

The Effect of Profitability, Leverage, Liquidity, Company Growth, Previous Year Audit Opinion, and Company Size on Opinion of Going Concern

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Abstract

The industrial sector is highly vulnerable to economic and policy changes, making it a strong candidate for further study. The industrial sector also contributes to the national economy, so the operational continuity of companies in the industrial sector has a broad impact on overall economic stability. The second reason for choosing companies in the industrial sector is that this sector is highly dependent on external factors, including the company and the economy, so it faces risks to business continuity. Industrial companies must be more reliable in developing strategies to survive in uncertain conditions. The industrial enterprises listed on the IDX during the 2021–2023 study period served as the study's population. Logistic regression was the study model that was employed. Based on the testing and the explanation, these research results indicate that no single ratio—whether leverage, liquidity, size, or growth—is decisive. Ultimately, the listed ratios are merely diagnostic indicators that prompt deeper audit procedures; the failure to secure financing or present a viable, credible survival strategy is what leads to the issuance of an opinion. A research limitation is that the financial ratios used do not reflect the overall condition; they only describe the economic condition at a single point in time. Meanwhile, many external conditions, especially those related to macroeconomics, are more uncertain and less controllable by the company, such as foreign exchange rates, raw material prices, inflation, political conditions, and broader economic conditions.

Keywords: Profitability, Leverage, Liquidity, Opinion of Going Concern

1. Introduction

Many companies in Indonesia grow rapidly. However, behind this development, companies also face increasingly complex challenges. External challenges such as intense competition, exchange rate fluctuations, inflation, and rising operational costs can significantly impact the company's performance and survival. Internal challenges for companies include managing resources optimally and developing adaptive strategies. The sector most affected by economic dynamics. This sector focuses on processing raw materials into finished goods. The production process is highly dependent on external factors, such as raw material prices, trade policies, and market demand. The industrial sector is highly vulnerable to economic and policy changes, making it a strong candidate for further study. The industrial sector also contributes to the national economy, so the operational continuity of companies in the industrial sector has a broad impact on overall economic stability. The second reason for choosing companies in the industrial sector is that this sector is highly dependent on external factors, including the company and the economy, so it faces risks to business continuity.

Industrial companies must be more reliable in developing strategies to survive in uncertain conditions. If industrial companies are unable to adapt to this uncertainty, it can result in declining financial performance, worsening economic conditions, and an increased risk of bankruptcy. Therefore, companies need to be more concerned about business continuity. This sustainability is a key factor auditors consider when assessing a company's ability to maintain operational continuity.

One phenomenon that reflects the going concern problem in Indonesia's industrial sector is PT Intan Baruprana Finance Tbk (IBFN). Based on a report from Konta.co.id (Octaviano, 2021) The company recorded a loss from 2020 to 2022. Indicators of corporate failure can be classified into three categories: economic factors such as inflation, economic recession, and low growth; industry indicators such as low market conditions, intense market competition, and industry regulations; and entity indicators such as low profitability, high financial ratios, and so on (Junaidi & Nurdiono, 2016).

One of the crucial factors that independent auditors consider when evaluating a company's viability is its going concern (Endiana & Suryandari, 2021). Depending on the uncertainties, the auditor will offer an opinion. The company's sustainability issues, influenced by both internal and external factors, are the reason for the auditor's conclusion. Internal factors include company growth, liquidity, leverage, profitability, and company size. Meanwhile, external factors that can influence the audit opinion in the previous year (Listantri & Mudjiyanti, 2016).

When evaluating a going concern, auditors often face a dilemma involving negative stakeholder responses, such as potential investors withdrawing their funds or creditors refusing to extend credit (Widhiastuti & Kumalasari, 2022). Nevertheless, auditors should still issue an opinion on going concern, as it can serve as a valuable warning to encourage the company to improve its financial condition.

Many company management teams are concerned that auditors' notes could negatively impact the company's image (Junaidi et al., 2012). As a result, the company may face difficulties in collaborating or securing new projects. If the situation is not addressed promptly, the company could face restructuring, operational reductions, or liquidation. Therefore, this is not only a warning of deteriorating financial conditions but also a potential threat to the company's overall future and business strategy—concerns about its sustainability, which can be affected by both internal and external factors.

Profitability is the amount of money a business makes over a specific period (Susanto, 2018). Profit created increases with profitability, indicating sound financial conditions. A high leverage value indicates that the company's debt-to-capital ratio is higher. This view is consistent with that of Yanti et al. (2021), who claim that leverage helps the opinion of going concerns be accepted. Businesses use liquidity ratios to assess their ability to meet short-term obligations. A high liquidity value indicates that the business can promptly fulfill its short-term commitments. This view is consistent with Sari (2022), which demonstrates that the going concern opinion is negatively affected by liquidity.

The company's growth is evident in the steady rise in total sales, which reflects strong performance (Irawati, 2019). This view is consistent with Mariano et al.'s (2024) assertion that the audit opinion from the previous year significantly influences the going concern opinion. The term "company size" refers to how large a business is, measured by its total assets. Even if they frequently face a variety of difficulties, particularly financial ones, businesses with substantial total assets typically have a stronger ability to sustain their operations. This view is consistent with Minerva et al. (2020), who claim that the company's size influences the opinion on going concern.

As a result, it is critical to establish criteria that auditors can use to determine whether a company should be granted an opinion on going concern. Although a lot of research has been conducted, results still vary, particularly regarding the impact of profitability, debt, and other variables. Variations in sectors, observation times, and analytic techniques may be the source of these discrepancies in outcomes. Furthermore, most prior research has focused on specific industries, leaving an incomplete picture. By reexamining the impact of multiple factors on going concern audit views across a range of industrial sectors, this study seeks to close this gap.

This study aims to examine how opinions on going concerns are affected by profitability, leverage, liquidity, company growth, the prior-year audit opinion, and company size. In 2021–2023, the study focused on industrial enterprises listed on the IDX. The industrial sector was selected as the population because it is susceptible to issues with company continuity due to its intricate operational and financial features and high capital requirements. Due to these numerous obstacles, auditors must exercise greater caution when

assessing industrial enterprises' ability to continue as a going concern. The results of this study can help industrial companies and other businesses evaluate factors that affect the going concern opinion, help prospective investors make better investment decisions, and help companies maintain sustainability.

2. Literatur Review

A. Agency Theory

The theory of agency is a contract between the agent (the company manager) and the principal (the company owner who holds the majority of shares) that authorizes the agent to carry out the company's activities. In this relationship, the principal and agent have different positions and roles. This difference can lead to agency problems, namely situations in which management has the opportunity to prioritize their personal interests, thereby ignoring the interests and main goals of shareholders as company owners (Senjaya & Budiarta, 2022). To reduce these problems, companies need a third party, namely an independent auditor. Auditors can help ensure that the financial statements they prepare are fair and transparent and support the company's operational continuity. In agency theory, audits serve as an instrument for evaluating financial statements. However, given the risk of fraud or management manipulation, an independent auditor is needed.

B. Signaling Theory

Signaling Theory is a theoretical framework in economics, finance, and accounting that focuses on the dynamics of communication and decision-making under conditions of information asymmetry (Spence, 1973). Information asymmetry exists when one party, the signaler, possesses superior or private information about an entity's quality or prospects relative to the other party, the receiver (Leland & Pyle, 1977). The core tenet of the theory is that the party with superior information (e.g., corporate management) will strategically issue signals—in the form of observable actions, disclosures, or characteristics—to communicate their internal quality to external parties (e.g., investors or creditors). The credibility of a signal depends on its cost; effective signals must be costly or challenging to mimic for a low-quality signaler but relatively less costly or easier for a high-quality signaler to produce (Spence, 1973).

Signaling Theory and Agency Theory are closely interconnected, as both stem from information asymmetry in the agency relationship. The opinion on going concern, issued by independent auditors, is one of the most significant and costly signals in the capital market, as it directly relates to an entity's perceived viability.

1. **The Negative Signal:** In the context of Signaling Theory, the issuance of a modified audit opinion functions as a powerful negative signal (*bad news*) to the market (DeFond & Subramanyam, 1998; Dopuch, 1999). This signal indicates a material uncertainty regarding the firm's continuity (typically 12 months) (AICPA, 2020).
2. **Signal Credibility and Cost:** Auditors, as independent parties, serve to verify and enhance the credibility of the signals (financial statements) put forth by management. Negative signals severely affect market participants, leading to market reactions such as declines in stock prices (DeFond & Subramanyam, 1998).
3. **The Absence of a Signal:** Conversely, a non-going concern paragraph is interpreted as a positive signal regarding the firm's financial health and continuity (Barton & Waymire, 2018).

In essence, the Opinion on going concern is a direct manifestation of Signaling Theory, where the auditor's report serves as a high-cost, officially verified signal that profoundly affects external stakeholders' assessments and decisions about the company's prospects.

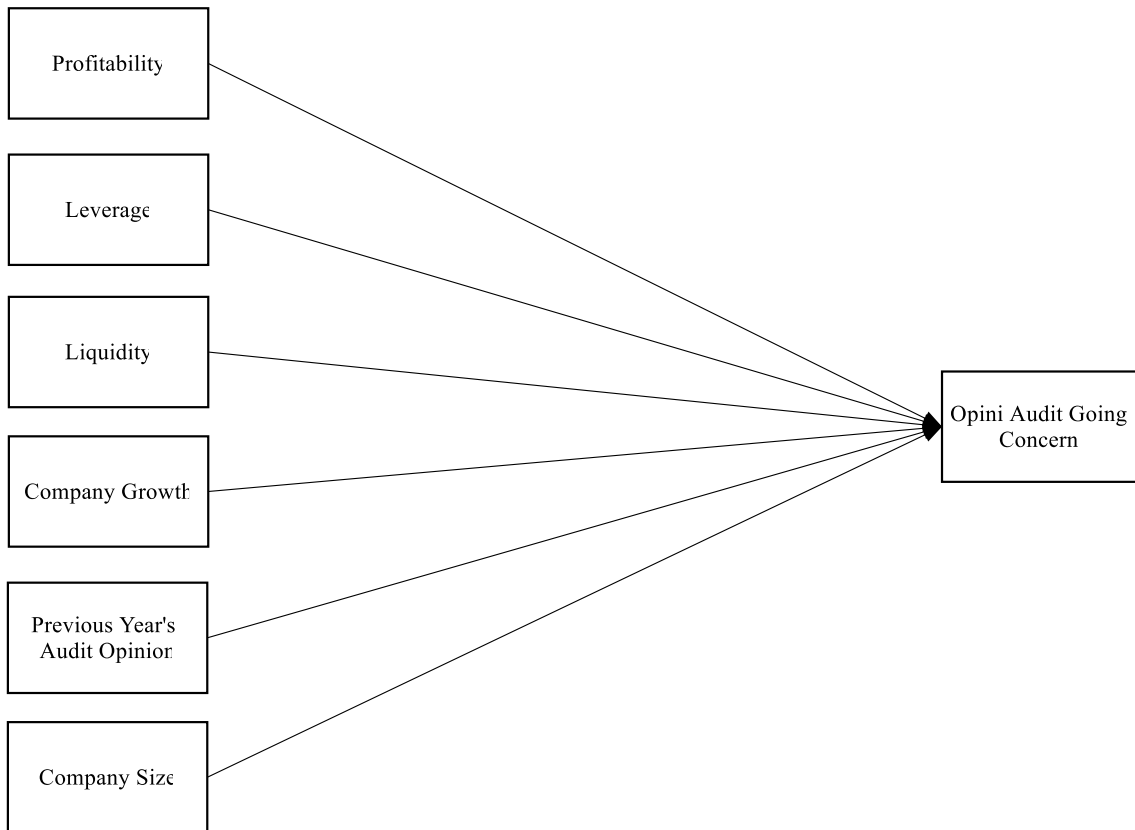


Figure 1. Research Framework

C. Legitimacy Theory

Legitimacy Theory is a widely applied framework in accounting and social sciences, primarily rooted in the concept of the social contract. In essence, a business operates within a "social contract" in which its survival depends on its ability to meet expectations (Shocker & Sethi, 1973). The opinion on going concern is closely related to Legitimacy Theory because it directly challenges an organization's most fundamental form of legitimacy: its right to continue to exist. The going concern opinion is a critical event in which a company's perceived legitimacy is officially questioned. The firm must then resort to various signaling and communication strategies, often examined through the lens of Legitimacy Theory, to mitigate the damage and re-establish the perception that it is worthy of continued existence.

D. The Influence of Profitability on Opinion of Going Concern

The ability of the business to generate profit from its total assets is reflected in profitability, as measured by Return on Assets (ROA). As earnings rise, an increase in ROA indicates the business is operating more efficiently. As a result, the auditor will not question the company's ability to continue operating in the near term. According to Rahmania & Faizal (2023) and Setyawan et al. (2022), profitability has a detrimental impact on the opinion of going concern. A company with high profitability is generally in good financial standing, and its owner is well-positioned, thanks to rising net profits that may be paid out as dividends. This condition shows that the business can continue to operate. This explanation serves as the foundation for H1:

H1. Profitability has a negative effect on the opinion of a going concern

E. The Effect of Leverage on Opinion of Going Concern

The Debt-to-Equity Ratio (DER), which measures leverage, indicates how much a business uses debt to finance its assets relative to its own capital. The auditor is more likely to issue a going concern opinion

if the company has higher leverage. This is because the excessive amount indicates an unstable financial situation, prompting the auditor to question the business's ability to continue operating. According to studies by Aryantika & Rasmini (2015) and Yanti et al. (2021), leverage improves the going concern opinion. According to Yanti et al. (2021). A high leverage ratio suggests that debt is the main source of funding for a company's assets. The business will find it difficult to fulfill its responsibilities and risk bankruptcy if this situation continues year after year. This explanation serves as the foundation for H2:

H2. Leverage has a positive effect on the opinion of going concern

F. The Influence of Liquidity on Opinion of Going Concern

The Current Ratio is used to measure liquidity (CR). This percentage shows the business's ability to meet its immediate obligations. A corporation is considered liquid if it has high liquidity, meaning it can meet short-term obligations on time. According to research by Putranto (2018) and Indriastuti (2016), the going concern opinion is negatively affected by liquidity. A company's incapacity to fulfill its immediate obligations is indicated by low liquidity. This explanation serves as the foundation for H3:

H3. Liquidity has a negative effect on the opinion of going concern

G. The Influence of Company Growth on Opinion of Going Concern

Growing revenues are a good way to gauge a company's progress. Business profits typically rise in tandem with sales, enabling the organization to operate more efficiently and sustain operations over the long term. Since the company is expected to survive and grow, the going concern opinion is negatively affected by its expansion. According to studies by Muhammadiyah (2017) and Yanti et al. (2021), the acceptability of a company's going concern opinion is negatively affected by the company's development. Because they are seen as financially sound and have room to grow, companies with rapid growth rates are less likely to receive a going-concern judgment. Strong sales growth reassures auditors that the business can withstand market competition and shifting economic conditions. This explanation serves as the foundation for H4:

H4. Company growth has a negative effect on the acceptance of the opinion of going concerns

H. The Influence of Prior Year Audit Opinion on Opinion of Going Concern

It is a sign that the business is having issues with business continuity if it has obtained a going concern opinion in the past year. The provision of an opinion of going concern is influenced by the audit opinion from the prior year; specifically, if the auditor provided an opinion of going concern in the audit report from the previous year, there will probably be a chance to do so again the following year (Harris & Merianto, 2015). The following is the formulation of H5:

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

I. The Influence of Company Size on Opinion of Going Concern

The business's overall assets indicate its size and its capacity to continue operating (Melistiari et al., 2021). A business's ability to sustain itself over the long run increases with its asset base (Sari, 2025). Businesses with substantial assets are better able to handle financial difficulties, reducing the risk of loss. This explanation serves as the foundation for the H6:

H6. Company size has a negative effect on the opinion of going concern

3. Method

A. Research Design and Data Source

This study adopts a quantitative research design using secondary data obtained from publicly available corporate reports. The population comprises companies in the industrial sector listed on the Indonesia Stock

Exchange (IDX) during the 2021–2023 observation period. The industrial sector was selected because it is characterized by complex operational structures, substantial capital intensity, and higher financial risk exposure, which increase the likelihood of business continuity issues and make going-concern assessments more critical. Consequently, auditors are generally required to apply greater professional judgment and caution when evaluating going concern conditions in this sector.

The sample was determined using purposive sampling to ensure the availability and completeness of the required data. The selection criteria include: (1) companies consistently listed in the industrial sector on the IDX throughout 2021–2023, (2) companies that regularly published annual reports either on their official websites or through the IDX database, and (3) companies that disclosed complete financial and audit-related information necessary to measure all research variables. The study relies exclusively on secondary data derived from annual reports accessed via the official IDX website and respective corporate websites. Hypothesis testing is conducted using logistic regression, which is appropriate for a binary dependent variable, and all statistical procedures are performed in SPSS version 23. Logistic regression analysis is a method used to determine the extent to which independent variables affect dependent variables. The testing procedure in this study begins with a feasibility test of the regression model, an assessment of the model's feasibility, a classification matrix, and a test of the coefficient of determination.

B. Measurement and Variable Definition

1. Going Concern Opinion

An opinion on going concern is an auditor's opinion that a company is unable to maintain its business continuity and continue operating in the long term or within a specified period. According to Clara & Purwasih (2022) It can be measured using a dummy variable with provisions.

Dummy variable:

0 = if the company does not receive an opinion of going concern

1 = if the company receives an opinion of going concern

2. Profitability

Profitability refers to a company's ability to manage its total assets to generate profits or gains. Profitability can be measured using the Return on Assets (ROA) ratio.

$$ROA \text{ (Return on Asset)} = \frac{\text{Net Profit}}{\text{Total Assets}} \quad (1)$$

3. Leverage

Leverage is the extent to which a company can pay its debts using its equity. Leverage can be measured using the Debt Equity Ratio (DER).

$$DER \text{ (Debt to Equity Ratio)} = \frac{\text{Total Debt}}{\text{Total Equity}} \quad (2)$$

4. Liquidity

Liquidity measures a company's ability to meet its short-term obligations using its current assets. Liquidity can be measured using the Current Ratio (CR).

$$CR \text{ (Current Ratio)} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad (3)$$

5. Sales Growth

A company's ability to maintain its economy is reflected in sales growth, as sales are one of its primary activities. Company growth can be proxied by sales growth (Halim, 2021).

$$\text{Company Growth} = \frac{\text{Net Sales } t - \text{Net Sales } t-1}{\text{Net Sales } t-1} \quad (4)$$

6. Previous Year Audit Opinion

The previous year's audit opinion can be measured using a dummy variable with the following provisions:

- 0 = If the company in the previous year did not receive a statement of opinion of going concern from the auditor
- 1 = If the company in the previous year received a statement of opinion of going concern from the auditor

7. Company Size

The company's scale is reflected in its total assets, which are considered more stable than other metrics.

$$\text{Company Size} = \text{size} = \text{Ln}(\text{Total Assets}) \quad (5)$$

4. Result and Discussion

A. Descriptive Statistic Analysis

The reason for choosing companies in the industrial sector is that this sector is highly dependent on external factors, including the company and the economy, so it faces risks to business continuity. In this study, the researcher used purposive sampling, selecting participants based on specific criteria related to the research object.

The results of the descriptive statistical tests for each variable are presented in Table 2. Table 2 shows that the sample used during the 2021-2023 observation period was obtained from 150 samples. The mean result for the opinion of going concern shows that 29% of companies in the sample received an opinion on going concern. The mean result on profitability shows that 4% of companies in the sample have low profit-generating ability. The mean leverage ratio indicates that 78% of companies in the sample can finance operations with a combination of equity and debt. The mean liquidity ratio indicates that 267% of companies in the sample have current assets exceeding current liabilities. The mean result for company growth shows that 29% of companies in the sample have grown. The mean result for the previous year's audit opinion indicates that 21% of companies in the sample received a similar opinion. The mean result for company size shows that 25% of companies in the sample have total assets in the large company category.

Table 1. Data Sampling

	Purposive	Total
Total industrial companies consecutively listed on the Indonesia Stock Exchange (IDX) in 2021-2023		67
Industrial companies that do not provide the complete data required for calculating research variables		(17)
Total Companies		50
Research Years		3
Total Research Sampling		150

Table 2. Descriptive Statistical Analysis

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Opinion Audit Going Concern	150	0	1	.29	.454
Profitability	150	-.34	.73	.0419	.11749
Leverage	150	-21.59	10.52	.7870	2.55763
Liquidity	150	.13	48.11	2.6743	4.31281
Company Growth	150	-.87	22.80	.2989	.188103
Previous Year Audit Opinion	150	0	1	.21	.411
Company Size	150	12.81	24.7729	24.7729	4.38104
Valid N (listwise)	150				

Table 3. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
Profitability	0.987	1.013
Leverage	0.990	1.010
Liquidity	0.979	1.021
Company Growth	0.973	1.027
Previous Year Audit Opinion	0.955	1.047
Company Size	0.957	1.045

Table 4. Hosmer and Lemeshow's Goodness of Fit Test

Step	Chi-Square	df	Sig.
1	8.382	8	0.397

Table 5. Overall Model Fit

Iteration		-2 Log likelihood	Coefficients	
			Constant	
Step 0	1	179.847		-.853
	2	179.742		-.911
	3	179.742		-.912

Table 6. Overall Model Fit

Iteration		-2 Log likelihood	Coefficients						
			Constant	Profitability	Leverage	Liquidity	Growth	Oats	Size
Step 1	1	107.306	-2.217	-2.761	.021	-.064	-.004	3.005	.040
		98.400	-5.724	-5.724	.017	-.095	-.018	4.149	.084
	2	97.197	-7.288	-7.288	.017	-.112	-.038	4.803	.122
		97.138	-7.655	-7.655	.017	-.116	-.047	4.997	.136
	3	97.138	-7.678	-7.678	.017	-.116	-.047	5.010	.137
	4	97.138	-7.678	-7.678	.017	-.116	-.047	5.010	.137
	5								
	6								

B. Multicollinearity Test

Table 3 presents the results of the multicollinearity test using tolerance and Variance Inflation Factor (VIF) values for all independent variables. Multicollinearity is considered problematic when tolerance values are below 0.10, and VIF values exceed 10. The results show that all variables have tolerance values between 0.955 and 0.990 and VIF values between 1.010 and 1.047.

Specifically, profitability has a tolerance value of 0.987 (VIF = 1.013), leverage 0.990 (VIF = 1.010), liquidity 0.979 (VIF = 1.021), company growth 0.973 (VIF = 1.027), previous year audit opinion 0.955 (VIF = 1.047), and company size 0.957 (VIF = 1.045). All tolerance values are well above the minimum threshold, and all VIF values are far below the critical limit.

These findings indicate no multicollinearity among the independent variables. Therefore, the regression model satisfies the multicollinearity assumption, and all predictor variables can be included simultaneously in the logistic regression analysis.

C. Hosmer and Lemeshow's Goodness of Fit Test

The use of the Hosmer and Lemeshow Goodness of Fit Test to start a feasible regression model. Testing the null hypothesis that the empirical data fits the model, or there is no difference between the model and the data, so that the model is said to be fit.

Table 4 results chi-square of 8.382, df of 8, and a significance value of 0.397. Because the significance value is greater than 0.05, H0 is accepted. It can be concluded that the logistic regression model used in the study is consistent with the data's completeness and meets the adequacy criterion (fit).

D. Overall Model Fit Test

The model fit test is used to assess the model's suitability for the data before and after the independent variables are entered. This test compares the initial -2log-likelihood (2LL) value (block number = 0) with the final -2log-likelihood (2LL) value (block number = 1). The model fit test is used to assess the suitability of the model and the data before and after the independent variables are entered. Table 5 shows that in the initial block (step 0), the -2 Log Likelihood was 179.742. The value of -2 Log Likelihood decreased to 97.138. Thus, a decrease in the value indicates that the regression model can predict the values of its observations, meaning it fits the data.

E. Nagelkerke R Square Test

Testing the coefficient of determination using Nagelkerke R-squared. Table 7 Testing the coefficient of determination using the Nagelkerke R-squared. The coefficient of determination (Nagelkerke R Square) was 0.606. This shows that the logistic regression model in the study explains 60.6% of the variation in the opinions on going concerns.

F. Matrix Classification

The clarification table can present predictions from the regression model to estimate the probability that industrial companies on the IDX have received a going concern opinion (Sari, 2022). The following are the results of the prediction accuracy test, as shown in classification table 8. As shown in the table, the model's ability to predict the opinion on going concerns is 88%. Observation data show that 106 observations (99.1%) did not receive an opinion on going concern. These results indicate that 107 companies in the 99% sample do not have an opinion on going concern, out of 150 industrial companies during the 2021-2023 period.

Table 7. Nagelkerke R Square

Step	-2 Log Likelihood	Cox 7 Snell R Square	Nagelkerker R Square
1	97.138	0.423	0.606

Table 8. Matrix Classification

Observed		Predicted			Percentage Correct
		Opinion Audit Going Concern		No	
Step	Opini Audit Going Concern	No	Yes		
		1	No	106	1
Yes	17		26	60.5	
Overall Percentage				88.0	

Table 9. Hypothesis test (F test)

Observed	Chi-square	df	Sig	
Step 1	Step	82.604	6	.000
	Block	82.604	6	.000
	Model	82.604	6	.000

Table 10. Hypothesis test (T test)

	Observed	B	S.E	Wald	df	Sig	Exp(B)
Step 1	Profitability	-7.678	2.548	9.078	1	.003	.000
	Leverage	.017	.082	.043	1	.836	1.017
	Liquidity	-.116	.073	2.508	1	.113	.891
	GROWTH	-.047	.178	.071	1	.790	.954
	OATS	5.010	.950	27.836	1	.000	149.947

G. Hypothesis test (F test)

This test is used to determine whether the dependent variables (profitability, leverage, liquidity, company growth, previous year's audit opinion, and company size) simultaneously affect the opinion of going concern. The chi-square value obtained was 82.604, with $df = 6$ and significance (Sig) = 0.000. Table 9 shows that the p-value is less than 0.05. This shows that the logistic regression model in this study is significant overall; in other words, the independent variables together have a significant effect on the dependent variable.

H. Hypothesis test (T test)

Table 10 Testing is done with a significant assessment (Sig) < 0.05, then it can be said that the independent variable affects the dependent variable. However, on the other hand, if the significant value (Sig) > 0.05, then the independent variable does not affect the dependent variable. From the results of the logistic regression analysis, the regression equation model can be written as follows:

$$\text{OAGC} = -4,981 - 7,678\text{ROA} + 0,017\text{DER} - 0,11\text{CR} - 0,047\text{SG} + 5,010\text{OATS} + 0,137\text{SIZE} \quad (6)$$

I. Discussion

The findings of this study's logistic regression analysis indicate that, for industrial companies listed on the IDX in 2021–2023, profitability significantly reduces the likelihood of a going concern opinion. Profitable or earnings-generating businesses demonstrate sound financial standing and the ability to continue operating. Auditors typically evaluate the company's financial stability and chances for business continuity. The study's findings are consistent with research by Ningsih (2024) and Sinaga & Cahyonowati (2024), which found that profitability significantly affects the opinion on going concern.

Leverage has a favorable but negligible impact on the opinion of going concerns in industrial companies listed on the IDX in 2021–2023, according to the study's logistic regression analysis results. Despite the positive influence, the effect is not statistically significant because the p-value exceeds 0.05. This suggests that while organizations with high levels of leverage are theoretically more likely to face survival threats, auditors do not always take this into account when forming going concern audit judgments. Businesses with a lot of debt may not always indicate bad financial health. The business has sufficient assets, steady cash flow, and backing from creditors and shareholders to meet its obligations. A measure of long-term solvency, the leverage ratio shows the percentage of debt financing relative to equity (Watts & Zimmerman, 1986). A company's likelihood of defaulting on its immediate maturing commitments (liquidity) is not immediately indicated by this ratio.

Liquidity has a negative but negligible impact on the opinion of going concerns in industrial companies listed on the IDX in 2021–2023, according to the logistic regression analysis conducted for this study. The effect is not statistically significant, even though it is negative, because the p-value exceeds 0.05. The nature of liquidity is transient and subject to rapid fluctuations. This ratio provides an overview of the financial situation at a specific point in time (Mutchler, 1984). Because auditors will consider the company's overall financial situation, they cannot base their opinion on the going concern solely on liquidity ratios. The study's findings support those of Ayu and Tresna (2022), who found that opinions on going concerns are negatively affected by liquidity.

The findings of this study's logistic regression analysis indicate that, for industrial businesses listed on the IDX in 2021–2023, company expansion has a negative but negligible impact on the opinion of going concern. Despite the negative influence, the effect is not statistically significant because the p-value exceeds 0.05. The likelihood of higher earnings that sustain the company's survival increases with the sales growth rate. Nonetheless, there are instances in which the company's capacity to sustain steady performance does not justify higher sales. On the other hand, a decline in sales does not always signify a precarious financial situation.

According to the study's logistic regression analysis, the going concern opinion for industrial businesses listed on the IDX in 2021–2023 is significantly influenced favorably by the prior-year audit opinion. There is a chance that things have not improved much if the auditor issued a going concern opinion the previous year. Additionally, auditors will exercise greater caution and adopt a more conservative stance by taking consistency in opinion-giving into account. According to Putri and Suhartini (2024), the going concern opinion is significantly influenced favorably by the prior-year audit opinion.

According to the findings of this study's logistic regression analysis, opinion of going concerns for industrial businesses listed on the IDX in 2021–2023 is positively, although not significantly, impacted by company size. Going concern audit judgments cannot be accepted based on a company's size as measured by its total assets. If large businesses face significant financial difficulties, they may be at risk of bankruptcy. On the other hand, small businesses that are financially stable and well-managed can endure. Auditors evaluate operational efficacy and efficiency, as well as performance, not the size of the organization (Sulistiyowati, 2025).

5. Conclusion

Based on hypothesis testing, no single financial ratio, such as leverage, liquidity, firm size, or company growth, can independently determine the going concern opinion. Auditors' judgments are based on an integrated evaluation of factors such as sustained negative operating cash flows, the company's inability to finance ongoing operations, the credibility and feasibility of management's mitigation strategies, adverse operating conditions, and the availability of external financial support. Financial ratios serve as early warning indicators that prompt more in-depth audit procedures. At the same time, the failure to secure financing or to present a credible, viable business continuity plan ultimately leads to the issuance of a going concern opinion.

However, this study is subject to several limitations, as the financial ratios employed only reflect the company's condition at a specific point in time and do not fully capture overall business performance. Also, external factors, particularly macroeconomic and non-financial conditions such as exchange rate fluctuations, raw material prices, inflation, political conditions, and economic uncertainty, were not comprehensively examined.

Therefore, it is recommended to expand the research period and sample scope, incorporate additional financial proxies, and include broader external and non-financial factors to evaluate business sustainability. Furthermore, investors, management, and policymakers should evaluate corporate sustainability holistically, recognizing that going concern assessments are influenced by the interaction of multiple financial and non-financial factors rather than by any single indicator.

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