

Going Concern Audit of Manufacturing Companies: A Study Before and During the Covid-19 Pandemic

Muhammad Fadila Laitupa^{1*}, Elna Marsye Pattinaja², Sukma Rahmi Ayu Patty³

^{1,2,3}Department of Accounting, Faculty of Economics and Business, Pattimura University

*Corresponding Author E-mail: mflaitupa@gmail.com

Abstract

This study aims to determine the effect of Profitability, Leverage and Company Growth on the receipt of going concern audit opinions before and during the Covid-19 pandemic. Research using exploratory study with the type of data used is quantitative data. Population data in this study for 2019-2020 from manufacturing companies listed on the Indonesian Stock Exchange (IDX). Research data that was dialyzed amounted to 238 of 119 samples of manufacturing companies. Purposive sampling is one of the techniques used in research for sampling. The sampling technique used purposive sampling with data analysis techniques, namely descriptive statistics and logistic regression. Based on the results of this study shows that (1) Profitability before the COVID-19 pandemic did not affect the acceptance of Going concern audit opinions, (2) Profitability during the Covid-19 pandemic affected the receipt of Going Concern Audit Opinions, (3) Leverage before the COVID-19 pandemic does not affect the going concern audit opinion, (4) Leverage when the COVID-19 pandemic affects the going concern audit opinion, (5) Company growth before the COVID-19 pandemic does not affect the going concern audit opinion, (6) Company growth during the COVID pandemic -19 does not affect the going concern audit opinion.

Keywords: Going Concern Audit Opinion, Covid-19 Pandemic, Profitability, Leverage, Company Growth

Abstrak

Penelitian ini bertujuan untuk mengetahui pengaruh profitabilitas, leverage dan pertumbuhan perusahaan terhadap penerimaan opini audit going concern sebelum dan pada masa pandemi Covid-19. Penelitian menggunakan studi eksplorasi dengan jenis data yang digunakan adalah data kuantitatif. Data populasi dalam penelitian ini Tahun 2019-2020 dari perusahaan manu manufaktur yang terdaftar di Bursa Efek Indonesai (BEI). Data Penelitian yang dialisis berjumlah 238 dari 119 sampel perusahaan manufaktur. Purposive sampling merupakan salah teknik yang dipakai dalam penelitian untuk pengambilan sampel. Teknik pengambilan sampel menggunakan teknik purposive sampling dengan teknik analisis data yaitu statistic deskriptif dan regresi logistik. Berdasarkan hasil penelitian ini menunjukkan bahwa (1) Profitabilitas sebelum pandemi covid-19 tidak berpengaruh terhadap penerimaan opini audit going concern, (2) Profitabilitas ketika pandemi COVID-19 berpengaruh terhadap penerimaan opini audit going concern, (3) Leverage sebelum pandemi COVID-19 tidak berpengaruh terhadap Opini Audit Going Concern, (4) Leverage ketika pandemi covid-19 berpengaruh terhadap opini audit going concern, (5) Pertumbuhan perusahaan sebelum pandemi COVID-19 tidak berpengaruh terhadap opini audit going concern, (6) Pertumbuhan perusahaan ketika pandemi COVID-19 tidak berpengaruh terhadap opini audit going concern.

Kata kunci: Opini Audit Going Conncern, Pandemi Covid-19, Profitabilitas, Leverage, Pertumbuhan Perusahaan

INTRODUCTION

Financial statements are designed to provide reliable information about changes in a company's net worth due to its operating activities. (Osadchy et al., 2018; Alsmady, 2022). Financial statements are the most important part used by companies to communicate the company's financial situation to users of financial statements. (Ortiz-Martínez et al., 2023). Information presented correctly will give investors

* Copyright (c) 2023 **Muhammad Fadila Laitupa et.al**

This work is licensed under a [Creative Commons Attribution-ShareAlike 4.0 International License](https://creativecommons.org/licenses/by-sa/4.0/).

Received: March 15, 2023; Revised: May 27, 2023; Accepted: May 30, 2023

confidence in investing in the company (Aydin et al., 2022). However, because there are several factors of company interests, management does not report the entire company's performance in the financial statements. Therefore, the auditor's role is very important as a liaison between users of financial statements and company management (Sun et al., 2023). (Sun et al., 2023).

The auditor must be responsible for providing information by the conditions of the company (Economics et al., 2022). One is to provide a description and information on the company's condition through a going concern audit opinion. (Kim, 2021). The company is declared as a going concern if there is conflicting evidence about the company's incompetence. Suppose there is a material uncertainty that raises significant doubts about the continuity of the business, and the management plan needs to be improved (Ardinindya, Djuwarsa, & Kusuma Dewi, 2021). In that case, the auditor may include a paragraph emphasizing a matter with a written representation in the independent auditor's report. (Bierstaker & Todd DeZoort, 2019). After getting a going concern opinion, there are two possibilities. Namely, the company can improve its financial position and continue its business or go bankrupt (Fidiana et al., 2023).

The Covid-19 pandemic that has emerged since 2019 has impacted worsening economic conditions worldwide, including in Indonesia (Prabheesh et al., 2023). Data on the movement of the Composite Stock Price Index from December 30, 2019, to December 30, 2020, shows negative movements in almost all economic sectors in Indonesia except for the mining sector (BEI, 2020). The Covid-19 pandemic caused a negative movement. One of the industries affected by Covid-19 is manufacturing. According to data from the Central Bureau of Statistics (BPS, 2021), economic growth in the first quarter of 2020 was 2.97%. This figure was much corrected compared to the same quarter in 2019 of 5.02%, even in the second quarter of 2020 to minus 5.32% and 3.49% in Q3. Manufacturing performance also declined significantly, with a decrease in capacity of up to 50%, except for medical devices and the medical industry. In the current economic environment affected by the Covid-19 pandemic, many businesses are experiencing significant revenue, profitability and leverage declines, which may raise questions about the company's ability to continue operating. One of the companies affected by Covid that received a going concern audit opinion was PT Langgeng Makmur Industri Tbk. Independent auditors who have audited the financial statements of PT Langgeng Makmur Industri Tbk provide a going concern audit opinion on the entity because the company's financial statements show that the company has a net loss of Rp 41,331,000,000. The company has posted a deficit of Rp 254,831,000,000, thus raising serious doubts about its ability to run its business sustainably. The company affected by Covid-19 and received another going concern audit opinion was PT Prima Alloy Tbk. The company, engaged in the automotive parts industry, is facing uncertainties due to Covid-19, including distribution disruptions due to the implementation of lockdowns in export destination countries, so total sales in 2019 decreased by 40% compared to the previous year. In 2019, there was a significant disruption in production factors, which greatly affected the smooth running of production and sales, so the company suffered losses 2019.

Companies with relatively low profits can cause financial limitations (Stice et al., 2017). To generate large profits requires the ability of the company. This is called profitability. In addition, capital, sales, and employees are the company's ability to gain profits, which is called the profitability ratio (Brulhart et al., 2019). Profit is a company's financial success, so a company that shows high profitability can maintain its business survival. (Abdellatif & Elsayed, 2023).

A relatively high proportion of debt can result in a company's financial limitations (Ilyukhin Evgeny, 2010). Leverage can assess management performance (Iqbal & Usman, 2018). Leverage is the company's ability to pay its short-term and long-term obligations. (Harrison et al., 2014). The higher the leverage

ratio, the more it shows the company's poor financial performance and can create uncertainty about its survival. (Akhtar et al., 2022).

Good company growth can be judged by the increase in sales each year. (Guluma, 2021). A company is experiencing growth in a better direction if there is a consistent increase in its main operating activities. Companies with high-profit growth tend to present financial reports fairly so that the potential for the company to get an unqualified opinion is greater. (Brakus, 2014). Vice versa, if a company has negative profit growth, it will potentially experience bankruptcy, and the ability to maintain its survival is doubtful, so the auditor tends to issue a going concern audit opinion (Omer et al., 2018).

Research on ongoing concern audit opinion that has been done before is by Halim (2021) with the results that leverage and the previous year's audit opinion positively influence ongoing concern audit opinion, company growth, and company size do not affect going concern audit opinion. Research by Putra & Purnamawati (2021) concluded that profitability, leverage and company growth significantly affect going concern audit opinion. It is inversely proportional to research from Yanti et al. (2021) with the results that profitability does not affect going concern audit opinion acceptance, company size has no effect on going concerned audit opinion acceptance, company growth has a negative effect on going concern audit opinion acceptance, and leverage has a positive effect on going concern audit opinion acceptance. In this study, researchers used manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2020 as research objects. Manufacturing companies are a sector that is important for a country's economic and industrial development. In Indonesia, there are more manufacturing companies listed on the IDX than companies in other sectors, and it is one of the sectors affected by uncertainty due to Covid-19.

RESEARCH METHOD

The data used in this study include annual reports, audited financial statements, and independent auditor reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX). Secondary data has been collected by data collection agencies and published to the user community. ("Secondary Analysis Research," 2019). Data sources were obtained from the official website of the Indonesia Stock Exchange (Idx.co.id, 2021). The data collection method used in this research was the documentation method. With this method, researchers collected secondary data from printed sources, whereas other parties had previously collected the data through Internet intermediaries. With this method, researchers could determine the return on asset ratio, debt to equity ratio, and sales increase ratio. Population data sources and participants in the study, namely 2019-2020, from manufacturing companies listed on the Indonesia Stock Exchange (IDX) using purposive sampling, a sampling technique with certain criteria. The criteria are as follows: a) Manufacturing companies that were not listed on the IDX during the year of study, b) Companies present complete data, c) Companies publish financial reports ending December 31 and use the rupiah currency. Based on the above criteria, 119 manufacturing companies listed on the Indonesia Stock Exchange meet the requirements in the study for two years of financial report publication (2019-2020), so the total data used is 238 research data.

Table 1. The Procedure For Selecting Samples Based On Criteria

| Criteria | Does not meet the criteria | Total |
|--|----------------------------|-------|
| Population: Manufacturing companies listed on the IDX | | 218 |
| Sampling based on criteria (<i>purposive sampling</i>) | | |
| Companies that are not listed during the study year | (41) | 177 |
| Companies that did not report financial statements during the study period | (23) | 155 |
| The company publishes financial statements that end on December 31 and uses the rupiah currency. | (36) | 119 |
| Sample Company | | |
| Number of observations (119×2 years) | | 238 |

Logistic regression was used in this study to examine the effect of profitability, leverage, and growth on going-concern audit opinion firms. (Ghozali, 2006, p. 225).

Logistic regression is generally used if a *multivariate normal distribution assumption* is unmet. The logistic regression model in this research is as follows.

$$\ln \left(\frac{p}{1-p} \right) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \varepsilon$$

The statistics used are based on the *Likelihood* function. *The likelihood* (L) of the model is the probability that the hypothesized model describes the *input* data. *The hypothesis* used to assess model fit is:

H₀ = The hypothesized model fits the data

H_a = The hypothesized model does not fit the data

Then H₀ should be accepted, and H_a rejected. L is transformed into -2LogL to test the null and alternative hypotheses. A reduction in the value between the initial -2LogL (initial -2LL *function*) and the -2LogL value in the next step indicates that the hypothesized model *fits* the data (Ghozali, 2006). *Log-likelihood* in logistic regression is similar to the notion of "*Sum of Square Error*" in regression models, so a decrease in *Log Likelihood* indicates a better regression model.

The feasibility of the regression model was assessed using *Hosmer and Lemeshow's Goodness of Fit Test*. The hypothesis to assess the feasibility of this model is as follows:

H₀: No difference between the model and data

H_a: There is a difference between the model and the data

RESULTS AND DISCUSSION

Result

Descriptive statistical analysis is useful for identifying the characteristics of the sample to be used in research. This study used three independent variables to determine the effect of profitability, *leverage* and company growth on *going concern* audit opinion. The total descriptive variables on the data used for two years and observed data was 238, and the sample used was 119 companies. The data used in the study

were taken from the independent auditor's report and the company's financial statements. Descriptive statistical analysis in this study included *mean, median, mode* and standard deviation. Data processing for this descriptive analysis uses IBM *SPSS Statistics 26*. The detailed data description of each variable can be seen in the Table 2.

Table 2. Descriptive Statistics Analysis
Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------|----------|----------------|----------------|-------------|-----------------------|
| Profitability | 238 | -105% | 65% | 4.29% | 13.749% |
| Leverage | 238 | -1083% | 11429% | 165.90% | 770.802% |
| Company Growth | 238 | -96% | 57% | -4.96% | 22.422% |
| Going Concerned | 238 | 0 | 1 | .16 | .371 |
| Valid N (Listwise) | 238 | | | | |

Based on Table 2, it can be explained that the number of analysis units in this study (N) is 238 companies. An explanation of the descriptive statistical analysis is as follows:

1. Variable *profitability* is one of the ratios used to measure the company's success in generating profits, where the minimum value of -105% is found in the company Trita Mahakam Resources Tbk for the 2020 period, while the maximum value of 65% is found in PT Darya Varia Laboratoria Tbk for the 2019 period. The average profitability value is 4.29%, with a standard deviation value of 13.749%. The standard deviation value is greater than the average value. Thus, it indicates that the amount of profitability in manufacturing companies listed on the Indonesia stock exchange varies greatly.
2. Variable *leverage* is a ratio that measures how far the company is financed by debt or creditors with the company's ability described by capital. From the test results, the minimum value of -1083% is obtained at PT Waskita Karya (Persero) Tbk for the 2020 period. It shows that companies with a negative value (minimum) have little liability or little debt. In contrast, the maximum value obtained is 11429% at PT Asia Pacific Investama Tbk for 2020. It shows that companies with a positive value (maximum) show large liabilities or large debts. The average *leverage* value is 165.90%, with a standard deviation of 770.802%. The standard deviation value is greater than the average value. Thus, it indicates that the amount of *leverage* in manufacturing companies listed on the Indonesia stock exchange varies greatly.
3. The company growth variable is proxied by sales growth, where the test results obtained a minimum value of -96% contained in PT Buana Artha Anugerah Tbk for the 2020 period. It illustrates that the company's growth has decreased, while the maximum value obtained was 57% at PT Organon Pharma Indonesia Tbk for 2020. It illustrates increasing sales growth. Then, the average value of company growth is -4.96%, with a standard deviation of 22.422%. It shows that the amount of company growth in manufacturing companies listed on the Indonesia stock exchange varies greatly.

Logistic Regression Analysis

Assessing the Appropriateness of the Regression Model

The first step is determining whether a logistic regression model is appropriate. The overall fit or feasibility of the regression model will be reviewed. The feasibility test of the regression model in this study looked at the *Hosmer and Lemeshow Test* output. The output of regression feasibility can be assessed by the *goodness of fit test*, which is measured using the *Chi-Square* value at the bottom of the *Hosmer and Lemeshow Test* must show a probability number greater than 0.05, which means that there is no significant difference between the predicted classification and the observed classification. The output of the *Hosmer and Lemeshow Test* can be seen in the Table 3.

Table 3. The Fit or Feasibility test of the Regression Model

| Hosmer and Lemeshow Test | | | |
|---------------------------------|------------|----|------|
| Step | Chi-square | Df | Sig. |
| 1 | 12.327 | 8 | .137 |

Based on Table 3 of the *Hosmer and Lemeshow Test* above, it can be seen that the magnitude of the *Hosmer and Lemeshow Test* statistical value is 12.327 with a significance value of 0.137 where the value is greater than 0.05, so hypothesis 0 is accepted. The regression model is suitable for further analysis because there is no real difference between the observed classifications. The model is acceptable because it fits the observation data.

Assessing Overall Model Fit

Assessing the overall *model* in this study was carried out with the *likelihood ratio test Log Likelihood Value* will be shown in the following tables: *Initial Output beginning initial -2Log Likelihood (Block Number 0)*.

Table 4. Overall Model Fit (Block Number 0)

| Iteration History^{a,b,c} | | | |
|--|---|-------------------|--------------|
| | | -2 Log likelihood | Coefficients |
| | | | Constant |
| Step 0 | 1 | 215.132 | -1.345 |
| | 2 | 212.326 | -1.606 |
| | 3 | 212.308 | -1.630 |
| | 4 | 212.308 | -1.630 |

a. Constant is included in the model.

b. Initial -2 Log-Likelihood: 212.308

c. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

Output beginning -2Log Likelihood end (Block Number 1)

Table 5. Overall Model Fit (Block Number 1)

| Iteration History ^{a,b,c,d} | | | | | | |
|--------------------------------------|---|-------------------|--------------|---------------|----------|----------------|
| Iteration | | -2 Log likelihood | Coefficients | | | |
| | | | Constant | Profitability | leverage | company growth |
| Step 1 | 1 | 179.929 | -1.335 | -.030 | .000 | -.016 |
| | 2 | 161.644 | -1.693 | -.070 | .000 | -.023 |
| | 3 | 156.897 | -1.761 | -.116 | .000 | -.023 |
| | 4 | 156.391 | -1.766 | -.139 | .000 | -.022 |
| | 5 | 156.385 | -1.769 | -.142 | .000 | -.022 |
| | 6 | 156.385 | -1.769 | -.142 | .000 | -.022 |

a. Method: Enter

b. Constant is included in the model.

c. Initial -2 Log-Likelihood: 212.308

d. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Table 4 shows that the initial *-2Log Likelihood (Block Number 0)* has a value of 215.132, and in Table 5, the final *-2 Log likelihood value (Block Number 1)* has a value of 179.929. From these two results, it can be concluded that there is a decrease in the *-2 Log likelihood* value. The reduction in the value between the initial *-2Log likelihood* and the final *-2 Log Likelihood* shows that this study has a good regression model. Thus, H_0 is accepted, so the hypothesized model fits the data.

Table 6. The Coefficient of Determination

| Model Summary | | | |
|---------------|----------------------|----------------------|---------------------|
| Step | -2 Log likelihood | Cox & Snell R Square | Nagelkerke R Square |
| 1 | 156.385 ^a | .209 | .355 |

a. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

The output results in Table 6 show that the Nagelkerke R Square value is 0.355, which means that the independent variables can explain the dependent variables by 35.5%. Other variables outside the research model explain the remaining 64.5%.

Regression Model Analysis Before the Covid-19 Pandemic

Logistic regression was used to test whether the independent variables could predict the probability of the occurrence of the dependent variable (Ghozali, 2006, p. 225). The logistic regression analysis results before the pandemic can be seen in Table 7.

Table 7. Logistic Regression Analysis Before Covid-19 Pandemic

| Variables in the Equation Before the Covid-19 Pandemic | | | | | | | |
|--|----------------|--------|------|--------|----|------|--------|
| | | B | S.E. | Wald | Df | Sig. | Exp(B) |
| Step 1 ^a | Profitability | -.027 | .030 | .792 | 1 | .374 | .973 |
| | Leverage | .000 | .001 | .058 | 1 | .810 | 1.000 |
| | company growth | -.034 | .018 | 3.546 | 1 | .060 | .967 |
| | Constant | -2.063 | .368 | 31.403 | 1 | .000 | .127 |

a. variable (s) entered on step 1: profitability, leverage, company growth.

Based on the test results in Table 7, the regression model equation is obtained as follows:

$$GC = -2.063 - 0.027PROF + 0.000LEV - 0.034KP$$

The profitability variable before the Covid-19 pandemic has a Wald statistic of 0.792 while the profitability coefficient result is -0.027, which means that every 1% increase in profitability will decrease the GC Audit Opinion by 0.027 units assuming the other coefficient values remain. *Return on assets* (ROA) is used to measure the profitability variable with a significant result of 0.374, higher than 0.05. It means the profitability variable before the Covid-19 pandemic did not significantly affect the GC audit opinion.

The *Leverage* variable has a Wald statistic of 0.058 and a coefficient value of 0.000, which means that every 1% increase in *leverage* will decrease the GC Audit Opinion by 0.000 units with the assumption that the coefficient value of other variables is constant. *Debt to total assets* in this study was used to measure the leverage variable with a significant result of 0.810, higher than 0.05. It means the leverage variable before the Covid-19 pandemic did not significantly affect the GC audit opinion.

The company growth variable has a Wald statistic of 3.546 and a coefficient value of -0.034, which means that every 1% increase in company growth will decrease the GC Audit Opinion by 0.034 units with the assumption that the coefficient value of other variables is constant. The company growth variable has a significant result of 0.060, greater than 0.05. It means that the company growth variable before the Covid-19 pandemic did not significantly affect the acceptance of going concern audit opinion.

Regression Model Analysis During Covid-19 Pandemic

The logistic regression analysis results during the Covid-19 pandemic are described in Table 8.

Table 8. Logistic Regression Analysis During Covid-19 Pandemic

| Variables in the Equation When Covid-19 Pandemic | | | | | | |
|--|--------|------|--------|----|------|--------|
| | B | S.E. | Wald | Df | Sig. | Exp(B) |
| Step 1 ^a Profitability | -.440 | .115 | 14.674 | 1 | .000 | .644 |
| Leverage | .008 | .004 | 4.058 | 1 | .044 | 1.008 |
| company growth | -.020 | .017 | 1.356 | 1 | .244 | .980 |
| Constant | -2.990 | .841 | 12.648 | 1 | .000 | .050 |

a. variable (s) entered on step 1: profitability, leverage, company growth.

Based on the results of the logistic regression test above, the logistic equation is obtained as follows:

$$GC = -2990 - 440POF + 0.08LEV - 0.020KP$$

The profitability variable during the Covid-19 pandemic has a Wald statistic of 14.674 and a coefficient value of -0.440, which means that every 1% increase in profitability will decrease the *Going Concern* Audit Opinion by 0.440 units. It assumes that the coefficient value of other variables is constant. The variable profitability during a pandemic shows a significant value of 0.00 which is lower than 0.05 and has. It means that the profitability variable during the Covid-19 pandemic has an effect on GC audit opinion.

The *leverage* variable during the Covid-19 pandemic has a Wald statistic of 4.058 and a coefficient value of 0.008, which means that every 1% increase in *leverage* will decrease the GC Audit Opinion by 0.008 units, assuming the coefficient value of other variables remains constant. The *debt to equity* (DER) variable was used to measure the *leverage* variable with a significance result of 0.044, which is lower than 0.05 and has a positive coefficient value. This means that the *leverage* variable during the Covid-19 pandemic has an effect on GC audit opinion.

The company growth variable during the Covid-19 pandemic has a wald statistic of 1.356 and a coefficient value of -0.020, which means that every 1% increase in company growth will decrease the GC Audit Opinion by -0.020 units, assuming the coefficient value of other variables is constant. The variable

company growth during the Covid-19 pandemic has a significance value of 0.244, greater than 0.05. It means that company growth during the Covid-19 pandemic has no effect on GC audit opinion.

This study aimed to determine the effect of profitability, *leverage*, and company growth on *ongoing concern* audit opinion before and during the Covid-19 pandemic in manufacturing companies in 2019-2020. The following is an explanation of the results of the research that has been conducted.

Discussion

The Effect of Profitability on GC Audit Opinions Before the Covid-19 Pandemic

The results of testing the profitability variable before the Covid-19 pandemic showed no effect on the profitability on GC audit opinion in manufacturing companies in 2019. This result is indicated by a negative regression coefficient value of -0.27 with a significance level of 0.374, greater than the significance level $\alpha = 0.05$. A significance value greater than $\alpha = 0.05$ shows that the profitability variable before the Covid-19 pandemic has no effect on GC opinion. It explains that manufacturing companies in Indonesia before the Covid-19 pandemic could maintain the continuity of the company's business in carrying out company operations to earn profits.

The profitability variable in this study was measured using *return on assets* (ROA). A higher ROA value indicates better management of the company's assets. It shows that the company's performance before Covid-19 was in good condition, so profitability before the Covid-19 pandemic did not affect GC audit opinion. Profitability has no effect on GC *about* audit opinion acceptance (Suroto & Kusuma, 2017). The company will provide information related to the company's state for investors in making decisions. In this case, the company provides positive signals to investors or creditors. (Averio, 2020).

The Effect of Profitability on Receiving GC Audit Opinions during the Covid-19 Pandemic

The test results of the profitability variable during the Covid-19 pandemic show that profitability during the Covid-19 pandemic affects the GC audit opinion. This result is indicated by a negative regression coefficient value of -0.440 with a significance level of 0.000 which is smaller than the significance level $\alpha = 0.05$. A significance value smaller than $\alpha = 0.05$ shows that the profitability variable during the Covid-19 pandemic affects GC opinion. It is because, during the Covid-19 pandemic, many companies were required to reduce working hours or even temporarily close due to government policies to carry out social distancing, resulting in the company experiencing losses reflected in the number of companies with negative net income. Negative net income is an indicator that illustrates a decrease in company performance in terms of the ability to earn profits, which means that the Covid-19 pandemic impacts the business continuity of manufacturing companies. Therefore, it gives a negative signal to external parties, especially investors and creditors, to make decisions. Profitability affects GC audit opinion (Ryu et al, 2019).

The Effect of Leverage on GC Audit Opinion acceptance before the Covid-19 pandemic

The results of testing the *leverage* variable before the Covid-19 pandemic show that the *leverage* variable does not affect GC audit opinion. This result is indicated by a positive regression coefficient value of 0.000 with a significant value of 0.810. These results explain that manufacturing companies before the Covid-19 pandemic could still fulfil their obligations using the capital owned by the company, so before the Covid-19 pandemic, manufacturing companies could maintain their business continuity. Therefore, the

company provides a positive signal that before the Covid-19 pandemic, manufacturing companies had a low *leverage* ratio, so it was a good signal from the company to investors. Thus, *leverage* has no effect on GC audit opinion (Simamora & Hendarjatno, 2019).

The Effect of *Leverage* on GC Audit Opinion Acceptance during the Covid-19 Pandemic

The results of hypothesis research in this study indicate that the *leverage* variable during the Covid-19 pandemic affects the company's business continuity. The company experienced a significant decrease in revenue during the Covid-19 pandemic, so it needed more funds to finance its operational activities and fulfil its short-term and long-term obligations. Many companies increased the value of debt, which caused higher *leverage*. High leverage shows that the company's performance has decreased. It causes uncertainty about the company's survival. It has resulted in the company providing a negative signal conveyed by the independent auditor in the published financial statements. This study's results align with research conducted by (Puspaningsih, 2021), which explains that *leverage* affects the acceptance of GC audit opinion.

The Effect of Company Growth on GC Audit Opinion acceptance before the Covid-19 pandemic

Company growth, as proxied by the sales *growth ratio*, namely this year's sales minus last year's sales divided by last year's sales, shows that the significance value of 0.60 is greater than 0.05 with a negative coefficient value of -0.034. The results of testing the third variable hypothesis of this study indicate that company growth before the Covid-19 pandemic does not affect GC audit opinion. It shows that the high and low value of company growth has no impact on the *going concern* audit opinion received by the company. In addition, growth or increased sales also does not guarantee better company performance. If an increase follows sales growth in operating expenses that are higher than sales, the company will experience losses.

On the other hand, a decrease in sales in the company also cannot guarantee that the company will receive a *going concern* audit opinion. Therefore, the company provides positive signals to investors and creditors. Company growth does not affect GC Audit Opinions (Suryani et al., 2023).

The Effect of Company Growth on the Acceptance of GC Audit Opinions During the Covid-19 Pandemic

Company growth measures the company's ability to increase assets through sales. Companies with increasing sales growth are less likely to receive a GC audit opinion. Conversely, companies with negative sales growth will likely get a GC audit opinion. However, based on the results found during the Covid-19 pandemic, the value of company growth in the logistic regression test is 0.244, greater than 0.05. It shows that company growth during the Covid-19 pandemic does not affect GC audit opinion, even though, according to the data obtained, it shows that in 2020 most manufacturing companies experienced a decline in sales. These results indicate that high or low company growth does not affect GC audit opinion acceptance. Therefore, it gives a positive signal to investors and creditors. This study's results align with research conducted by Winarta & Kuntadi (2022), which states that company growth does not affect GC Audit Opinions.

CONCLUSION

The conclusions are: 1) Profitability before the Covid-19 pandemic did not affect GC audit opinion acceptance. It is because manufacturing companies before the Covid-19 pandemic could maintain the continuity of their business in carrying out company operations to earn profits. 2) When the Covid-19 pandemic occurred, the profitability variable affected GC audit opinion. During the Covid-19 pandemic, many companies were required to reduce working hours or even temporarily close due to government policies to carry out social distancing, lockdown and other policies resulting in the company experiencing losses reflected in the number of companies with negative net income. Negative net income is an indicator that illustrates a decline in a company's performance. 3) Leverage before the Covid-19 pandemic did not affect going concern audit opinion acceptance. It is because, before the Covid-19 pandemic, the company could still fulfil its obligations using the capital owned by the company, so before the Covid-19 pandemic, manufacturing companies could maintain their business continuity. 4) During the Covid-19 pandemic, the leverage variable affects the GC audit opinion. It is because, during the Covid-19 pandemic, the company experienced a significant decrease in revenue. The company needed more funds to finance its operational activities and fulfil its short-term and long-term obligations, so many companies increase the value of debt, which causes higher leverage. High leverage shows that the company's performance has decreased, causing uncertainty about the company's survival. 5) Company growth before and during the Covid-19 pandemic does not affect GC audit opinion. It shows that the high and low value of company growth has no impact on the going concern audit opinion received by the company. When viewed from the data of manufacturing companies in 2020, most companies experienced decreased sales. However, the decline in sales did not affect the company's survival.

REFERENCES

- Abdellatif, R., & Elsayed, A. (2023). The effect of investment in the brand value chain on profitability and market value of the firm: lessons of success taken from Amazon. *Future Business Journal*, 9(19), 1-17. <https://doi.org/10.1186/s43093-023-00196-2>
- Akhtar, M., Yusheng, K., Haris, M., Ain, Q. U., & Javaid, H. M. (2022). Impact of financial leverage on sustainable growth, market performance, and profitability. In *Economic Change and Restructuring*, 55(2), 1-38. <https://doi.org/10.1007/s10644-021-09321-z>
- Alsmady, A. A. (2022). Quality of financial reporting, external audit, earnings power and companies performance: the case of gulf corporate council countries. *Research in Globalization*, 5, 1-13. <https://doi.org/10.1016/j.resglo.2022.100093>
- Ardinindya, G. A., Djuwarsa, T., & Kusuma Dewi, R. P. (2021). Faktor penentu earning per share perusahaan properti dan real estate yang terdaftar dalam indeks Saham Syariah Indonesia. *Journal of Islamic Economics and Business*, 1(2). <https://doi.org/10.15575/jieb.v1i2.15091>
- Averio, T. (2020). The analysis of influencing factors on the going concern audit opinion - a study in manufacturing firms in Indonesia. *Asian Journal of Accounting Research*, 6(2), 152-164. <https://doi.org/10.1108/AJAR-09-2020-0078>
- Aydin, N., Sahin, N., Devenci, M., & Pamucar, D. (2022). Prediction of financial distress of companies with artificial neural networks and decision trees models. *Machine Learning with Applications*, 10, 1-13. <https://doi.org/10.1016/j.mlwa.2022.100432>
- Bierstaker, J. L., & Todd DeZoort, F. (2019). The effects of problem severity and recovery strategy on managers' going concern judgments and decisions. *Journal of Accounting and Public Policy*, 38(5), 1-12. <https://doi.org/10.1016/j.jaccpubpol.2019.106682>
- Brakus, J. J. (2014). Brand experience: what is it? how is it measured? does it affect loyalty? *Journal of Marketing*, 73, 52-66. <https://doi.org/10.1509/jmkg.73.3.52>

- Brulhart, F., Gherra, S., & Quelin, B. V. (2019). Do Stakeholder orientation and environmental proactivity impact firm profitability? *Journal of Business Ethics*, 158(1), 25-46. <https://doi.org/10.1007/s10551-017-3732-y>
- Economics, A., Alarc, P. De, & Alarc, P. De. (2022). Detection of shell companies in financial institutions using dynamic social networks. *Expert Systems with Applications*, 207, 1-13. <https://doi.org/10.1016/j.eswa.2022.117981>
- Fidiana, F., Yani, P., & Suryaningrum, D. H. (2023). Corporate going-concern report in early pandemic situation: Evidence from Indonesia. *Heliyon*, 9(4), 1-19. <https://doi.org/10.1016/j.heliyon.2023.e15138>
- Ghozali, I. (2006). *Aplikasi Analisis Multivariate dengan Eksperimen [Application of Multivariate Analysis with Experiments]*. Diponegoro University Publishing Agency.
- Guluma, T. F. (2021). The impact of corporate governance measures on firm performance: the influences of managerial overconfidence. *Future Business Journal*, 7(1), 1-18. <https://doi.org/10.1186/s43093-021-00093-6>
- Halim, K. I. (2021). Pengaruh leverage, opini audit tahun sebelumnya, pertumbuhan perusahaan, dan ukuran perusahaan terhadap opini audit going concern [The Effect of leverage, previous year's audit opinion, company growth, and company size on going concern audit opinions]. *Owner*, 5(1), 164-173. <https://doi.org/10.33395/owner.v5i1.348>
- Harrison, J. S., Hart, M., & Oler, D. K. (2014). Leverage and acquisition performance. *Review of Quantitative Finance and Accounting*, 43(3), 571-603. <https://doi.org/10.1007/s11156-013-0385-5>
- Idx.co.id. (2021). *Indonesia Stock Exchange*.
- Ilyukhin Evgeny. (2010). The impact of financial leverage on firm performance: evidence from russia. *SSRN*, 9(2), 24-36.
- Iqbal, U., & Usman, M. (2018). Impact of financial leverage on firm performance. *SEISENSE Journal of Management*, 1(2), 70-78. <https://doi.org/10.33215/sjom.v1i2.13>
- Kim, M. (Hyo J. (2021). Effects of managerial overconfidence and ability on going-concern decisions and auditor turnover. *Advances in Accounting*, 54, 1-15. <https://doi.org/10.1016/j.adiaac.2021.100549>
- Omer, T. C., Sharp, N. Y., & Wang, D. (2018). The Impact of religion on the going concern reporting decisions of local audit offices. *Journal of Business Ethics*, 149(4), 811-831. <https://doi.org/10.1007/s10551-016-3045-6>
- Ortiz-Martínez, E., Marín-Hernández, S., & Santos-Jaén, J. M. (2023). Sustainability, corporate social responsibility, non-financial reporting and company performance: Relationships and mediating effects in Spanish small and medium sized enterprises. *Sustainable Production and Consumption*, 35, 349-364. <https://doi.org/10.1016/j.spc.2022.11.015>
- Osadchy, E. A., Akhmetshin, E. M., Amirova, E. F., Bochkareva, T. N., Gazizyanova, Y. Y., & Yumashev, A. V. (2018). Financial statements of a company as an information base for decision-making in a transforming economy. *European Research Studies Journal*, 21(2), 339-350. <https://doi.org/10.35808/ersj/1006>
- Prabheesh, K. P., Sasongko, A., & Indawan, F. (2023). Did the policy responses influence credit and business cycle co-movement during the COVID-19 crisis? Evidence from Indonesia. *Economic Analysis and Policy*, 78, 243-255. <https://doi.org/10.1016/j.eap.2023.02.007>
- Puspaningsih, A. (2021). Drivers of going concern audit opinions: empirical evidence from Indonesia. *Review of Integrative Business and Economics Research*, 10(1), 26-39. <https://doi.org/10.1515/hjbpa-2017-0015>
- Putra, W. M., & Purnamawati, R. (2021). The effect of audit tenure, audit delay, company growth, profitability, leverage, and financial difficulties on acceptance of going concern audit opinions. *Proceedings of the 4th International Conference on Sustainable Innovation 2020-Accounting and Management (ICoSIAMS 2020)*, 176 (ICoSIAMS 2020), 199-208. <https://doi.org/10.2991/aer.k.210121.027>

- Ryu, T. G., Clifton, G., & Roh, C.-Y. (2019). The effect of profitability and liquidity on audit opinions: An empirical analysis. *Journal of Finance and Accountancy*, 25, 1-13. <http://www.aabri.com/copyright.html>
- Simamora, R. A., & Hendarjatno, H. (2019). The effects of audit client tenure, audit lag, opinion shopping, liquidity ratio, and leverage to the going concern audit opinion. *Asian Journal of Accounting Research*, 4(1), 145-156. <https://doi.org/10.1108/AJAR-05-2019-0038>
- Stice, D., Stice, E. K., & Stice, J. D. (2017). Cash flow problems can kill profitable companies. *International Journal of Business Administration*, 8(6), 46-54. <https://doi.org/10.5430/ijba.v8n6p46>
- Sun, Y., Zou, Y., Jiang, J., & Yang, Y. (2023). Climate change risks and financial performance of the electric power sector: Evidence from listed companies in China. *Climate Risk Management*, 39, 1-15. <https://doi.org/10.1016/j.crm.2022.100474>
- Suroto, L. R., & Kusuma, H. (2017). Drivers of going concern audit opinions: empirical evidence from Indonesia. *HOLISTICA - Journal of Business and Public Administration*, 8(2), 79-90. <https://doi.org/10.1515/hjbpa-2017-0015>
- Suryani, I., Yuniarti, R., & Syahrudin, M. (2023). Effect of financial distress, liquidity, and leverage on the audit opinion going concern on companies listed on IDXESGL during the pandemic Period (2019-2021). *International Journal of Business, Economics, and Social Development*, 4(1), 1-11. <https://doi.org/10.46336/ijbesd.v4i1.379>
- Winarta, W., & Kuntadi, C. (2022). Literature review: the effect of company size, company growth, and company liquidity on going concern audit opinion. *Dynasty International Journal of Economics, Finance & Accounting*, 3(4), 430-437. <https://doi.org/10.38035/dijefa.v3i4.1438>
- Wickham, R. J. (2019). Secondary analysis research. *Journal of the Advanced Practitioner in Oncology*, 10(4), 395-400. <https://doi.org/10.6004/jadpro.2019.10.4.7>
- Yanti, N. K. S., Datrini, L. K., & Larasdiputra, G. D. (2021). Pengaruh Profitabilitas, ukuran perusahaan, pertumbuhan perusahaan dan leverage terhadap penerimaan opini audit going concern (pada perusahaan manufaktur sektor industri barang konsumsi di BEI Periode 2017-2019) [The Effect of Profitability, Company Size, Company Growth and Leverage on Receiving Going Concern Audit Opinions (In Manufacturing Companies in the Consumer Goods Industry Sector on the IDX for the 2017-2019 Period)]. *Warmadewa Journal of Accounting Research*, 2(2), 70-74. <https://doi.org/10.22225/jraw.2.2.3364.70-74>