follows:

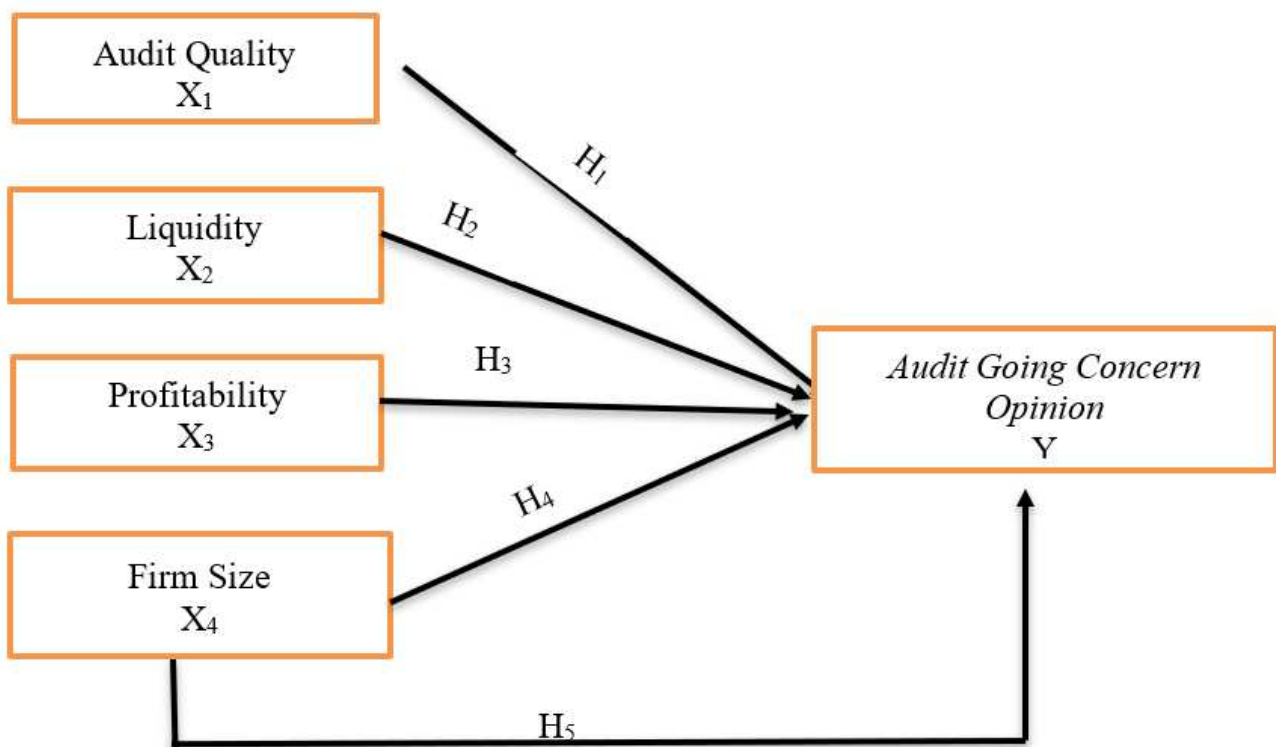


Figure 2.1 Framework

Hypothesis:

- H1: Audit Quality has a partial effect on the Going Concern for transportation companies listed on the Indonesia Stock Exchange in 2014-2018.
- H2: Liquidity partially influences the Going Concern on transportation companies listed on the Indonesia Stock Exchange in 2014-2018.
- H3: Profitability has a partial effect on Going Concern on transportation companies listed on the Indonesia Stock Exchange in 2014-2018.

- H4: Company size partially influences the Going Concern on transportation companies listed on the Indonesia Stock Exchange in 2014-2018.
- H5: Audit Quality, liquidity, profitability and Company Size simultaneously influence the Going Concern on Profitability partially influencing the Going Concern for transportation companies listed on the Indonesia Stock Exchange in 2014-2018.

3. Methods

The method of collecting data in this study is to use the method of documentation of secondary data based on the financial statements of transport companies listed on the Indonesia Stock Exchange in 2014-2018. The population of transportation companies listed on the Indonesia Stock Exchange in 2014-2018 was 35 companies and the samples obtained in purposive sampling were 10 companies.

Table 3.1 Sample

Transportation Companies listed on the Indonesia Stock Exchange in the 2014-2018 Period.	35
Transportation companies which do not publish complete financial statements for the 2014-2018 period.	(12)
Transportation companies that do not use foreign currencies in the 2014-2018 period.	(13)
The number of companies selected as research samples	10

Source: Researcher data, 2019

4. Results and Discussion

Partial Test - Wald and Logistic Hypothesis Test

To determine the final results of the study and answer the hypotheses previously prepared, the tables of variables in the equation used in the output data processing results can be presented as follows:

Table 4.1 Partial Test - Wald and Logistic Hypothesis Test

Variables		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 ^a	Audit Quality	-1.616	.988	2.679	1	.102	.199		
	Liquidity	.060	.028	4.840	1	.028	1.062	1.007	1.121
	Profitability	8.477	4.354	3.790	1	.052	4801.687	.945	24404543.540
	Firm Size	4.004	1.623	6.086	1	.014	54.823	2.277	1319.958
	Constant	-113.416	46.245	6.015	1	.014	.000		

Source: Output SPSS, 2019

In table 6 above shows the results of testing the logistic regression hypothesis at a significance level of 5% or 0.05. With the results of the test in column B, the logistic regression equation model is obtained as follows:

$$\ln \frac{GC}{1 - GC} = -113.416 - 1.616 AQ + 0.060 L + 8.477 P + 4.004 FS$$

The interpretation of the logistic regression equation above is as follows:

1. With a constant value of -113,416 it means a decline in audit quality to conduct a going concern opinion.
2. The audit quality variable shows a negative coefficient of 1.616 with going concern opinion variable. of .102 above a significance level of 0.05, which means that it can be concluded that H1 was rejected. Thus it is evident that audit quality has no effect on going concern opinion.

3. Liquidity variable shows a positive coefficient of 0.060 with going concern opinion variable. of 0.028 below the 0.05 significance level meaning that it can be concluded that H2 is accepted. Thus it is evident that liquidity affects the going concern opinion.
4. The Profitability variable shows a positive coefficient of 8,477 with a going concern opinion variable of 0.052 above the 0.05 significance level meaning that it can be concluded that H3 is rejected. Thus it is proven that profitability has no effect on going concern opinion.
5. Variable firm size shows a positive coefficient of 4,004 with a going concern opinion variable of 0.014 below the 0.05 significance level meaning it can be concluded that H4 is received. Thus it is evident that company size influences going concern opinion.

Discussion

The Effect of Audit Quality on Going Concern Opinions

The results showed that the audit quality showed a negative coefficient of 0.060 with a going concern opinion variable. of 0.028 below the significance level of 0.05 meaning that it can be concluded that H1 was rejected. Thus it is evident that liquidity has no effect on going concern opinion. The results of this study are not in line with research conducted by Azhar (2014: 75), the greater the scale of auditors, the greater the likelihood of auditors to issue going-concern audit opinions.

Effect of Liquidity on Going Concern Opinions

The results showed that liquidity showed a positive coefficient of 0.060 with going concern opinion variables. of 0.028 below the 0.05 significance level meaning that it can be concluded that H2 is accepted. Thus it is evident that liquidity affects the going concern opinion. The results of this study are not in accordance with research conducted by Christian (2016: 92) concluding that the smaller the liquidity of a company, the smaller the company's ability to pay off its short-term liabilities using current assets, this tends to result in a lot of bad loans, so that it will cause doubts for the auditor over the survival of the company. Conversely, the greater the company's liquidity, the greater the company's ability to pay off short-term obligations in a timely manner

The Effect of Profitability on Going Concern Opinions

Profitability shows a positive coefficient of 8,477 with a going concern opinion variable of 0.052 above the 0.05 significance level meaning that it can be concluded that H3 is rejected. Thus it is proven that profitability has no effect on going concern opinion. The results of this study are in line with research conducted by Christian (2016: 92) if the company's profitability is high, it means that the company's ability to earn profits will also increase, so there will be no doubt about the business continuity of the company and also in line with research conducted by Kristiana (2012: 50), the higher profitability means that the company's management is considered capable of managing existing assets to generate profits effectively and efficiently so that the auditor has no doubts about the company's survival.

Effect of Company Size on Going Concern Opinion

Company size shows a positive coefficient of 4.004 with a going concern opinion variable of 0.014 below a significance level of 0.05 which means that it can be concluded that H4 is accepted. Thus it is evident that company size influences going concern opinion. The results of this study are in line with that conducted by Monica (2016: 473), company size is not a signal or benchmark for auditors in providing going-concern audit opinions. Business continuity is usually associated with management's ability to manage the company to survive. Therefore, even though a company classified as a small company will survive for a long period of time because it has good management and performance, so the smaller the potential for a company to get a going concern audit opinion.

5. Conclusion

Audit quality variable shows a negative coefficient of 1.616 with going concern opinion variable. of .102 above a significance level of 0.05, which means that it can be concluded that H1 was rejected. Thus it is evident that audit quality has no effect on going concern opinion. Liquidity variable shows a positive coefficient of 0.060 with going concern opinion variable. of 0.028 below the 0.05 significance level meaning that it can be

concluded that H2 is accepted. Thus it is evident that liquidity affects the going concern opinion. The Profitability variable shows a positive coefficient of 8,477 with a going concern opinion variable of 0.052 above the 0.05 significance level meaning that it can be concluded that H3 is rejected. Thus it is proven that profitability has no effect on going concern opinion. The firm size variable shows a positive coefficient of 4.004 with a going concern opinion variable of 0.014 below the 0.05 significance level meaning that it can be concluded that H4 is received. Thus it is evident that company size influences going concern opinion.

Testing the influence of audit quality, liquidity, profitability and company size variables on the acceptance of going concern opinion in financial reporting on transportation companies listed on the Indonesia Stock Exchange in 2014-2018 using logistic regression obtained a value of 0,000. The significant value of the omnibus test must be below 0.05 This significant value meets the requirements of the significance level (0.05), thus the hypothesis is accepted. This shows that there is a significant influence of the independent variables simultaneously influencing the dependent variable so that the acceptance of this hypothesis shows that audit quality, liquidity, profitability and company size on going concern opinion reception influence jointly in financial reporting on transport companies registered at Indonesia Stock Exchange in 2014-2018.

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