Factors Behind The Attainment of Going Concern Audit Opinion: A Study on Indonesian Capital Market From Period 2005 to 2013

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The aim of this descriptive quantitative study are to find out the relationship in CPA firm's reputation, prior year audit opinion, and company's growth towards the attainment of going concern audit opinion. There were 31 manufacture companies listed in BEI for period 2005-2013 used as sample for this minor thesis. Purposive sampling method used to determine those samples. The logistic regression test result shows that prior year audit opinion has a positive effect on the attainment of going concern audit opinion. Meanwhile, CPA firm's reputation and company's growth has no effect on the attainment of going concern audit opinion.

Key Words: *going concern audit opinion, CPA firm's reputation, prior year audit opinion, company's growth, logistic regression.*

Background

The existence of an economic entity is essential for those who have an interest on the company, especially investors. Investors will invest their money to fund the company's operation. Before the investors invest their money on the company, they need to know the viability of the company. The viability of the companies connects to the ability of management to manage their overall resources in order to survive. In uncertain economic conditions, investors expect that auditor may give an early warning of a company's failure (Chen and Church 1996).

Investors normally analyse the company's financial statement before they decided to do an investment. In this case, auditors have an important role to give relevant information to investors (Fanny and Saputra, 2005). When an auditor audits, he or she focuses on determining whether the information provided in the financial statements reflects the economic realities that occurred during the accounting period. Through audit report, auditors try to communicate their finding. Therefore, auditor's opinion toward the financial statements becomes one of the most important things that should be considered by investors in making investment decisions.

In audit engagement, auditors assess whether financial statements prepared by the company have followed the criteria stated under IFRS (International Financial Reporting Standards) and whether according to IFRS it has presented fairly in all material matters. The final step of financial statement audit is preparing audit reports that contain audit opinion on the financial statements

There are many cases of large companies with sudden bankruptcy like Lehman Brothers, New Century Finance Corporation, Royal Bank of Scotland, and etc. This indicates that huge company with huge profitability does not guarantee they will free from financial failure. This has become auditor's responsibility to reveal the problems about the company's viability that is stated in audit opinion with going concern explanatory paragraph. Under ISA (International Auditing Standards) SA section 570 The Auditor's Consideration of an Entity's Ability to Continue as Going Concern, auditors have a responsibility to evaluate whether there is any substantial doubt regarding an entity's ability to continue their business for a reasonable period of time (not exceeding 12 months from the balance sheet date) (Carson, et all 2013) . Because the reputations of a CPA firms is at stake, the audit opinion should be given appropriately according to the real conditions of the company's financial statements. In Indonesia, the auditing standards that obliges auditor to evaluate entity’s financial statements' viability is PSA (Pernyataan Standar Auditing) No.30 with interpretation on SA section 570 that states that auditors have responsibility to evaluate any doubt on the entity’s ability to maintain their viability with a reasonable period of time. If there is any doubt, auditors must disclose the problem in their audit report after the opinion paragraph and explained in the notes to the entity’s financial statements. Thus, the going-concern assessment is a matter of auditors’ professional judgment, and based on ISA, auditors are required to report based on their knowledge of the client at the time of reporting.

In disclosing going concern opinion, auditors can look from various aspects. According to Setyarno (2006) in issuing audit opinion with going concern explanatory paragraph, auditor should consider prior year audit going concern opinion attained by auditee. The study has given empirical evidence that the prior year audit opinion has a significant effect on the attainment of audit opinion with going concern explanatory paragraph. Company attained going concern opinion were more likely to attain the same opinion in on-going period. It is also supported by, Lennox (2002), Ramadhany (2004), Setyarno et al. (2007), Januarti (2009), who found a positive relationship between prior years going concern audit opinion with on-going year's opinion. If in the prior year the company attained going concern audit opinion, then in the on-going year the company will be more likely to attain going concern audit opinion.

Issuing the going concern opinion is not an easy thing to do, because it is related to the CPA firm’s reputation. When the audit report that has been published by the auditor does not meet the current situations, there will be consequences on the pertinent CPA firms, either by public society or by government. It means that the reputation of CPA firms is at stake in the rise and fall of a client’s company. Indira (2009) stated that big CPA firms with good reputation have a smaller incentive to avoid criticism that can affect their reputations rather than smaller CPA firms. This study contradicts the study of with Fanny and Saputra (2005) which stated the CPA firm’s size and reputation do not affect the attainment of audit opinion with explanatory paragraph.

There are many researchers investigated going concern opinion issues in Indonesia. Hani et al., (2003) has studied about the influence of financial ratios in banking industry towards the acceptance of going concern opinion. The result of their studies provide empirical evidence that only quick ratio variables, return on assets, and margin of loans interest that have positive effect towards going concern opinion. Other researches about going concern have been done by Ramadhany (2004). She did a research about the effect of a committee audit, debt default, financial conditions of the company, prior audit opinion, size of the company, and the scale of the auditor to the possibility of going concern audit opinion on the company experienced financial difficulties. That research has given us empirical evidence that debt default, financial conditions of the company, prior year audit opinion have given significant effect on the possibility of going concern opinion.

Problem Statements

Audit opinion is an important part of information provided by the auditor in doing financial statement audit, which focuses on the compatibility of company’s financial statement and the generally accepted accounting principal. Auditor must consider the company’s condition in assessing going concern audit opinion. Based on the background that has been described, the problem statements in this research are:

1. Does the prior year going concern audit opinion affect the attainment of going concern audit opinion?

2. Does the CPA firm’s reputation affect the attainment of going concern audit opinion?

3. Does the company’s growth affect the attainment of going concern audit opinion?

Theoretical Framework and Hypothesis Development

Going Concern Audit Opinion

Going concern audit opinion is an opinion issued by an auditor to make sure whether an economic entity can maintain their viability (SA Section 570). If an entity receives going concern opinion, it can be interpreted that there is any doubt that can make auditee cannot maintain their viability. From an auditor perspective, the decision about giving those opinions must include some factors that auditor must consider the result of entity's operation, economic condition affecting entity, and entity's ability to pay debt.

Going concern audit opinion can be seen in the explanatory paragraph stated that there are any doubts in the entity's viability. Entity's viability always connected to the ability of entity's management to manage the company in order to survive. When the economic conditions become uncertain, investors expect that the auditor can give an early warning about company's failure (Chen and Church, 1996).

According to ISA (SA Section 570), there are many events or conditions that may cast doubt about going concern assumption, there are financial aspects, operating aspects, and other aspects. Financial aspects consist of (1) Net liability or net current liability position. (2) Fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment; or excessive reliance on short-term borrowings to finance long-term assets. (3) Indications of withdrawal of financial support by creditors. (3) Negative operating cash flows indicated by historical or prospective financial statements. (4) Adverse key financial ratios. (5) Substantial operating losses or significant deterioration in the value of assets used to generate cash flows. (6) Arrears or discontinuance of dividends. (7) Inability to pay creditors on due dates. (8) Inability to comply with the terms of loan agreements. (9) Change from credit to cash-on-delivery transactions with suppliers. (10) Inability to obtain financing for essential new product development or other essential investments

The operating aspects are. (1) Management intentions to liquidate the entity or to cease operations. (2) Loss of key management without replacement. (3) Loss of a major market, franchise, license, or principal supplier. (4) Labor difficulties. (5) Shortages of important supplies. (6) Emergence of a highly successful competitor.

There are also other aspects that can cast doubt about the company's viability, there are, (1) Non-compliance with capital or other statutory requirements. (2) Pending legal or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy. (3) Changes in law or regulation or government policy expected to adversely affect the entity. (4) Uninsured or underinsured catastrophes when they occur

ISA (SA Section 570), gives a guideline for auditor about the impact of business unit ability in maintaining its viability towards audit opinion as shown below:

1. If management has not made an assessment about entity's ability to maintain their viability, auditor must ask for it.
2. Auditor must evaluate management's plan according with its strategy on maintaining entity's viability, whether the result might improve their condition, and determine if the management's plan could be effectively applied in a reasonable circumstances.
3. If entity has made a forecasting cash flow statement, auditor must evaluate constrains in the forecasting statements, and determine whether there is enough assumption underlying the forecasting cash flow statement.

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Prior Year going concern Audit Opinion and Current Year Going Concern Opinion

According to Boynton (2006), there are some impacts for the company who received going concern audit opinion in their prior year like the decrease of share price, loss of investors trust, and they will find difficulties to get loan. He also stated that in doing audit, auditor cannot separate themselves from what happen in the previous year. The company who attained going concern opinion in their prior year, will more likely to get the same opinion in current year if there are no improve in their financial condition.

Tucker et al. (2003) stated that auditors issue going-concern opinions more often when prior opinions disclose going-concern problems. He stated that prior year audit opinion with going concern as explanatory paragraph is one of the important factors that become auditor's consideration in providing the current year going concern opinion. Auditee that received going concern opinion on prior year audit will be considered to have a problem in maintaining their viability, so there is a big chance auditor will give going concern opinion in on-going year.

There are several previous research that encourage the researcher to conduct hypothesis. Carson et al. (2012) did a research based on Mutchler (1984). They did a research about auditor reporting on going-concern uncertainty, and one of the variable they use in that research is the prior audit opinion was modified for reasons of going-concern uncertainty. They did an interview with some auditors who declare that company who received going concern opinion in prior year, tend to give the same opinion in on-going year. The result of their research shown a positive relationship between prior year going concern audit opinion and current year going concern audit opinion. Carcello and Neal (2000), Santosa and Wedari (2007) and Setyarno et al. (2007), also found a positive influence on prior year going concern audit opinion affecting the attainment of current year going concern audit opinion.

According to the theories above, it can be conclude that prior year going concern audit opinion influences positively on the attainment of going concern audit opinion.

H1: Prior year going concern audit opinion influences positively on the attainment of current year going concern audit opinion

CPA Firm's Reputation and Going Concern Opinion

Kaplan & Williams (2012) stated that CPA firm's reputation is an achievement of trust from public society on behalf of the company's big name. Auditor has a responsibility in providing high quality information that will affect the decision making on financial statement. CPA firms that have a good reputation will report their client's condition in accordance with the actual condition. CPA firms that have a good reputation will not hesitate to give an auditee going concern audit opinion if the client has a problem with their viability.

Boone (2010), classify CPA firms with high reputations are CPA firms that has a big name and has international affiliation (include in big 4 CPA firms) where as big CPA firms provide higher quality in audit report rather than small CPA firms which has low reputations.

There are several previous research that encourage the researcher to conduct hypothesis. Lennox (2002), which stated that big CPA Firms has a stronger incentive to detect and report a company's business continuity issues. That statement is in accordance with Mo et al. (2015) which stated that big 4 auditors had an incentive to maintain their international reputation even when the legal environment was underdeveloped and the potential litigation costs were low. Junaidi and Hartono (2010) also stated that Big 4 auditors have a higher propensity to issue a going concern audit opinion for distressed clients relative to Second-tier. Based on the theory, it can conclude that CPA Firm's reputation influences positively on the attainment of going concern audit opinion.

H2: CPA Firm's reputation influences positively on the attainment of going concern audit opinion

Company's Growth and Going Concern Opinion

Company's growth indicates the ability of an economic entity to maintain their viability. In this research, company's growth is proxied by sales growth ratio, which indicates how well an economic entity can maintain its position in market industry as well as in all their economic activity (Gitman & Zutter, 2011).

Selling activity that keep on increasing every year will give the auditee to gain increase in profit. The higher the auditee growth selling ratio, the smaller chance auditor will give going concern audit opinion (Setyarno et al, 2006).

Research done by Renawati (2011) encourage the researcher to conduct the hypothesis. She found a weak evidence that sales growth ratio has a positive influence on the attainment of going concern audit opinion. By adding the time frame on this research, the researcher hope to get a strong evidence on sales growth ratio is affecting the attainment of going concern audit opinion

Based on the theory above, it can be conclude that company's growth influences negatively on the attainment of going concern audit opinion.

H3: Company's Growth influences negatively on the attainment of going concern audit opinion

Research Methodology

Type of Research

This research is conducted as a quantitative research. It is also a research with hypothesis testing. By using hypothesis testing, this research aimed at explaining causal relationship between research variables. This research identifies the relationship between independent variables and dependent variable. In conducting this research, the researcher collected data on supporting factors, which are prior year going concern audit opinion, CPA firm's reputation, and company's growth. Each data were analysed and the researcher tries to find out whether these data influenced the attainment of going concern audit opinion.

Population and Sample

According to Sekaran and Bougie (2009), population is the entire group of people, events, or things of interest that the researcher wishes to observe and researcher wants to make inferences. Population in this research is manufacturing company in Indonesian Stock Exchange (IDX) that have been listed in the Indonesian Capital Market (BEI) for the period of 2005 to 2013. The reason of choosing Manufacture Company is because manufacture companies are the biggest population in the Indonesian Capital Market, so that they expected to represent the conditions of Indonesian capital market. The researcher only choose Manufacture Company to avoid any industrial effects, which is an industry risk that differs from one sector to another (Setyarno et.al. 2006).

Sample can be defined as representative of population. From population mentioned above, the researcher took samples based on purposive sampling method. Purposive sampling method is a technique used to determine selected sample based on criteria and some consideration adjusted for research purpose (Sekaran, 2010). Purposive sampling method is chosen in order to fulfil the criteria needed for testing. From all of the populations, the researcher implemented purposive sampling to follow these criteria:

1. Company listed in Indonesia Capital Market (BEI) for period 2005-2013, this is because the prior year going concern audit opinion, and company's growth variables measurement in 2006 based on data from 2005.

2. The manufacture companies were not delisted from Indonesian Capital Market during the chosen period (2005-2013).

3. The manufacture companies must have negative net income for at least one financial period during the observation period (2005-2013). Normally, negative net income shows that there is some problem in company's financial position, and most likely to get going concern audit opinion.

4. Use financial statement data from January 1 until 31 December and use Rupiah as their main currency in reporting the financial statement. This is because the majority of financial statements in Indonesia use Rupiah as the currency for transaction.

5. All of the financial statements must be audited by independent auditor for the study period (2005 – 2013)

Type and Data Sources and Data Collecting Method

Data used in this study are secondary data. Secondary data are data that obtained indirectly, it is usually taken through an intermediary medium or other's remarks, such as notes, historical reports, and archives. (Indriantoro and Supomo, 2002:147). Secondary data is generally in the form of evidence, historical records or reports that have been compiled in the archives (documentaries data), published and unpublished. In this study, the secondary data collected from *Indonesian Stock Exchange (IDX)* database at *Pojok Bursa Efek Indonesia (BEI)* in Brawijaya University and IDX website (www.idx.co.id), they are the information about audited financial statements.

Audited financial statement data in this research are financial statement from Manufacture Company listed in Indonesian Capital Market (BEI) from period 2005-2013, which has been published in BEI homepage (www.idx.co.id), as well as the supporting data about the company's classification listed in BEI, which collected from Indonesian Capital Market Directory (ICMD).

Research Variable Definition and Measurement

This research employs 2 types of variables, those are dependent variable and independent variables. The dependent variable in this research is going concern audit opinion. Independent variables in this research are prior year going concern audit opinion, CPA firm's reputation, and company's growth.

Dependent Variable

Dependent variable is influenced by independent variables. Dependent variable is the variable of primary interest to the researcher (Sekaran, and Bougie 2010). The researcher's goal is to understand and describe the dependent variable or to explain its variability, or predict it. In other words, it is the main variable that lends the variable itself for investigation as a viable factor.

The dependent variable used in this research is going concern opinion. Going concern opinion is a modification of audit opinion where the auditor has a doubt on the company's ability to maintain their viability. The dependent variable measurement is company who received going concern opinion. Company who received going concern opinion is given code "1", and non-going concern opinion given code "0"

Independent Variable

Independent variable is one that influences the dependent variable in either a positive or negative way. That is, when the independent variable is present, the dependent is also present, and with each unit of increase in the independent variable, there is also an increase or decrease in the dependent variable (Sekaran and Bougie, 2010). Independent variable is variable that affect dependent variable either on a positive or negative way. In this research, independent variables are factors expect to affect the attainment of going concern audit opinion, which are prior year audit opinion, CPA firm's reputation, and company's growth.

1. Prior Year Going Concern Audit Opinion
   Prior year audit opinion is an audit opinion received by auditee in previous year. Prior year audit opinion is divided into two classifications, the first one is prior year audit opinion with going concern, is given code "1", and the second one is prior year audit opinion without going concern, is given code"0".

2. CPA Firm's Reputation
   CPA firm's reputation is proxied into two categories, the first one is Big four CPA firms, and the second one is Non-Big Four CPA Firm. CPA Firm included in Big Four categories, is given code "1". Non-Big Four CPA firm, is given code "0".

The Big Four	Partner in Indonesia
Price Water House Coopers	Tanudiredja, Wibisono & Rekan
Ernest & Young	Purwantono, Sarwoko & Sandjada
Delloite	Osman Bing Satrio & Rekan
KPMG	Sidharta, Sidharta & Widjaja

3. Company's Growth
   Sales growth ratio became the proxy of company's growth. Sales growth ratio can be formulated with the equation model shown below:

   Sales growth ratio = $\frac{\text{Net Sales (t) - Net Sales (t}-1)}{\text{Net Sales (t}-1)}$

   Net sales t = on-going year net sales

   Net sales t- = Prior year net sales

Data Analysis Method

Analysis method use in this research is logistic regression, because the independent variables are combination between metric and non-metric (Ghozali, 2013). The dependent variable is a dummy variable. The logistic regression that used to test the hypotheses is:

$$in\frac{GC}{1-GC} = \alpha + \beta1X1 + \beta2X2 + \beta3X3$$

Whereas:

$in\frac{GC}{1-GC}$ = dummy variable of going concern audit opinion (Y)

α = Constanta

β1-β3 = regression coefficient

X1 = Prior year going concern audit opinion

X2 = CPA Firms reputation

X3 = Company's Growth

ε = residual error

The logistic regression above explains that the dependent variable used in this research is binary variable. Binary variable is a variable that has two value, the first one is going concern opinion, and the second one is non-going concern opinion. The β1-β3 is a coefficient of each independent variable. The value of β1-β3 is affecting the connection between X1-X3 and their dependent variable. If the value of β1-β3≠0, then independent variable is affecting Y. Negative and Positive value on β1-β3 also affecting their connection between dependent variable.

Hypothesis Testing

The hypothesis is logically expected relationship among two or more variables which are expressed in the form of a statement that can be tested. The relationship is estimated based on association network defined in the theoretical framework formulated for the research (Sekaran, Bougie 2010).

Multivariate analysis with logistic regression is used in this research's hypothesis testing. The independent variable is a combination between metric and non-metric. There are no needs to use normality test or classical assumption test for independent variables in this analysis technique, because logisric regression is not based on ordinary least square (Ghozali, 2013). According to Gujarati (2003) logistic regression ignores heteroscedastic, which means the dependent variable does not need homoscedacity for each of its independent variables.

This are the following statistic hypotheses purposed to find out whether there are any affection between independent variables and dependent variable:

1. Prior Year Audit Opinion
   H0: $\beta 1 = 0$; this shows that prior year audit opinion do not affecting the attainment of going concern opinion.
   H1: $\beta 1 \neq 0$; this shows that prior year audit opinion affecting the attainment of going concern opinion.
2. CPA Firm's Reputation
   H0: $\beta 2 = 0$; this shows that CPA firm's reputation do not affecting the attainment of going concern opinion.
   H2: $\beta 2 \neq 0$; this shows that CPA firm's reputation affecting the attainment of going concern opinion.
3. Company's Growth
   H0: $\beta 3 = 0$; this shows that company's growth do not affecting the attainment of going concern opinion.
   H3: $\beta 3 = 0$; this shows that company's growth affecting the attainment of going concern opinion.

The parameter for this regression test can be seen from the regression coefficient. The regression coefficient from each of the variables represent the relationship between the variables. The hypothesis test in this study were conducted through comparing the significant level (α) with the value of probability (sig). The significant level in this study is 0.05, so the hypothesis can be accepted if the probability value is less than 0.05.

Research Finding and Discussion

Logistic Regression Result

The result of logistic regression can be seen from table below:

		B	Sig.	Notes
Step 1[a]	Prior year going concern audit opinion	5.353	.000	Significant
	CPA firm's reputation	.322	.566	Not Significant
	Company's growth	.691	.269	Not Significant
	Constant	-3.450	.000	

Data Sources: Appendix 4

Based on the table 4.10, the test result comes up with this model:

$$in\frac{GC}{1-GC} = -3.450 + 5.353X1 + 0.322X2 + 0.691X3$$

The regression model that above will explain the hypotheses testing result as described below:

a. **H1: Prior year going concern audit opinion influences positively on the attainment of going concern audit opinion**

The Prior year going concern audit opinion variable is shown a positive regression coefficient at value 5.353 with its significance of 0.000. The significance value that less than 0.05 proves that Hypothesis 1 is supported with empirical fact. This value also indicates that prior year going concern audit opinion influences positively on the attainment of going concern audit opinion.

b. **H2: CPA Firm's reputation influences positively on the attainment of going concern audit opinion**

CPA Firm's reputation variable shown a positive regression coefficient at value 0.322 with its significance of 0.566. The significance value, which is more than 0.05 proves that Hypothesis 2 is not supported with empirical fact. This value also indicates that CPA firm's reputation has no effect the attainment of going concern audit opinion.

c. **H3: Company's Growth influences negatively on the attainment of going concern audit opinion**

Company's growth variable shown a positive regression coefficient at value 0.691with its significance of 0.269. The significance value, which is more than 0.05 proves that Hypothesis 3 is not supported with empirical fact. This value also indicates that company's growth has no effect the attainment of going concern audit opinion.

First Hypothesis Test Discussion

The result of statistical test showed that prior year going concern audit opinion influences positively on the attainment of going concern audit opinion based on the first hypothesis testing. So the hypothesis 1 which has been conducted by the researcher is acceptable. The result of this research is similar to several previous researches that have been done by Carcello and Neal (2000), Lenox (2004), Setyarno (2006), and Setyarno et al. (2007). Those previous research proved that prior year going concern audit opinion influences positively on the attainment of going concern audit opinion.

Mutchler's research (1984) is often viewed as the origin going concern research. Carson et al. (2013) made a research based on Mutchler's (1984) research, and the result of their research shown a strong evidence of persistence in going concern, showing that a company is more likely to receive going concern in the current year if the company received it in the previous year. This finding is happen because in issuing going concern audit opinion, auditors consider whether the company received going concern audit opinion in their prior year. Furthermore, prior year working paper and prior year audit opinion are the information needed by the auditor to strengthen their audit opinion that will be given to the company. It has been a common knowledge for the investors, that the attainment of company's audit opinion is the availability of public information toward the prediction of going concern audit opinion.

Auditor will not modify the attainment of company's going concern audit opinion, if the company did not show any significant changes or progress in their financial statement, and if the company cannot overcome their problems.

Second Hypothesis Test Discussion

Based on the second hypothesis testing, this research failed to prove that CPA firm's reputation influences positively on the attainment of going concern audit opinion. The result of this study is in contrast with research performed by Mutchler et al. (1997), DeAnggelo (1981), and Indira (2008), and. Nevertheless, this result of research is in accordance with research done by Setyarno (2006), Fanny and Saputra (2005), Boone (2010), and Kaplan and Williams (2012).

Fanny and Saputra (2005) stated that CPA firm which has good reputation will try to maintain their reputation, and try to avoid factors ruining it. Good CPA Firms will always be objective on their works, so if their clients has a problems in their viability, auditors from Good CPA firms will give going concern audit opinion, whether they come from big four or other CPA firms. Fanny and Saputra (2005) also stated that the CPA firm's reputation indicates the quality of their services. Their reputation cannot affect the opportunity of their clients to attaining going concern audit opinion.

Boone (2010) also done a research about the effect of Big 4 Firm's and Second-Tier Firm's on the issuance of going concern audit opinion. The result of his study proven that Big 4 firms has a better performance and audit quality, but not in terms of issuing going concern audit opinion. He stated that there are many other factors to influence the auditor's propensity to issue going concern audit opinion.

Kaplan and Williams (2012) show a huge different result with Mutchler (1997), their research shows that regional firms are more likely to issue a going concern report to their financially stressed public clients compared to larger firms. Because the economic consequences for inferior audit quality in terms of a damaged reputation and litigation costs are tied to audit firm size.

In doing their audit, auditor from CPA firms must follow the accepted auditing standards. Their firm's reputation, cannot affect the attainment of going concern audit opinion for their client, larger audit firms are believed to have the strongest incentives to report in a conservative fashion, they represent the quality of their services, not the propensity to issue going concern audit opinion. If their client's company has a problem in maintaining their viability, either it is an auditor from big or small CPA firms, they will issue going concern audit opinion.

Third Hypothesis Test Discussion

Based on the third hypothesis testing, this research failed to prove that company's growth influences negatively on the attainment of going concern audit opinion. The result of this research is in contrast with research done by Renawati (2011), but it is in accordance with research done by Fanny and Saputra (2005), and Setyarno et al. (2006).

In this research, company's growth is proxied by sales growth ratio. Hadiyana (2007) stated that sales growth ratio measure how well a company maintain its economic position in all their economic activities. Sales become the main activity of Manufactures Company. Company that has a positive sales growth ratio indicates that they will be able to maintain their viability, but when the manufacture company done their selling in credit, instead of getting high net income, they get high account receivable (AR). In this case, not all the AR will be paid by their clients, so the company might get allowance for doubtful account in their financial statement. If the allowance for doubtful account is high, it will affect the company's financial condition, and if this happens continuously, the company will get a negative trend, which means a financial difficulty. Based on that statement, we can conclude that a positive sales growth ratio is not a guarantee for the company, that they will not attain going concern audit opinion.

Carson et al. (2012) stated that the increase in operating expenses which higher than the increase in sales would result in a negative net income and the impact on the company's retained earnings, so they company will still more likely to get going concern audit opinion. Abbott (2003) stated that a positive trend in company's growth that was not followed by the increase of management's quality and the increase in market potential will lead to a doubt on the viability of the company itself. If that happens, it is possible that the company will attain going concern audit opinion.

Conclusion

Based on the analysis and discussion that has been stated in the previous chapter, we can take some conclusions on the hypothesis that has been proposed that:

1. Prior year going concern audit opinion affect positively on the attainment of going concern audit opinion by the auditor. This is because in issuing going concern audit opinion, auditor must consider the company's prior year audit opinion. Prior year audit opinion is also one of the information that can strengthen audit opinion that will be given to client's company.

2. CPA firm's reputation is proxied with two scales, big four and non-big four CPA firms do not affect the attainment of going concern audit opinion by the auditor. This is because, all of the CPA firms, either big four or non-big four firms, is trying to maintain their reputation as best as they could. All of the CPA firms will always do their job objectively. It also applies in terms of issuing an audit opinion. All of the CPA firms also do their job based on the International Auditing Standard (ISA). Thus, in issuing audit opinion, all of the CPA firms have the same standard.

3. Company's growth that proxied by sales growth ratio does not affect the attainment of going concern audit opinion. This is because increasing in sales does not guarantee the company's viability. Increasing in sales that followed by a significant increase in account receivable lead to increase in allowance for doubtful account that will affect the company's financial condition. If this happens continuously, it will become a negative trends and lead to financial difficulties.

Research limitations

There are some limitations in this research.

1. The first is, there are many companies who change their reporting currency from Rupiah to US Dollars in 2012 and 2013. The companies used as the sample were reduced due to this problem.

2. The second is, related to company's growth. The sales growth ratio proxy turns out to be difficult to measure, because the current growth must be compared with the prior growth, but the data for the first prior period is not available (ex: there are many data for year 2004 that were not available, meanwhile it is needed to compare with the data from 2005)

Suggestion

Based on the research limitation above, the researcher give a suggestion to all of the further researchers, to reduce all the limitation above:

1. In determining the sample, the next researcher could change the reporting currency for purposive sampling criteria, for not only using Rupiah, but also US Dollars. For converting the US Dollars to Rupiah, they should adjust to the middle exchange rate of the year used in the study.

2. Besides on using sales growth ratio on company's growth, the next research should combine other factors related with company's growth to become its proxy.

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