

# Analysis of Audit Tenure, Opinion Shopping, Company Growth, and Debt to Equity Ratio Effect on Audit Going Concern Opinion

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*Abstract*

This study aims to obtain empirical evidence on the influence of audit tenure, opinion shopping, company growth and debt to equity ratio towards acceptance of going concern audit opinion. The population in this study is the audited financial statements of infrastructure, utility and transportation services companies listed on the Jakarta stock exchange in 2013-2016. Determination of sample is done by using purposive sampling with amount of sample counted 30 company during period of 4 years observation so that total of sample is 120 datas. This research use SPSS version 23 with test of descriptive statistical analysis and logistic regression analysis. The result of this research shows that company growth has a significant effect on the acceptance of going concern audit opinion, audit tenure does not have a significant effect to the acceptance of going concern audit opinion, opinion shopping does not significantly effect the acceptance of going concern audit opinion and debt to equity ratio going concern audit opinion. Through the simultan significant test showed that the results of the 3 independent variables are not simultaneously influential to the acceptance of going concern audit opinion.

## I. INTRODUCTION

The information in the financial statements obtained will be connected between the management and the owners of interest. In conjunction with management entrusted by the owner to develop the capital owned to get the desired by the owner of the interest. It is important for management to find ways to remain able to maintain the company's sustainability. But sometimes the fact found that the company failed (bankrupt) in running its business, causing a conflict of interest to the capital owners. Therefore some public accountants are useful to give opinions to give some consideration to the information on the financial statements.

Public accountants play an important role in bridging the interests of investors and the company. Public accountants help investors or prospective investors to provide preliminary information about whether the company has a long-lasting life (going concern) with calculations that are based on the findings of the audit results. The ability of the company to further its companies is assessed with several indicators that according to an auditor is a matter of importance to the company. The company will be assessed well if it has long-lasting life in the future, and is poorly judged if the company cannot continue its business later on.

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The auditor's decision to give opinions can help the company to get investment. An unqualified opinion is the best of another opinion. Companies go public tend to like this opinion to easily get investors. In the company's activities, there is also the possibility of the company to find an auditor who has no strong independence. To obtain the desired opinion, the company seeks to find the auditor. Auditors like this will provide any kind of opinion that the company wants to achieve the company's interests with a guarantee of financial benefit for the auditor itself. This activity will also cause the same fraud as the paragraph above is not independent of the audit activity conducted by the auditor. Auditor switching activities to obtain the desired opinion can be called the opinion shopping. Opinion Shopping Company is done to get the desired opinion that will provide information "false" to prospective investors. When the

auditor is said to be independent, the company will dismiss a public accountant (auditor) who tends to give an opinion of going concern, or otherwise, the company will appoint an auditor who tends to give an opinion of going concern with Improve the company's operating outcomes or financial condition.

The company's success can be measured from the company's growth year by year in running the company. Through the growth of profit, sales, increase in capital, adding assets and other factors that could indicate that the company grew rapidly in running its company. The ability of this company also provides additional information that can help the auditor to give audit opinions going concern. Companies that can grow in the ongoing business situation provide positive value for investors to put many investments. Moreover, the business is said to be experiencing difficulties, it will give more value than positive.

Financial conditions also become an important factor for independent auditors when conducting an assessment of the success of the company to maintain it is business survival (going concern). The company is said to have a long life continuity that is a good company, not only in sales but also in financial performance capabilities. Financial performance is said to be healthy when the company can pay the obligations/debts by third parties or other affiliated parties and interest in the debt. Good companies in financial terms have sufficient capital and profit to make such payments. The comparison between debt and capital will certainly display relevant data about the company's ability to conduct its business. The company's debt and interest can be paid off with the performance of the capital used to generate profit. This ability is also a selection of background auditors to give audit opinions going concern.

## II. RELATED WORKS/LITERATURE REVIEW (OPTIONAL)

### **Auditing**

(Messer, Glover, & Prawitt, 2014) "Auditing is a systematic process to acquire and evaluate evidence objectively about the assertions of economic activities and events to determine the level of conformity between the assertions and the Criteria and communicate its results to interested parties. "

### **Audit Tenure**

The audit tenure is the number of years in which the Public accountant Office conducts an audit on the same company. The old alliance may result in a lack of independence of the auditor, so some countries have set regulations on the rotation of the Public Accountant Office.

### **Opinion Shopping**

Security Exchange Commisision (1985), opinion shopping is defined as an activity for auditors who want to support the accounting treatment submitted by management to achieve the company's reporting objectives.

### **Debt to Equity Ratio**

Debt to equity ratio is one of the solvency ratios used by financial report researchers to find out how much debt to capital is comparing.

## III. METHODS

This research is empirical by using secondary data. Secondary data is a source of research data obtained by researchers indirectly, through intermediate media. Secondary data is generally evidence, notes, or historical reports that have been arranged in an archive that is published and unpublished. Secondary data use in the form of an independent auditor's opinion report and the financial report of the go public company on infrastructure, utilities, and transportation sectors and listed on the Indonesia Stock Exchange (IDX) in 2013-2016. The Data is obtained from the official website of the Indonesia Stock Exchange (idx.co.id, 2018)

The research objects used in this study are all sectors of infrastructure services, utilities, and transportation listed on the Indonesia Stock Exchange (IDX) during the 2013-2016 period according to the research criteria. The service sector was chosen because at this time the development of infrastructure services sector, utilities and transportation is a major concern in today's governance era and the use of such services is always needed by the community today this by its population is the entire company go public the services in infrastructure, utilities, and transportation sector listed on the Indonesia Stock Exchange (IDX) amounting to 62 service companies of the sector.

The company's criteria for sampling in this study are as follows:

1. Company services in infrastructure, utilities, and transportation sector listed on the Indonesia Stock Exchange (IDX) during the research period (2013-2016).
2. The company is listed on the Indonesia Stock Exchange (IDX) before 1 January 2013.

3. Annual financial statements that have been audited by independent auditors was published for the 2013-2016.
4. Annual financial statements have complete information related to all variables being researched

Table 1. Sample Selection Process table

No	Criteria	Violation of criteria	Amount
1	Service company in infrastructure, utilities and transportation sector in 2013-2016	0	62
2	The company is listed before 1 January 2013	(2)	41
3	The company publishes the financial statements and reports of independent auditors during the consecutive period	(4)	37
4	Data is not fully available concerning all the variables researched	(7)	30
<b>Total Sample</b>			<b>30</b>
<b>Period</b>			<b>4</b>
<b>Total Sample during the period</b>			<b>120</b>

### Research variable operationalization

#### 1. Independent Variable

Independent variables are free or untied variables that describe or affect other variables. According to (Morissan, 2014) Dependent variables are researched variables that have an allegedly derived value that is influenced by independently defined independent variables by researchers

Table 2 Independent Variable

No	Variable	Definition	Indicator	Scale
1	Audit Tenure	The number of years in which the same Public Accountant Office has conducted an audit on the auditee	Use the number of year since auditee related to the same Public Accountant Office during the research period	<i>Scale</i>
2	Opinion Shopping	The company's activities look for auditors who want to support the accounting treatment submitted by management to achieve the company's reporting objectives.	Using a dummy variable Value 1 : Opinion shopping Value 0 : Non Opinion Shopping	<i>Scale</i>
3	Company Growth	Company's success in running its business by increasing company sales	Percentage of net sales increase between the year of the period studied by the previous period	<i>Scale</i>
4	Debt to equity ratio	A large percentage of comparison between debts and capital	Percentage of debt with the capital in each period thorough	<i>Scale</i>

## 2. Dependent Variable

Dependent variables are research variables that have an allegedly derived value that is influenced by independently defined independent variables by researchers (Morissan, 2014) The abound variable is a variable that is affected or that is due, due to a free variable.

Table 3. Dependent Variabel

No	Variable	Definition	Indicator	Scale
1	Opini audit going concern	The audit opinion provided by the auditor to the inability to survive the company	Using a dummy variable Value 1 : Going Concern Audit Opinion Value 0 : Non Going Concern Audit Opinion	Scale

### Data Analysis Techniques

The data analysis techniques use in this study are quantitative analysis methods. Quantitative analysis uses figures, statistical calculations to analyze hypotheses and several other analytical tools. This quantitative data analysis is also initiated by collecting the data that represents the samples in this study, and then the data is processed using SPSS (Statistical Package for Social Science) so that it will result in processed data table as well as explanations that serve to make decisions on the results of the analysis

#### 1. Descriptive statistical analysis

The descriptive statistical analysis analyzes the data by describing or describing data that has been collected as it is without intent to make any conclusions that apply to the public or generalists

#### 2. Logistic regression analysis

This analysis technique does not require a test of the data normality assumptions in its free variables because a variable is a mixture of a continuous (metric) and categorial (non-metric) variable. Testing of all four hypotheses is performed using logistical regression, whose free variables are a combination of metric and non-metric. The equation of the logistic regression model used is as follows:

$$\text{Ln} \frac{GC}{1 - GC} \quad : \text{Going Concern Audit Opinion}$$

$\alpha$  : Constanta

AuTe : Audit Tenure

OpSh : Opinion Shopping

PP : Company Growth

DER : Debt to Equity Ratio

$\beta_{1-4}$  : The coefficient of each variable

$\varepsilon$  : Error

Testing of hypotheses in this study is conducted with the following stages:

H<sub>0</sub>: The model that is hypothesized fit with data

H<sub>a</sub>: The hypothesized model is not fit with the data.

From this hypothesis according to (Ghozali, 2016) We will not refuse H<sub>0</sub> to fit the model with data. Statistics are used based on the likelihood function. The likelihood L of the model is the probability that the model is hypothesized to describe the input data. To test the 0 and alternative hypotheses, L is transformed into a-2logL. With an alpha of 5%, how to assess this fit model is as follows:

If the value of -2LogL is < 0.05 then the H<sub>0</sub> is rejected and H<sub>a</sub> is accepted, it means the model is fitted with the data.

If the value -2LogL > 0.05 then the H<sub>0</sub> is accepted and H<sub>a</sub> is rejected, which means that the model is not fit with the data.

The presence of the initial-2LogL value reduction (initial-2LL function) with the final-2LogL value indicates that the model is hypothesized to fit the data. Log-Likelihood in logistical regression is similar to the meaning of "Sum of Square Error" in regression models, resulting in a decline in Log-Likelihood showing improved regression models in other words H<sub>0</sub> rejected and the addition of free variables to the model Fix fit Model (Ghozali, 2016)

IV. RESULTS

The estimation of parameters of the model can be seen through the regression coefficient. Regression coefficients of each tested variable indicate the form of connection between one variable and the other. The hypothesis testing is to test the influence of independent variables i.e. audit tenure audit, opinion shopping, company growth and debt to equity ratio. Against dependent variables i.e. acceptance of going concern audit opinion using binary logistic regression and results shown in the Variables in the Equation table, column Significant (Sig). Compared to alpha level ( $\alpha$ ) 0.05 (5%). If the significant value is below 0.05 (5%) Then the hypothesis (H<sub>A</sub>) is accepted. Here is the table variable in the equation:

Table 4 Variables in the Equation  
**Variables in the Equation**

	B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
							Lower	Upper
Step 1 <sup>a</sup> X1	-,230	,342	,452	1	,501	,794	,406	1,554
X2	6,937	6,758	1,054	1	,305	1029,674	,002	581758904,3
X3	-3,231	1,305	6,131	1	,013	,040	,003	,510
X4	,158	,090	3,075	1	,080	1,172	,982	1,399
Constant	-2,006	,830	5,848	1	,016	,135		

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

Source: Data processing result with SPSS 23.0

According to table 4 shows the results of the hypothesis testing by using binary logistic regression at a signification rate of 0.05 (5%). Based on the results of the test, it can be obtained a binary logistic regression formulation as follows:

$$Opini = -2,006 - 0,230AuTenure + 6,937OpShopping - 3,231PertPerush + 0,158DER + e$$

Therefore, the formulation of binary logistic regression above can be concluded if a company that receives audit opinions going concern or receive audit opinions non-going concern every increment 1 point audit tenure will lower the level of the log of company odds will receive an audit opinion going concern with a value of 0.230 by ignoring another independent variable. Each increment of 1 point of opinion shopping will raise the level of the log of the company's odds will receive an audit opinion going concern with the value of 6.937 by ignoring other independent variables. Each increment of 1 point growth of the company will lower the log level of the company's odds will receive an audit opinion going concern with the value of 3.231 by ignoring other independent variables. Likewise, every 1 point debt to equity ratio increase will increase the log of odds the company will receive an audit opinion going concern with the value of 0.158 by ignoring other independent variables.

Based on table 4 can also be seen testing results of the estimated parameters and their inner achievements seen from the value of the regression coefficient and the significance for each independent variable with a significant level (0.05) which is used to answer the hypothesis as follows:

**H<sub>1</sub> : Audit Tenure has no significant effect on acceptance of the opinion going concern**

The Audit Tenure variable (AuTenure) of table 4 indicates a coefficient of -0.230 with a significance value of 0.501 > 0.05. This means the H<sub>1</sub> is rejected or the audit variable tenure has no significant effect on the acceptance of the going concern audit opinion

**H<sub>2</sub> : Opinion Shopping has no significant effect on the acceptance of the going concern audit opinion**

The Opinion Shopping (OpShopping) variable in table 4 shows the coefficient of 6.937 with a significance value of 0.305 > 0.05. This means the H<sub>2</sub> denied or the variable opinion shopping has no significant effect on acceptance of the going concern audit opinion

**H<sub>3</sub> : Company growth significantly affects the acceptance of the going concern audit opinion**

The company growth variable (PertPerush) in table 4 shows the coefficient of -3.231 with a significance value of 0.013 < 0.05. This means that H<sub>3</sub> is acceptable or the company growth variables significantly affect the acceptance of the going concern audit opinion

**H<sub>4</sub> : Debt to Equity Ratio has no significant effect on the acceptance of the going concern audit opinion**

The variable Debt to Equity Ratio (DER) in table 4 shows a coefficient of 0.158 with a significance value of 0.080 > 0.05. This means the H<sub>4</sub> rejected or variable debt to equity ratio has no significant effect on the

acceptance of the going concern audit opinion

This research is a study on the expenditure of going concern audit opinion by auditors to Auditee. The research uses independent variables (audit tenure, opinion shopping, company growth and debt to equity ratio) to test the acceptance of the audit of going concern by the auditee. The research was conducted against 120 samples of financial statements of the service company in infrastructure, utilities, and transportation sector which have been elected using the Purposive sampling method. Based on the results obtained by 16 financial reports the company received a going concern audit opinion and the remaining 104 financial statements of non-going concern. Here is a summary table of the research hypothesis test results conducted by researchers:

Table 5. Hypothesis Test Result Summary

No	Hypothesis	Result
1	Audit Tenure has no significant effect on acceptance of the going concern audit opinion	Rejected
2	Opinion Shopping has no significant effect on acceptance of the going concern audit opinion	Rejected
3	Company growth has significant effect on the acceptance of going concern audit opinion	Accept
4	Debt to Equity Ratio has no significant effect on the acceptance of the going concern audit opinion	Rejected

The Audit Tenure variable (AuTenure) of table 4 shows a coefficient of -0.230 with a significance value of  $0.501 > 0.05$ . This means the H1 is rejected or the audit variable tenure has no significant effect on receiving the going concern audit opinion. The acceptance is not based on how long the reciprocal sustainability of the audit opinion is issued to the auditee.

The Opinion Shopping variable (OpShopping) in table 4 shows the coefficient of 6.937 with a significance value of  $0.305 > 0.05$ . This means the H2 denied or the variable opinion shopping has no significant effect on acceptance of the audit opinion going concern. The acceptance is not based on the auditory behavior at the time of the auditor's change when the auditee received a going concern audit opinion. So although Auditee made the turnover of auditors, do not close the possibility that the possibility of receiving audit opinions going concern will still be accepted.

The company growth variable (PertPerush) in table 4 shows the coefficient of -3.231 with a significance value of  $0.013 < 0.05$ . This means that H3 received or growth variables of the company have a significant effect on the acceptance of the going concern audit opinion. The acceptance is influenced by company growth. The company's sales increase from year to year will significantly affect the acceptance of the going concern audit opinion.

The Debt to Equity Ratio (DER) variable in table 4 shows a coefficient of 0.158 with a significance value of  $0.080 > 0.05$ . This means H4 received or variable debt to equity ratio has no significant effect on acceptance of the going concern audit opinion. The acceptance is not based on the ratio of debt to capital. Comparison of the years 2013-2016 does not affect the acceptance of the audit opinion going concern

V. CONCLUSION

Stock Exchange period 2013-2016 Influence over the acceptance of audit opinions going concern. Researchers analyzed the influence of tenure audit, opinion shopping, company growth and debt to equity ratio to the acceptance of the going concern audit opinion. The research uses 30 samples of Service companies in infrastructure, utilities, and transportation sectors listed on the Indonesia Stock Exchange period 2013-2016. Based on the results using binary logistic regression then the conclusion is obtained that the variable Audit Tenure has no significant effect on the acceptance of the going concern audit opinion. It means the acceptance is not based on how long the mutual sustainability of the audit opinion issued to the auditor to the auditee. The Opinion Shopping variable (OpShopping) also has no significant effect on the acceptance of the going concern audit opinion. It means that the acceptance is not based on the auditory behavior at the time of the auditor's turnover. So although the auditee made the turnover, it is not mean that the possibility of receiving going concern audit opinion will still be accepted. The company growth variable (PertPerush) has a significant effect on the acceptance of the going concern audit opinion. It means acceptance is influenced by company growth. The sales increase from year to year will significantly affect acceptance. The variable Debt to Equity Ratio (DER) has no significant effect on the acceptance of the going concern audit opinion. It means the acceptance is not based on the ratio of debt to capital. Based on the explanation

above can be said audit variable audit tenure, opinion shopping, debt to equity ratio does not affect significantly to the acceptance of the going concern audit opinion, but the company growth has a significant influence

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