

## **The Effect Of Company Size, Liquidity and Solvency On Going Concern Audit Opinion (Case Study On Cyclical Sector Companies Listed On The BEI In 2018-2022)**

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### **ABSTRACT**

This study is to determine the effect of company size, liquidity, and solvency on going concern audit opinion in Cyclical Companies during the 2018-2022 period. The background of the problem underlying this research is the decline in stock prices that occurred in this sector. This study aims to analyze whether there is a significant influence between these variables. The population in this study are companies listed in the Cyclical sector in 2018-2022. The sampling method used was purposive sampling method and obtained 17 companies with a total sample of 85 financial reports which became the object of research. The data analysis method is quantitative analysis using multiple linear regression analysis using the SPSS 24 program. The results of the analysis show that company size has no effect on going concern audit opinion, while liquidity and solvency affect going concern audit opinion. The implication of this finding is the need for companies to pay attention to liquidity and solvency in the context of the long-term operational resilience of Cyclical companies.

### **INTRODUCTION**

Audit reports related to going concern can provide early warnings for shareholders and other users of financial statements to avoid errors in decision making (Rakatenda et al, 2016). This situation makes the auditor have a big responsibility to issue a going concern audit opinion that is consistent with the actual situation (Widiastini et al, 2021).

Subarkah et al. (2020) on analyzing the factors that influence going concern audit opinion including company size. Company size can be classified into large companies, medium companies and small companies based on total asset calculations. Research conducted by Marta (2022) states that the larger the size of the company, the longer the auditor's process in carrying out the audit. Another factor that affects the acceptance of going concern audit opinion is liquidity, liquidity is the company's ability to meet its short-term obligations (Ni Luh Putu, 2018). According to the results of research described by (Kimberli, 2021) companies with low liquidity values, the lower the company's ability to meet its short-term obligations. Apart from company size and liquidity, going concern audit opinion is also related to Solvency (Ridha et al., 2022) Companies with high solvency ratios tend to have high debt as well. This will increase the risk that the company may face, especially in terms of debt and interest payments. Companies that have high debt will tend to experience financial difficulties. This will indirectly raise doubts from the auditor about the company's going concern ability.

Based on the description above and the results of research by previous researchers who only focused on manufacturing companies and the inconsistencies in the findings of previous researchers. In previous studies, it was explained that going concern is influenced by company

growth and also company size as a parameter for companies in carrying out their operational activities (Ekawati et al, 2022).

The object of this research is cyclical sector companies listed on the Indonesia stock exchange in 2018 - 2023. Cyclical sector companies listed on the Indonesia stock exchange were chosen as the object of study because they are expected to be able to provide accurate research results on sector diversity, and a large scale of operations than other types of companies. The author chose a title based on the background described above, namely "The Effect of Company Size, Liquidity and Solvency on Going Concern Audit Opinions".

**METHODS**

According to Sugiyono (2017) the population consists of objects and subjects that have certain qualities and characteristics set by researchers to study and then draw conclusions. Population in this study are cyclical sector companies listed on the Indonesia Stock Exchange (IDX) in 2018-2022 with a population of 157. Indonesia Stock Exchange (IDX) in 2018 - 2022 with a population of 157 companies.

**Data collection procedures**

The sample size obtained by purposive sampling method sampling method as many as 30 cyclical sector companies. All samples companies that were selected met the predetermined sample criteria and covers five research periods that last from 2018 - 2022. As a result, 150 research sample data used in this study

**Data analysis**

This research uses a data processing program or software Stastical Package for the Social Sciences (SPSS) version 24 which is used to determine the presence or absence of a relationship between the used to determine whether or not there is a relationship between variables so that it is hoped that it can help to make decision of a company under study.

**RESULTS**

**The Result of T Test**

The t test is used to determine whether the independent variables partially affect the dependent variable. The basis for the decision in this study is that if  $t < 0.05$ , it can be stated that it has a significant effect. Conversely, if  $t > 0.05$ , it can be stated that it has no significant effect. The following are the results of the t test:

**Table 1.** The T Test

Model	<i>Standardized Coefficients</i>	T	Sig.
	Beta		
(Constant)		2,004	0,006
Company Size	-0,036	-0,433	0,665
Liquidity	-0,161	-1,998	0,048
Solvency	0,204	2,462	0,015

## DISCUSSION

### a) The Effect Of Company Size On Going Concern Audit Opinion

Based on the results of the t test research (partial), the regression coefficient value is - 0.036 with a significance value of 0.665. The significance value is greater than 0.05, this means that the size of the company partially has no positive effect on going concern audit opinion.

### b) The Effect Of Liquidity On Going Concern Audit Opinion

Based on the results of the t test research (partial), the regression coefficient value is - 0.161 with a significance value of 0.048. The significance value is smaller than 0.05, this means that liquidity partially has a positive effect on going concern audit opinion.

### c) The Effect Of Solvency On Going Concern Audit Opinion

Based on the results of the t test research (partial), the regression coefficient value is 0.204 with a significance value of 0.015. The significance value is smaller than 0.05, this means that solvency partially has a positive influence on going concern audit opinion.

## CONCLUSION

The purpose of this study was to analyze the effect of company size, liquidity and solvency on going concern audit opinion. This research focuses on cyclical sector companies listed on the IDX in 2018-2022 with a total sample of 30 companies. Based on the test results conducted by researchers, the following conclusions are obtained:

1. The company size variable as measured using the natural logarithm has no effect on going concern audit opinion because the larger the company size, the better management is in carrying out its business continuity.
2. The liquidity variable as measured using the current ratio has a positive effect on going concern audit opinion. If the company has difficulty meeting its short-term obligations, it is certain that it will experience other financial difficulties.
3. The solvency variable as measured using the solvency ratio has a positive effect on going concern audit opinion. The solvency ratio illustrates that there is debt financed by assets so that it can affect the survival of the company

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