

# The Effect of Liquidity, Profitability, and Solvability on Going Concern Audit Opinions on the Property & Real Estate Subsector

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**Abstract** This study was chosen because it has a specific purpose which is to see whether there is an influence in generating profit (profitability), liquidity, and solvency on acceptance for business continuity. The opinion of the sustainability of the industry is one of the opinions given by management and independent auditors by explaining the survival of a company that has been examined. Tests carried out using the information retrieval steps used are documentation information that is opened via the website, including [www.idx.co.id](http://www.idx.co.id). Tests carried out by observing the financial statements of property and real estate companies to get overall data, the need for future measurement of the sustainability of the industry against the effects of earnings income, meet short-term obligations, and the level of risk in corporate debt. The results of research tests that have been completed are carried out using statistical test results namely logistic regression analysis. Completion of the completed test is therefore obtained between liquidity using the current ratio and profitability using the return on equity ratio does not have a significant effect on the sustainability of business activities. Whereas the solvency (DER) has a significant effect on business survival. This research has the benefit of knowing the impact of the company's survival information with the relationship between profitability, liquidity, and solvency in the sale and purchase business as well as building leases which are included in the Stock Exchange category in the 2017-2018 Indonesia. This test uses secondary data in the form of annual reports from businesses that are included in the Exchange listing in 2 periods. Samples of 14 industries in the field of land, building, etc. are listed on the Stock Exchange in 2017-2018. The sample termination system used is Purposive Sampling.

**Keywords:** Financial ratios and going concern audit opinion

## 1. INTRODUCTION

Annual financial statements are the main thing in the implementation of a company activity for businesses that go public according to Jensen and Meckling, (1976). Publicly listed companies have one responsibility, which is to publish financial statements in a timely manner that has been regularly checked by public accountants by providing useful information. So that the statement about going concern is a survival of the company given the company's management of the fair or improper financial statements of the entity that has been audited and the auditor gives an opinion about going concern (Lie, Wardani, dan Pikir, 2016).

Opinion of business continuity is a reason issued by someone who checks with the matter that the firm can survive in the course of its business activities. The issuance of excuses by audit people is very important for investors and creditors in investing in the industry. As well as investors and creditors to invest, they must know all financial conditions in order to carry out the business of a firm. The person who checks in doesn't just accept a reason from management that the company is good. In the examination of financial information, an independent audit must calculate whether the reasonableness of the information on the basis of similarity to the

accounting stages generally applies according to Aria Masdiana Pasaribu, (2015).

As the case stated by Bawono Yadika, (2019) on Liputan6.com said that the Indonesia Stock Exchange did not freeze PT. Garuda Indonesia due to a problem caused by the leader or director of the company and Garuda Indonesia shares also touched the lowest level in 6 months in 2019. The Garuda Indonesia company was also given strict sanctions by the IDX for the responsibility of recording financial statements and imposing sanctions on the Accounting Firm. The public in regards to the examination of Garuda Indonesia report. Based on that case, the company needs to consider the continuity of the company or also known as the Going Concern on the effect caused by the liquidity, solvency, and profitability of a company.

A factor that can influence the reasons for the continuity of the firm includes the large business, in generating profits, leverage, calculating the risk level of debt, the level of a KAP, type of industry, change of an auditor, audit fees, public ownership and so forth. This is evidenced by the many results of tests that have been carried out related to the continuity of the industry, according to Sudarno, (2019), Lie, Wardani, Pikir, (2016).

## 2. LITERATURE REVIEW

Business activities going forward is one of the things that are useful in a general business. Companies in making information about their annual financial information have the task to decide that the business will always run activities in the future or not the business can have an impact on financial and non-financial factors. There are several events that can have a bad effect so that a principle of going concern among others is not fulfilled, namely the condition of a bad company management, the discovery of fraud, and the occurrence of macroeconomic conditions at a large increase in inflation according to Ernatalia Sari, S.E, (2018).

Meanwhile, according to Daruosh Foroghi & Amir Mirshams Shahshahani, (2012) stated that the going concern is the basis for consumption in an accounting. The assumption in question is a body that will always operate for the foreseeable future in the implementation of desires, a right that must be fulfilled, as well as objectives, and so forth. So that the industry can develop and even progress very quickly and is very influential for business continuity.

Profitability is the ability of a business to obtain profits through the sale of total assets or through capital according to Sartono, (2010). The ratio is used to provide an effective calculation of the company manager. With that income income derived from sales and also from investors. The more increase in company profits will consequently increase the operating profit. And conversely, if a low increase in profits, therefore decreases to get the opinions of auditors (Aryantika and Rasmini, 2015).

According to Lucky Nugroho, Siti Nurrohmah, & Lawe Anasta, (2018) states that Liquidity defines the ability of a company to supplement short-term debt. Therefore, if you experience problems in completing short-term debt, it is possible that the business is having a hard time on the financial and if the difficult situation is not responsive to handle it will have an impact on bankruptcy. Thus the company will not get a going concern opinion from the auditor.

Solvency is a clue how a business this able to manage finances in terms of debt to get benefits and be able to resolve all matters to creditors (Fahmi, 2017). In other words, it is a measurement of meeting long-term and short-term business loans. Business that is found not solvable has a meaning that is a matter of debt if it is greater than assets, it is said to have problems handling liabilities that have a direct impact on industry activities (going concern) in the future according to Adhitya Wibisono, (2019).

Earnings ratio is the ratio for companies to calculate earnings income, therefore business performance can be seen in the ratio of return equity or ROE according to Yong Tan, Christos Floros, & John Anchor, (2017). Basic indication of ROE, the company gets a small profit, even losers so that the results of a small ROE will allow the company will not get a statement of going concern. With other intentions revealed that the low earnings of the firm's earnings, the profits that can be small will raise doubts for the auditor in giving the reality of going concern, and vice versa if the profits are large or high, it means that it will print a lot of profits so the auditor will not hesitate to give a statement of business continuity . Karenaya according to previous research by Wulandari (2014) proves that earnings income has a negative effect on going concern.

H1: Profitability affects the going-concern audit opinion

The risk assessment ratio is the calculation ratio to see that the business is capable of handling business risk. Risk assessment influences how much the obligation should be paid to creditors. The calculation ratio used is the debt to equity ratio (DER). If the ratio used is high, it certainly will not result in a business financial crisis. Thus the performance of a good accounting party and it will bring certainty to the going concern business by an audit. This makes more opportunities for granting audit opinions. According to Agus Kurniawan, (2019) stated that solvability has a relationship to the statement or opinion of the examiner who gives going concern.

H2: Solvability affects the going-concern audit opinion

Liquidity is the level of an effort to pay off debt near the company's assets. Therefore it is found a comparison between the near future debt on current assets or current ratio is often said. Thus the smaller the liquid of an industry, the smaller the level of debt problem solving is found in the use of current assets or it can be said that assets quickly become cash owned by companies. If a firm's liquidity gets bigger, then the business opportunity in completing obligations in the near future can be on time. The hypothesis can be accepted by Rafiu Oyesola Salawu, Titilayo Moromoke Oladejo, & Eghosa Godwin Inneh, (2017) who in their research stated that liquid business had a negative effect on business continuity going forward. Whereas a small liquid level business must have a short-term debt settlement and make the auditor unable to make a statement about the sustainability of the industry.

H3: Liquidity affects the going-concern audit opinion

### 3. METHODS

Tests carried out in the property or real estate industry are listed on the IDX 2017-2018 using the data withdrawal method using the documentation mechanism found on the website [www.idx.co.id](http://www.idx.co.id). This test is carried out by observing the financial information of the business of buying and selling or leasing buildings and others to obtain the overall information needed in measuring the effects of going concern opinion, profitability, liquidity, and solvency. Thus the sampling criteria, namely:

1. Businesses in the property sector which are listed on the IDX in the period 2017 - 2018;
2. Property business that has finished publishing financial information using the Rupiah currency;
3. Yearbooks in financial statements at the end of the year dated December 31;
4. The property industry which has published annual financial information in a row in 2017-2018 where found information and data that can be used in testing;
5. Likewise financial information that has been audited or checked by the client.

#### Dependent Variable

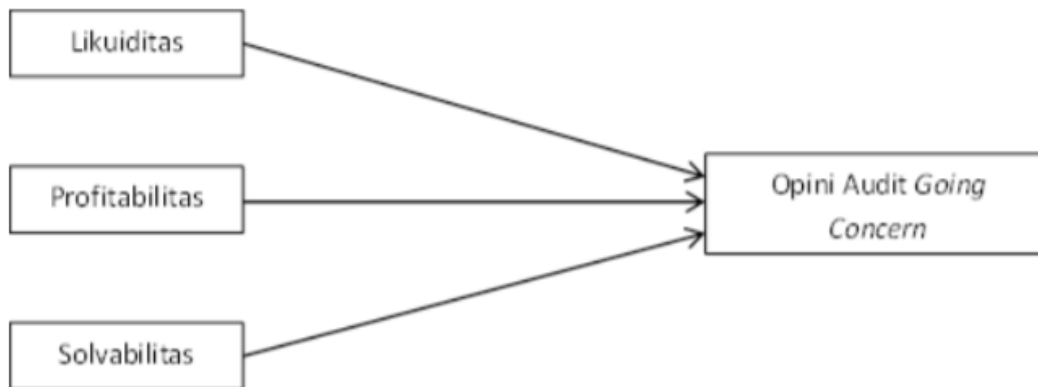
- 1) The running of the business in the future is an important thing for all businesses in carrying out company activities and informing them about the condition of the company for the future or in the future so that it can increase the good effect on the company's survival.

#### Independent Variable

- 1) Profitability is a measure of levels to look for profit. And take into account the effectiveness of management of a company. This is evidenced by the existence of profits from sales or investment income. the priority in the user profitability ratio used is ROE which shows the efficiency of the company.
- 2) Liquidity is an illustration to measure the industry's ability or not to settle debt in the near future or near maturity. This means taking into account the increase in settlement of everything at the creditor. To see a liquid company can be seen with the ratio used is the current ratio or can be abbreviated as CR.
- 3) Solvency is measuring the extent to which an industry's assets can pay off debt. This

means how much burden should be borne by the company and compared with company assets by considering the existing risk. Therefore, the risk rating ratio used is informed by its broad meaning to measure the consideration of the ongoing business activities in the completion of the business obligation, both in the near future and also in the long term if the business goes bankrupt.

In this study there is a relationship between three variables, but one variable does not affect the other variables. The several research tests used are descriptive statistical statistical tests to test sample data and to test the coefficient of detemination to tell how much impact the independent variable has on the dependent variable simultaneously and universally. The independent variable of this test is the fulfillment of future obligations, earnings income, and risk calculation. Whereas the opposite or dependent variable used in the sample test is future business activities. The basis of the relationship between the variables in question so that the structure of thought is formed as follows:



**Gambar 1. Kerangka Konsep Penelitian**

#### 4. RESULT AND DISCUSSION

**Table 1 – Hosmer dan Lemeshow Test**

**Hosmer and Lemeshow Test**

Step	Chi-square	df	Sig.
1	5.898	7	.552

Source: Data processed, 2020

The test used is the Hosmer and Lemeshow test showing the feasibility of the regression model. If the sig value is greater than 1,000 indicates the data by the model is accepted. The model test answers are feasible or not feasible can be seen in Table 3 above. The value of the Hosmer and Lemeshow test was 5.898 with a significance of 0.552. The significance value is less than 1%, meaning that the model in this study cannot be accepted.

**Table 2 – Classification Table**

**Classification Table<sup>a</sup>**

	Observed		Predicted		Percentage Correct
			GConcern		
			0	1	
tep 1	GConcern	0	13	3	81.2
		1	5	6	54.5
	Overall Percentage				70.4

a. The cut value is .500

Source: Data processed, 2020

The data in Table 4 shows the predictive ability of the business decline version of 14 companies in the implementation of the ongoing business is 81.2%. From the test can apply the regression model, 2 observations are estimated not all do Going Concern and from 2 observations not all industries that provide business continuity. The excess projection of the degeneration version in determining the profitability of the industry not hedging is 54.5%. This model shows that no observations are predicted to hedge a total of 13 observations. The overall classification accuracy in this model is 70.4 percent.

**Table 3 – Variables in the Equation**  
**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)	95.0% C.I.for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	CR	.096	.211	.206	1	.650	1.100	.728	1.663
	DER	2.005	1.163	2.972	1	.085	7.428	.760	72.591
	ROE	9.212	6.499	2.009	1	.156	1.002E4	.029	3.410E9
	Constant	-3.018	1.572	3.684	1	.055	.049		

a. Variable(s) entered on step 1: CR, DER,ROE.

Source: Data processed, 2020

Variables in the equation show the estimated value of the parameters to form a logistic regression model. The regression model is formed from the estimated value of the Variable in the Equation Parameter shown in the fifth tabulation. Test values with logistic regression with an error level of 10 percent. The model formed based on the estimated parameter values in Table 5 can be stated as follows:

$$\text{Log} \frac{p}{1-p} = -3,018 + 0,096 + 2,005 + 9,212$$

The basic version of the decadence that has been formed can be explained, namely:

Ho hypothesis states that the existence of an industry's survival is found to weaken the level of corporate debt compared to companies that do not implement it. The opinion variable regarding business continuity shows a regression coefficient of 0.0096 which indicates that an increase in profitability also increases the level of business in terms of meeting all business debts.

## Discussion

### H1: Profitability and Going Concern

In this study found that hypothesis 1 has a statement that does not have a significant effect on the Audit Opinion Going Concern and the profitability of a business. Going concern audit is an opinion statement from the auditor of a business continuity for the development of the company's activities. The results of other examiners indicated that a significant influence was obtained on the Audit Opinion Going Concern and Profitability. The results of other researchers' tests prove (Endah Ratna Puspitasari, 2020) that gets the emergence of the fabric of business survival towards generating profits by not supporting the results of this research test. In businesses that get the type of qualified opinion will produce high profits while the business of companies that get unqualified opinions is inversely proportional to Besse Ulfira, (2017).

### H2: Solvability and Going Concern

In this study it was found that Hypothesis 2 has a statement that there is a significant influence on Solvency and Going Concern. Solvency is the ability of a business to settle its creditors as well as their immediate and long-term obligations. Therefore, if a business is able to

fulfill its obligations, the company will not be hampered in carrying out all company activities. The results of the research test provide a clue that there is a significant influence between Solvency and Going Concern with a significant level of 10%. This test reaction was also received by the examiner previously by Ade Wiguna, (2019).

### H3: Liquidity and Going Concern

In this study found that hypothesis 3 has a statement that does not have a significant effect on the Liquidity and Going Concern of a business. Liquidity is valuing to the extent that a company can pay off near-term liabilities or the target is debt that is due. An industry has obligations to the creditor, namely creditors in accordance with the Stakeholder Theory. By looking at the ability of current assets compared to short-term debt. The greater the availability of current assets, the level of the company's ability to pay off debt is also greater. If the ability to repay or pay off trade payables is high, an auditor can conclude that the financial condition of the Company is good because it is able to carry out business activities without being burdened with a trade debt. The results of the research test provide a clue that there is no significant effect between liquidity and ongoing business in the future. This test was received by previous examiners namely Elis Kurniawati and Wahyu Murti, (2017) & José Luis Gallizo, Ramon Saladrignes, (2015).

## CONCLUSION

Based on the completion of the test results that have been done, it can be obtained that the industry that runs in the field of property in Indonesia listed on the capital market in Indonesia in the period 2017-2018 there is an audit report on the opinion of the sustainability of the industry by adjusting the specified level standards. With the calculation that has been done also, that there is no effect on earnings earnings and the completion of obligations in the near future to the auditor's opinion regarding the sustainability of the industry while with Solvability itself found a significant effect on the business continuity of a company or often referred to as Going Concern. Thus the existence of Solvency with the ratio used is DER fully affects all activities that take place in the company so that where the business can develop in the future.

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