

Analysis of the Effect of Audit Report Lag, Company Growth, Company Size on Going Concern Audit Opinion and Their Impact on Stock Price

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ABSTRACT

This study analyzes the effect of audit report lag, company size, company growth on going concern audit opinions on sub-industrial manufacturing companies listed on the Indonesia Stock Exchange in 2014-2018. This study uses secondary data, obtained from the company's annual report through the official website of the Indonesia Stock Exchange, namely www.idx.co.id and www.sahamok.com. The companies that were taken in this study were 37 companies from 47 companies which were carried out by purposive sampling and the number of observations made for 5 years, namely 2014-2018, so that the number of observations (observations) was 185 samples. The analysis in this study uses the Path Analysis Method with the help of Structural Equation Modeling (SEM) which is operated through the AMOS (Analysis of Moment Structure) program. The results of the analysis show that audit report lag has an effect on going concern audit opinion, and going concern audit opinion mediates the effect of audit report lag on stock prices, while company size and company growth have no significant negative effect on going concern audit opinion.

KEYWORDS: Audit Report Lag, Going Concern Audit Opinion, Company Growth, Company Size, Stock Price

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I. PRELIMINARY

Currently, companies are required to continue to survive in a competitive market. For this reason, the auditor has the responsibility to evaluate whether the company has the ability to survive in accordance with SAS 59 (AU 341). That way, the company's current goal is not only to seek optimal profit, but also aims for its survival.

The phenomenon of Sekawan who has not submitted a report regarding the company's going concern is threatened with being delisted as of the suspension due to doubts about the company's going concern. published in <http://m.detik.com/finance/> (accessed on monday 30 november 2015, 12:12 WIB)

The following are the names of companies that were delisted from the Indonesia Stock Exchange (IDX), in 2015 issued by saham ok.

Table 1.1 2015 Stock Delisting

No.	Code	Name	Listing Date(IPO)	Delisting Date
1	DAVO	Davomas Abadi Tbk	22-Dec-1994	21-Jun-2015
2	BAEK	Bank EkonomiRaharjaTbk	08-Jan-2008	10-Sep-2015
3	UNTX	UnitexTbk	16-Jun-1989	07-Dec-2015

Source : Saham Ok (2015)

There were 3 companies that were delisted in 2015, 2 of which were manufacturing companies and the reason why Davomas Abadi Tbk was delisted was because it did not have a going concern. So the authors choose a sub-industrial manufacturing company in the population of this study.

The phenomenon of a concrete going concern audit opinion also affects the phenomenon of stock prices based on the weakening of the Composite Stock Price Index (JCI). According to Kalla (2015), the declining industry also contributed to the weakening of stock prices.

Table 1.2 JCI Data Ends on 15 June 2015

Transactions per Thursday (9 June 2015)	Stock Condition
Total transaction Rp 7.74 trillion	51 stock up
Regular transaction Rp 5.32 trillion	260 stock down
Negotiated transaction Rp 2.42 trillion	54 immovable stock
Foreign investors posted net selling transactions of Rp 1.04 trillion.	188 shares not traded

Source :Republika (2015)

Based on company data that was delisted in 2015 in June, one of the manufacturing companies was delisted due to the Gong Concern audit opinion and along with the number of shares that fell so there was a possibility of a significant influence between the going concern audit opinion on the stock price.

Going Concern Audit Opinion

Going concern audit opinion is one of the opinions used in preparing the financial statements of economic entities. as the dependent variable in this study. This variable is measured using a dummy variable, companies that receive Going Concern Audit Opinions are coded 1 while Non Going Concern Audit Opinions are coded 0. In this study, what is categorized as Going Concern Audit Opinion is an unqualified audit opinion with an explanatory sentence stated using the phrase "substantial doubt about the (entity's) ability to continue as a business".

Stock price

The share price is the realization of the highest share price plus the lowest share price, then divided by two each year, as reported by the Indonesia Stock Exchange. This study uses closing stock prices after the deadline for issuing audited financial statements, which is 90 days after closing the books (1 April).

Audit Report Lag

Audit report lag is the time span for the completion of the annual financial statement audit, measured based on the number of days required to obtain an independent auditor's report on the company's annual financial statement audit, from the closing date of the company's financial year, which is as of December 31, until the date stated in the independent auditor's report.

Publication delays resulting from audit delays will cause negative market reactions. The information presented will contain good news and bad news that can influence investment decision making (Asmara and Rini, 2018: 415).

Company Growth

According to Prestyo (2011:110), company growth is always identical with company assets (both physical assets such as land, buildings, buildings and financial assets such as cash, receivables and so on). Measurement of company growth can be measured by the formula:

$$Growth = \frac{TA_t - TA_{t-1}}{TA_{t-1}} \times 100\%$$

(Prasetyo, 2011:143)

Company Size

Company size is the size of the company seen from the amount of equity value, sales value or asset value. In this study, the measurement of company size is proxied by the natural logarithm value

$$\text{Company Size} = \ln(\text{Total Assets})$$

Data analysis method

The companies that were taken in this study were 37 companies from 47 companies which were carried out by purposive sampling and the number of observations made was 5 years, namely 2014-2018, so that the number of observations (observations) was 185 samples. Data analysis in this study uses the Path Analysis method with the help of Structural Equation Modeling (SEM) which is operated through the AMOS (Analysis of Moment Structure) program.

II. RESULTS AND DISCUSSION

Path Analysis

Based on the results of the analysis of direct, indirect and total effects, the analysis model of the company's growth path on stock prices and audit report lag on stock prices is described as follows:

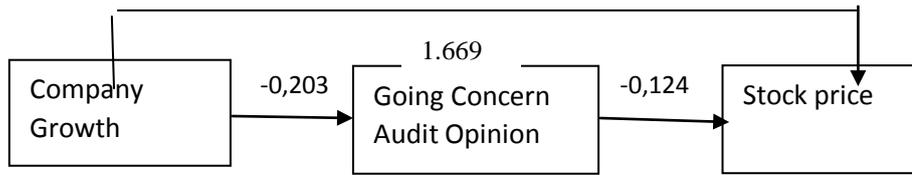


Figure 1.1 Analysis Model of the Company's Growth Path on Stock Prices

The analysis model of the company's growth path on the stock price shows that the company's growth has a direct influence on the stock price of 1.669 and an indirect effect on the stock price of -0.012772 (0.03 x -0.124). The magnitude of the regression coefficient of direct influence rather than the regression coefficient of indirect effect, it can be concluded that going concern audit opinion does not mediate the effect of company growth on stock prices.

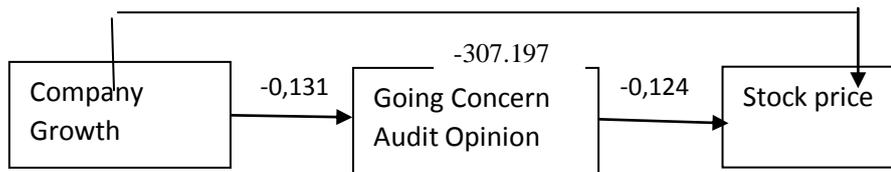


Figure 1.2 Path Analysis Model of Firm Size on Stock Price

The path analysis model of firm size on stock prices shows that firm size has a direct effect on stock prices of -307.197 and an indirect effect on stock prices of 0.016244 (-0.131 x -0.124). The magnitude of the regression coefficient of indirect influence is greater than the coefficient of direct influence, so going concern audit opinion mediates the effect of firm size on stock prices.

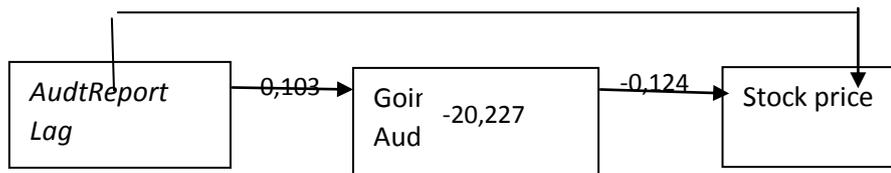


Figure 1.3 Audit Report Lag Analysis Model on Stock Prices

Based on the path analysis model of audit report lag on stock prices, it shows that audit report lag has a direct effect on stock prices of -20.227 and an indirect effect of -0.001612 (0.103 x -0.124). The magnitude of the regression coefficient of indirect influence is greater than the coefficient of direct influence, so going concern audit opinion mediates the effect of audit report lag on stock prices and if there is a direct effect on stock prices, audit report lag is an intervening variable.

Hypothesis

Based on the results of the research sample data processing, the results of this research hypothesis include:

Table 1.3 Hypothesis test

			C.R.	P	Label
OAGC	<---	ARL	2.450	.014	Significant
OAGC	<---	PP	-.690	.490	Not Significant
OAGC	<---	UP	-.891	.373	Not Significant
HS	<---	UP	-1.978	.048	Not Significant
HS	<---	ARL	-2.567	.010	Significant
HS	<---	PP	1.379	.168	Not Significant
HS	<---	OAGC	-1.752	.080	Not Significant

Source: Secondary data processed 19 February 2020, 08:26 WIB

1. Audit report lag has a significant effect on going concern audit opinion. The results of the study are in accordance with agency theory, namely the longer the time the financial statements are audited, the auditor assumes whether the financial statements of the company to be audited get something that allows them to provide a going concern audit opinion. H0 is rejected H1 is accepted. The results of this study strengthen the research of David, Richard and Jinn (2017) but differ from the research of Saputra and Rizal (2017).
2. The company's growth has no significant effect on going concern audit opinion. Judging from the c.r value, it shows that there is an insignificant negative effect between the two variables. So that the lower the company's growth, the more likely the company will get a going concern audit opinion. This study strengthens the research of Bambang (2015) and Kuswardi (2012) but is not consistent with the research of Ratna and Sri (2014) and Anita (2017).
3. The third hypothesis is rejected. and the negative critical ratio (c.r) value has an insignificant negative effect so that the larger the company, the better the management in managing it and the less likely the company is to obtain a going concern audit opinion. This study strengthens the research of Praptitori and Januarti (2007) but is not consistent with the research of Ratna and Sri (2014).
4. The results of the study stated that there was a significant negative effect between audit report lag variables on stock prices. The less time it takes for the company to submit audited financial statements, stockholders assume that the company has a small risk in obtaining a going concern audit opinion and management is able to manage the company well. In this way, audit report lag also has an indirect effect on stock prices mediated by going concern audit opinions. H0 is accepted H1 is rejected. This research is inconsistent with the research of Kornia and Dodik (2015) and Putra (2013)
5. The company's growth on stock prices has no significant effect H0 is accepted H1 is rejected. Variable growth can be seen in terms of sales, assets and net profit of the company. Although it can be seen from various sides, all three use the same basic principle where growth is understood as an increase in the value of a period relative to the previous period. Thus the increase in the form of assets in this study is not simultaneous with the increase in stock prices. This study is inconsistent with the research of Prawira, Resti and Ethika (2013) and the research of Ely and Aniek (2017).
6. The size of the company has no significant effect on the stock price. H0 is accepted. H1 is rejected, it shows that even though the size of a large company does not promise a high share price, the current shareholders in investing their capital look at the dividends that the company can pay. This study is inconsistent with the research of Shabri (2017) and Jemie, Parengkuan, and Jeffry (2017)
7. Going concern audit opinion has no significant effect on stock prices. H0 is accepted. H1 is rejected. A going concern audit has no effect on stock prices and a negative probability value indicates an insignificant negative effect. Where companies that obtain a going concern audit opinion indirectly make the company's stock price decline. This is because shareholders need new measurements or new analyzes to minimize the risk that the company whose capital is invested cannot maintain its viability. This study is not consistent with the research of David, Richard and Jinn (2008)

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