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The Effect Of Financial Condition, Prior Audit Opinion, And Debt Default On Going Concern Opinion

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Abstract –

This study examines the effect of financial condition, prior audit opinion, and debt default on going concern audit opinion, with profitability as a moderating variable, in property and real estate companies listed on the Indonesia Stock Exchange during 2021–2025. The research uses a quantitative approach and secondary data obtained from annual financial statements. The sample was selected through purposive sampling, resulting in 44 companies or 220 firm-year observations. Financial condition was measured using the modified Altman Z-Score, prior audit opinion and going concern audit opinion were measured using dummy variables, debt default was proxied by the debt-to-equity ratio, and profitability was measured by return on assets. Data analysis employed logistic regression and moderated regression analysis. The results show that financial condition has a positive and significant effect on going concern audit opinion, while prior audit opinion also has a positive and significant effect. Debt default does not have a significant effect on going concern audit opinion. Profitability does not significantly moderate the effects of financial condition, prior audit opinion, or debt default on going concern audit opinion. These findings indicate that the auditor's assessment is more strongly associated with the company's financial condition and prior audit opinion, while profitability does not significantly strengthen or weaken the tested relationships.

Keywords – *financial condition, prior audit opinion, debt default, profitability, going concern audit opinion*

I. INTRODUCTION

A company is a business entity that carries out operational activities with the goal of maintaining business continuity (going concern). In uncertain economic conditions, users of financial statements, particularly investors and creditors, require information regarding a company's ability to maintain its business continuity. Auditors play a crucial role because a going concern audit opinion can serve as an early warning to financial statement users of any doubts about the company's business continuity.

A going-concern audit opinion is issued when the auditor finds significant doubt regarding a company's ability to continue as a going concern. The property and real estate sector was chosen because it is a long-term industry

involving financing and banking, and is sensitive to changes in economic conditions. Previous research summarized in this thesis found differing results regarding the influence of financial condition, prior audit opinion, debt default, and profitability on the going-concern audit opinion. Furthermore, research examining profitability as a moderating variable in the relationship between these three variables and the going-concern audit opinion is still limited.

The phenomenon of receiving going-concern audit opinions was also observed in property and real estate companies during the observation period. PT Bakrieland Development Tbk received a going-concern audit opinion from 2022 to 2025, while PT Binakarya Jaya Abadi Tbk consistently received such an opinion from 2021 to 2025. Conversely, PT Megapolitan Development Tbk received a going-concern audit opinion in 2021 but no longer received such an opinion from 2022 to 2025. This difference indicates that a company's going concern status can change over time.

Based on these conditions, this study aims to analyze the influence of financial conditions, prior audit opinion, and debt default on going-concern audit opinion and to test whether profitability is able to moderate these three relationships in property and real estate companies listed on the Indonesia Stock Exchange for the period 2021–2025.

Agency theory explains the relationship between principal and agent in corporate governance. The separation of ownership and management can create information asymmetry because management has more complete information about the company's internal conditions. Auditors act as independent parties, helping to reduce information asymmetry by providing opinions on financial statements and raising concerns about the going concern of the business.

A going-concern audit opinion is an opinion related to the auditor's assessment of a company's ability to continue as a going concern. In this study, the going-concern audit opinion is measured using a dummy variable, with a value of 1 for companies receiving a going-concern opinion and a value of 0 for companies not receiving such an opinion.

Financial condition describes the level of financial health of a company. Financial condition is proxied using a modified Altman Z-Score with the formula $Z'' = 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4$. A Z'' value < 1.10 is categorized as a distress zone, $1.10 < Z'' < 2.60$ as a gray area, and $Z'' > 2.60$ as a safe zone.

Prior audit opinion is the audit opinion received by the company in the previous period. This variable is measured using a dummy value: 1 if the company received a going-concern audit opinion in the previous year and 0 if it did not receive a going-concern opinion. Debt default describes a condition where a company is unable to meet its debt payment obligations as they fall due. In this study, it is proxied using the debt-to-equity ratio. Profitability is measured using return on assets (ROA) and is used as a moderating variable.

Previous research in theses has shown inconsistent results. Minarso Bambang (2021) and Pratama et al. (2021) stated that financial condition had a significant influence, while Anggie Yuria (2020) found different results. Natong (2021) and Abror (2022) found an influence of prior audit opinion, while Wulandari (2021) found no effect. Debt default also showed mixed results among studies by Oktaviani and Challen (2020), Febrianti and Suhartini (2022), and Amelia (2022). These differences in results formed the basis for further testing in this study.

II. METHOD

This study uses a quantitative approach with secondary data in the form of companies' annual financial reports. The study population is companies listed on the Indonesia Stock Exchange, while the sample focuses on companies in the property and real estate sector for the 2021–2025 period. The sampling technique used is purposive sampling based on established criteria.

TABLE I. DETERMINATION OF RESEARCH SAMPLES

No.	Criteria	Amount
1	Property and real estate companies consistently listed on the IDX for the 2021–2025 period	92
2	Companies that have just gone public in the 2021–2025 period	(22)
3	Companies with a high debt-to-equity ratio, characterized by debt being greater than equity	(26)
	Number of company samples	44
	Number of observations (44×5 years)	220

Source: Data processed by SPSS 22 (2026)

The dependent variable is the going-concern audit opinion. The independent variables consist of financial condition, prior audit opinion, and debt default, while profitability serves as a moderating variable. Data collection was conducted through the annual financial statements of the sample companies. Data analysis used descriptive statistics, multicollinearity tests, logistic regression, and moderated regression analysis to examine the interaction between the independent variables and profitability.

TABLE II. MEASUREMENT OF RESEARCH VARIABLES

Variables	Measurement
Opini Audit Going Concern	Dummy: 1 = received a going concern opinion; 0 = no
Financial Condition	Modified Altman Z-Score
Prior Audit Opinion	Dummy: 1 = previous year's going concern opinion; 0 = no
Debt Default	Debt-to-Equity Ratio
Profitability	Return on Assets (ROA)

Source: Data processed by SPSS 22 (2026)

III. RESULTS AND DISCUSSION

Based on descriptive statistics of 220 observations, going concern audit opinion has a minimum value of 0 and a maximum of 1 with an average of 0.07. Financial condition has a minimum value of 1 and a maximum of 3 with an average of 1.15. Prior audit opinion has an average of 0.05. Debt default has a minimum value of 0.00 and a maximum of 1.10 with an average of 0.3690, while profitability has a minimum value of -0.13 and a maximum of 1.14 with an average of 0.0292.

TABLE III. DESCRIPTIVE STATISTICS

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Opini Audit Going Concern	220	0	1	0,07	0,253
Financial Condition	220	1	3	1,15	0,431
Prior Audit Opinion	220	0	1	0,05	0,209
Debt Default	220	0,00	1,10	0,3690	0,27217
Profitability	220	-0,13	1,14	0,0292	0,10041

Source: Data processed by SPSS 22 (2026)

The results of the multicollinearity test show that all variables have tolerance values above 0.10 and VIF below 10. The tolerance and VIF values are respectively financial condition 0.844 and 1.185; prior audit opinion 0.916 and 1.092; debt default 0.909 and 1.100; and profitability 0.941 and 1.062. Thus, there are no symptoms of multicollinearity among the independent variables.

The feasibility of the logistic regression model is indicated by a decrease in the -2 Log Likelihood value from 109.521 in the initial model to 56.256 after the independent variables are included. The Hosmer and Lemeshow test yielded a significance value of 0.067, greater than 0.05, thus the model is considered feasible. The classification table shows an overall prediction accuracy of 96.8%, with 99.5% accuracy for the non-going concern category and 60.0% for the going concern category.

TABLE IV. LOGISTIC REGRESSION RESULTS

Variables	B	Forest	Say.	Exp(B)	Results
Financial Condition	1,459	5,437	0,020	4,301	Significant influence
Prior Audit Opinion	5,545	21,569	0,000	256,047	Significant influence
Debt Default	-1,019	0,339	0,561	0,361	Not significant

Source: Data processed by SPSS 22 (2026)

The test results show that financial condition has a positive and significant effect on the going concern audit opinion with a coefficient of 1.459 and a significance of 0.020. In this study, financial condition is categorized based on the Altman Z-Score, so that the worse the financial condition reflected in the distress category, the greater the tendency of the company to obtain a going concern audit opinion. This finding indicates that financial condition is one of the important indicators considered by auditors in assessing a company's ability to maintain its business continuity.

Prior audit opinions have a positive and significant effect on going-concern audit opinions, with a coefficient of 5.545 and a significance level of 0.000. These results indicate that companies that received a going-concern opinion in the previous period are more likely to receive the same opinion in the current period. A history of prior opinions may reflect unresolved going concern issues, which auditors consider in their assessments for the following period.

Debt default does not significantly influence the going-concern audit opinion. The coefficient value of -1.019, Wald value of 0.339, and significance value of 0.561 indicate that debt default status in the research sample is not a significant determinant of the acceptance of a going-concern opinion. This aligns with the discussion in the thesis, which shows that auditors consider various factors comprehensively and do not solely focus on the company's ability to meet debt obligations.

TABLE V. RESULTS OF MODERATED REGRESSION ANALYSIS

Interaction	B	Forest	Say.	Results
Financial Condition × Profitability	125,879	2,584	0,108	Not moderating
Prior Audit Opinion × Profitability	-15.751,654	0,000	0,985	Not moderating
Debt Default × Profitability	2,128	0,001	0,976	Not moderating

Source: Data processed by SPSS 22 (2026)

Profitability was unable to moderate the influence of financial condition on the going-concern audit opinion. The interaction significance value of 0.108 was greater than 0.05. The average sample profitability was relatively low, so the resulting profit level was not strong enough to strengthen or weaken the influence of financial condition on auditor decisions.

Profitability also failed to moderate the effect of the prior audit opinion on the going-concern audit opinion. The interaction term's significance value was 0.985. This indicates that profitability levels do not alter the effect of prior audit opinion history on the likelihood of issuing a going-concern opinion. Auditors can still use the prior year's opinion as valuable information in assessing the sustainability of a company's problems.

Furthermore, profitability was unable to moderate the effect of debt default on the going-concern audit opinion. The interaction term's significance value was 0.976. This finding indicates that changes in profitability levels do not significantly strengthen or weaken the relationship between debt default and the going-concern audit opinion in the study sample. Thus, profitability does not function as a sufficiently strong balancing factor in this relationship.

The Nagelkerke R Square value before moderation of 0.548 indicates that 54.8% of the variation in going-concern audit opinion can be explained by financial condition, prior audit opinion, and debt default, while 45.2% is explained by other factors outside the model. After moderation, the Nagelkerke R Square value was recorded at 0.689. However, the moderation model output shows that the estimation stops because it reaches the maximum iteration limit and no final solution is found. Therefore, the increase in apparent power needs to be interpreted carefully and cannot be used as the sole basis for concluding the success of the moderation function.

IV. CONCLUSIONS

Based on the research results, financial condition has a positive and significant effect on going-concern audit opinions. Prior audit opinions have a positive and significant effect on going-concern audit opinions, while debt default has no significant effect. Profitability does not moderate the influence of financial condition, prior audit opinions, or debt default on going-concern audit opinions. These results indicate that financial condition and prior audit opinion history are stronger factors in explaining the acceptance of going-concern audit opinions in property and real estate companies during the study period.

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