THE EFFECT OF LEVERAGE RETURN ON ASSETS AND FINANCIAL DISTRESS ON GOING CONCERN AUDIT OPINIONS (CASE STUDY IN SUB-TRANSPORTATION MANUFACTURING COMPANIES REGISTERED IN INDONESIA STOCK EXCHANGE 2016-2018)

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Abstract - This study aims to examine the effect of leverage, return on assets and financial distress on going concern audit opinion on transportation sub-sector manufacturing companies listed on the Indonesian stock exchange. The independent variables in this study are leverage, return on assets and financial distress. The dependent variable is a going concern audit opinion

This study uses a quality research type with a quantitative approach, which is measured by using the data analysis method used is logistic regression with E-views using a significance level of 0.05. The population of this study includes all transportation sub-sector manufacturing companies listed on the Indonesia Stock Exchange (BEI) 2016-2018. The sampling technique used was purposive sampling. The study population data were 35 companies and obtained a sample of 11 companies. The data used in this study are secondary data. The data collection technique uses the documentation method through the official IDX website: www.idx.co.id. Hypothesis testing using partial test (t-test) and simultaneous test (f-test).

The test results prove that the results of data analysis using the partial test (t-test) (1) negative leverage has no significant effect on going concern audit opinion. (2) Return on assets has a significant positive effect on going concern audit opinion. (3) Financial Distress has a significant positive effect on going concern audit opinion.

Keywords: Going Concern Audit Opinion, Leverage, Return On Assets and Financial Distress

INTRODUCTION

Going Concern is a big doubt about survival in relation to the inability of the client company to fulfill its obligations which will be due soon, because the client does not have sufficient assets used in the normal process of company activities to pay off debt (Arum, 2018: 143). One of the things that is important for stakeholders (Stakeholders), especially investors, is business continuity (Going Concern). Profitability shows the company's ability to earn profits or a measure of the effectiveness of company management according to (Wiagustini, 2014: 85). Return on assets or return on assets (ROA) is a comparison between profit before tax and total assets. Financial distress is a condition where the company is weak in generating profits or the company tends to experience a deficit. Disrupted financial conditions caused the company to accept Going Concern's opinion.

1. Leverage

according to Hery's research (2016: 142) leverage is a ratio that describes a company's ability to meet all requirements. Like liquidity ratios, leverage ratios are also needed for credit analysis or financial ratio analysis.

DER = <u>Total Debt</u> Total Equity

Debt to Equity Ratio (DER), is a financial ratio that describes the company's ability to repay existing debt using existing capital / equity, the higher this value, of course, the more risky the company's finances are, the maximum DER value is generally 150% and for the company. mulifinance is 600%.

There are two approaches that can be used to measure the value of DER, including a comparison between the composition of short-term debt and long-term debt versus equity, with the following equation:

- 1. Short Term Debt to Equity Ratio is debt owed to suppliers and debt owed to banks with a maximum duration of one year.
- 2. Long Term Debt to Equity Ratio is debt to shareholders or affiliated parties, bank loans with a duration of more than one year.

2. Return On Asset

Return on Asset (ROA) is the company's ability to earn profits from all modes that the company operates. This ratio is used to measure the effectiveness of the company in generating profits by utilizing its assets. It can be formulated systematically as follows:

$$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Asset}}$$

3. Financial Distress

The financial distress experienced by the company is more emphasized on the condition of Techincal Insolvency, which is a condition in which the company is unable to pay its obligations or debts at maturity. The company's inability to pay debts is technically due to a temporary lack of liquidity. If the company is given more time, the company may be able to pay its debts.

according to (Rodoni, 2014) the events of a company collapse caused by financial distress can be interpreted as follows:

- 1. If several years the company has a negative net operating income
- 2. Employment dismissal or elimination of dividend payments.
- 3. The cash flow from the company's operations is not sufficient to meet the company's obligations.
- 4. Low Interest Coverage Ratio, or negative EBITDA.
- 5. Changes in the price of equity or negative Ebit.
- 6. Stock based insolvency, namely negative net worth and equity value less than debt value and flow based insolvency, namely cash flow that is not sufficient to fulfill obligations
- 7. There is cash flow that is more than long-term debt
- 8. The measurement of financial distress in this study is to use the Altman modified Z-score. The modified model can be applied to all companies, such as manufacturing, non-manufacturing, and bond issuing companies in developing countries. In the modified Z-score Altman eliminates the X5 variable (sales / total assets). Here's the equation for the Z-score:

$$Z = 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_3 + 1.05X_4$$

Information :

Z = bankrupcy index

X₁ = working capital / total asset

 $X_2 = retained earning / total asset$

 $X_3 = earning before interest and taxes / total asset$

 $X_4 = book value of equity / book value of total debt$

The classification of healthy and bankrupt companies is based on the Z-score of the Altman model, namely:

- a. If Z "<1.1, it is a bankrupt company.
- b. If the value of 1.1 <Z "is 2.6 then it is included in the gray area (it cannot be determined whether the company is healthy or going bankrupt)
- c. If the value of Z "> 2.6, it is a company that is not bankrupt.

Influence between variables

- H1 : There is an Influence of Leverage on Going Concern Audit Options.
- H2: There is an influence of Return On Asset on Going Concern Audit Opinion.
- H3: There is the Effect of Financial Distress on Going Concern Audit Opinions.

Research Conceptual Framework

This study has 3 independent variables, namely leverage, return on assets and financial distress and has 1 dependent variable (dependent variable), namely going concern audit opinion.

RESEARCH METHODS

This type of research is a type of causality. A causality research design is a research design designed for the possibility of a cause-and-effect relationship between variables. In

this design, generally the cause-and-effect relationship (it) can be predicted by the researcher, so that it can state the classification of the causal variable, intermediate variable, and the dependent variable.

Research Population

Population is the entire collection of elements that show certain characteristics that can be used to make conclusions. So, the collection of elements shows the number, while certain characteristics show the characteristics of the collection (Sanusi, 2016: 87).

- 1. The general population of this research is the transportation sector manufacturing companies listed on the Indonesia Stock Exchange.
- 2. The research target population is 35 companies

Research Samples

The sample is a selection of the elements of the population in the hope that the results of this selection can reflect all the existing characteristics (Sanusi, 2016: 87). If the population is large and it is impossible for the researcher to study everything in the population, then the researcher can use the manufacturers listed on the Indonesia Stock Exchange (IDX) during 2016-2018 which are selected by the purposive sampling method, which is a sampling method based on certain criteria. The sampling criteria are:

- 1. Transportation sector manufacturing companies listed consistently on the Indonesia Stock Exchange during 2016-2018
- 2. Companies that present their financial statements in rupiah currency for the period ended December 31, 2016-2018
- 3. Companies that have negative net profit after tax at least 2 times in their reporting during 2016-2018

No	Kriteria	Jumlah
1.	Transportation sub-sector manufacturing companies listed on the Indonesia Stock Exchange during 2016-2018	35
2.	Does not present financial reports in rupiah currency during 2016- 2018	(20)
3.	Companies that do not experience net income at least twice during 2016-2018	(4)
	Number of Companies That Make Research Objects	11
	Observation Year	3
	Number of Samples During the Research Year	33

Purposive Sampling Results

The number of companies that meet the criteria to become the object of research is 11 manufacturing companies in the transportation sector listed on the Indonesia Stock Exchange (BEI).

Method of collecting data

he type of data used in this study is secondary data obtained from the financial statements of transportation sector manufacturing companies that have been audited at manufacturing companies listed on the Indonesia Stock Exchange 2016-2018.

No	Kode	Nama
	Emiten	Perusahaan
1	APOL	Arpeni Pratama Ocean Line Tbk
2	INDX	Tanah Laut Tbk d.h Indoexchange Tbk
3	IPCM	Jasa Armada Indonesia Tbk
4	LRNA	Ekasari Lorena Transport Tbk
5	MIRA	Mitra International Resources Tbk d.h Mitra Rajasa Tbk
6	PORT	Nusantara Pelabuhan Handal Tbk
7	SAFE	Steady Safe Tbk
8	SDMU	Sidomulyo Selaras Tbk
9	TAXI	Express Transindo Utama Tbk
10	TMAS	Pelayaran Tempuran Emas Tbk
11	ZBRA	Zebra Nusantara Tbk

List of Samples of Transportation Sector Manufacturing Companies listed on the Indonesia Stock Exchange 2016-2018

Source: Indonesia Stock Exchange, compiled by the author (2020)

Data Analysis Method

The analysis method used in this research is panel data regression analysis using the Eviews program to regress the formulated model. The tests consist of:

Descriptive statistics

The statistical model used in this research is quantitative descriptive statistics. Meanwhile, the regression model used in this study is multiple linear regression. Prior to testing for this study, a test was conducted to determine the model used through the Chow Test, Hausman Test, and Lagrange Multiplier Test.

Panel Data Selection Analysis

In choosing the right model for managing panel data according to Basuki (2016: 277) testing can be done in the following ways:

1. Chow Test (Likelihood Ratio Test)

Is a test to determine the fixed effect or common effect model that is most appropriate to use in estimating panel data. If the calculated F value is greater than critical F, the null hypothesis is rejected, which means that the right model for panel data regression is the fixed effect model. The hypothesis formed in the Chow Test is as follows: H0: Common Effect Model

H1: Fixed Effect Model

2. The Hausman Test

Is a statistical test to determine whether the Fixed Effect or Random Effect model is most appropriate to use. If the probability value <0.05 then H0 is rejected, it means that the correct model for panel data regression is the Fixxed Effect model. The hypothesis formed in the Hausman test is as follows:

- H0: Random Effect Model
- H1: Fixed Effect Model

3. Lagrange Multiplier Test

Is a statistical test to find out whether the random effect model is better than the common effect method. If the calculated LM value is greater than the critical value of Chi-Squares, it means that the appropriate model for panel data regression is the Random Effect model. The hypothesis formed in the LM test is as follows:

H0: Common Effect Model

H1: Random Effect Model

Multiple Linear Regression Equation Test

Multiple linear regression analysis is a method used to test the effect of two or more independent variables on the dependent variable with a measuring scale or ratio in a linear equation. The independent variable in this study is Leverage, Return On Assets, Financial Distress, while the dependent variable is the Dividend Payput Ratio.

Based on the regression estimation method between the Common Effect Model, Fixed Effect Model, and Random Effect Model and the selection of the regression equation estimation model using the Chow test, the Haussman test, and the lagrange multiplier test, the Common Effect Model (CEM) estimation method was chosen as a panel data regression equation test. The Common Effect Model can be written as follows:

Results of the Multiple Regression Equation

Dependent Variable: GC Method: Panel Least Squares Date: 02/02/20 Time: 19:04 Sample: 2016 2018 Periods included: 3 Cross-sections included: 11 Total panel (balanced) observations: 33 Variable Coefficient Std. Error t-Statistic Prob. C 0.454545 6.792120 6.692246 0.000

С	0.454545	6.792120	6.692246	0.0000
LEVERAGE	-6.702984	2.607080	-2.306740	0.0187
ROA	1.518516	3.430847	2.120945	0.0003
FD	1.243976	2.912516	2.282309	0.0004

Source: Eviews 10

GC = 0.454545 - 6.702984(X₁) + 1.518516(X₂) + 1.243976(X₃) + e

Based on the results above, the results of the multiple linear regression equation are as follows: Information:

- Y : Opini Audit Going Concern (GC)
- X_1 : Leverage

X₂: Return On Asset

X₃: Financial Distress

a : Konstanta

e : Error, error rate

Based on the multiple linear regression equation above, it can be analyzed the effect of each independent variable on the dependent variable as follows:

- A constant a of 0.454545 states that if the value of Leverage (X1), Return On Assets (X2) and Financial Distress (X3) is zero, the amount of Going Concern Audit Opinion is 0.454545.
- The regression coefficient value X1 has a negative relationship for 6.702984 Leverage, meaning that every change of 1 in the value of Leverage, the amount of Going Concern Audit Opinion will decrease by 6.702984 units, other factors are considered constant.
- 3. The regression coefficient value X2 has a positive relationship of 1.518516 for Return On Assets, meaning that every 1 change in the value of Return On Asset, the amount of Going Concern Audit Opinion will increase by 1.518516 units, other factors are considered constant.
- 4. The regression coefficient value X3 has a positive relationship of 1.243976 for Leverage, meaning that every change of 1 in the value of Leverage, the amount of Going Concern Audit Opinion will increase by 1.243976 units, other factors are considered constant.

Partial Testing (t test)

Dependent Variable: GC Method: Panel Least Squares Date: 02/02/20 Time: 19:04 Sample: 2016 2018

Periods included: 3

Cross-sections included: 11

Total panel (balanced) observations: 33

Variable	Coefficient	Std. Error	t-Statistic	Prob.			
С	0.454545	6.792120	6.692246	0.0000			
LEVERAGE	-6.702984	2.607080	-2.306740	0.0187			
ROA	1.518516	3.430847	2.120945	0.0003			
FD	1.243976	2.912516	2.282309	0.0004			
Source: Eviews 10							
Information:							
df = (n-k-1) = (3)	33-3-1) = 29	a/2 = 0.05/2 = 0.025					

n = amount of sample data

t-tabel = 2.04523

- k = number of independent variabels
- 1 = konstanta

1) First Hypothesis (H1)

The t test can be seen from the partial significance test results. The results can be seen from table 4:16 that the results show that the value of t is greater than t table (-2.306740> 2.04523). While the probability result is smaller than the significance level of (0.0187 <0.05). Then these results state that H1 is accepted, meaning that Leverage (X1) partially affects the Going Concern Audit Opinion (Y). Then the hypothesis H1 is proven.

2) Second Hypothesis (H2)

The t test can be seen from the partial significance test results. The results can be seen from table 4:16 that the results show that the value of t is greater than t table (2.120945> 2.04523). While the probability result is smaller than the significance level of (0.0003 < 0.05). Then these results state that H2 is accepted, meaning Return On Asset (X2) partially

affect the Going Concern Audit Opinion (Y). Then the H2 hypothesis is proven.

3) Third Hypothesis (H3)

The t test can be seen from the partial significance test results. The results can be seen from table 4:16 that the results show that the value of t is greater than t table (2.282309 > 2.04523). While the probability result is smaller than the significance level of (0.0004 < 0.05). Then these results state that H3 is accepted, meaning that Financial Distress (X3) partially affects the Going Concern Audit Opinion (Y). Then the hypothesis H3 is proven.

Interpretation of Research Results

1. Effect of Leverage on Going Concern

The analysis result shows that the value of t is greater than t table (- 2.306740 > 2.04523). While the probability result is smaller than the significance level of (0.0187 <0.05). Then these results state that Leverage (X1) partially has a significant negative effect on Going Concern Audit Opinion (Y). This indicates that the companies sampled in this study can manage their assets efficiently and experience annual sales growth. If the company can manage assets efficiently, the sales volume can increase. The results of this study are in line with research conducted by Edza (2015: 11), Aryantika and Ramini (2015: 421) showing that Leverage has a negative effect on Going Concern Audit Opinions.

2. Effect of Return On Assets on Going Concerns

The analysis result shows that the value of t is greater than t table (2,120945>2,04523). While the probability result is smaller than the significance level of (0.0003 < 0.05). Then these results state that Return On Asset (X2) partially affects the Going Concern Audit Opinion. This indicates that every increase of 1 (Unit) ROA will affect the Going Concern Opinion. The results of this study are in line with research

conducted by Pradika (2017: 5), Kurniawati and Murti (2017: 68) showing that Return On Asset has a significant positive effect on Going Concern Audit Opinions.

3. The Effect of Financial Distress on Going Concerns

The analysis result shows that the value of t is greater than t table (2.282309 > 2.04523). While the probability result is smaller than the significance level of (0.0004 < 0.05). Then these results state that Financial Distress (X3) partially has a significant positive effect on Going Concern Audit Opinions. This indicates that financial distress is a condition in which the company's finances are in an unhealthy state. The results of this study are in line with research conducted by Fauziah (2015) which shows that Financial Distress has a positive effect on Going Concern Audit Opinions.

CONCLUSIONS AND SUGGESTIONS

The analysis in this study was conducted using logistic regression analysis (logistic regression) with the Econometric Views (Eviews) V.10 program. The sample data of the companies are 11 manufacturing companies in the transportation sub-sector that are listed on the Indonesia Stock Exchange in 2016-2018. Based on the research that has been done, the following results were obtained:

- 1. Leverage there is a modification has a negative and insignificant effect on the Going Concern audit opinion
- 2. There is no modification of Return On Asset with significant positive effect on Going Concern audit opinion
- 3. Financial Distress there is no modification has a significant positive effect on the Going Concern audit opinion

Based on the research results and conclusions above, the suggestions that the authors can convey are as follows:

- 1. Researchers realize that this research is far from perfect. In further research, it is advisable to add financial and non-financial variables, add research samples and add time periods to be disclosed in going-concern research.
- 2. For the company, the company should be able to maintain a good economic condition for the company and recognize the signs of bankruptcy early.
- 3. Investors and potential investors should be more careful and more careful if they want to invest.

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