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PREDICTING THE ISSUANCE OF MODIFIED OPINION ON GOING CONCERN ISSUE BASED ON THE COMPANY FINANCIAL RATIOS DURING THE COVID-19 CRISIS PERIOD

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Abstract

Recognizing the company's business status from the very beginning will allow for actions to prevent things that can lead to financial difficulties. Based on the theory and conservatism paradigm, this research aims to see whether the ratios that accept modified opinions in the finances of companies with uncertainty perform significantly better than companies that do not accept opinions related to the uncertainty of the crisis period of the COVID-19 pandemic. By conducting further analysis of financial ratios, this study aims to formulate a predictive equation model that a modified opinion will be issued, based on the use of financial ratios as proxy variables. The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange for 2018 to 2020 with samples taken from 352 manufacturing companies. Logistic regression analysis was used as a statistical instrument to predict the issuance of modified opinion using SPSS version 25.0. The results showed that three of the nine financial ratio proxy variables tested showed significant differences and were considered to be in a better position. These ratios are the liquidity ratio proxied by the current ratio (CR) with a significance level of 0.017 < 0.05 and the cash ratio with a significance level of 0.032 < 0.05 and the other is the profitability ratio proxied by return on assets (ROA) with significance level 0.037 < 0.05. This study also succeeded in producing a prediction model to issue a modified opinion, namely: Prob = -3.152 + 0.099*Current Ratio – 0.327*Cash Ratio – 0.014*ROA. The internal validation of the research model shows that the prediction model is accurate at 97.7%.

Keywords: Going concern, Financial Ratio, Modified Opinion, Signalling Theory, and Conservatism.

A. INTRODUCTION

Many companies that have never struggled to demonstrate their financial health before, are reconsidering the possibility of expressing doubt about their capacity to continue operating their business (Handmer & Dovers, 1996). Almost every industry and type of business is experiencing a decline in economic activity. In this uncharted territory what has happened was unpredictable and predicting the path ahead has become nearly impossible (Acs et al., 2008). As an example, the following are some of the phenomena that occur in the Indonesian business environment regarding financial fallout and alterations brought on by the COVID-19 crisis (Ssenyonga, 2021).

The manufacturing industry sector plays an important role in the national economy (Kapalu & Kodongo, 2022). The manufacturing industry is the key sector in Indonesia that has been hit the hardest by COVID-19's proliferation (Wibawa et al., 2022). This sector makes a major contribution to the Indonesian economy (19-20%), and products from the manufacturing industry also contribute considerably to Indonesia's overall exports, which account for more than 70% of the country's total exports (Lee, 2021). The declining performance of Indonesia's manufacturing industry, along with an increase in COVID-19 cases, demonstrates COVID-19

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crisis's significant impact on industry performance and, eventually, economic growth (Ikram et al., 2021).

Outside of the phenomena that occurred in the sectors that have been mentioned, other industries experienced the same economic downturn (Slywotzky & Hoban, 2007). Many businesses are in dire straits as a consequence of being forced to scale back or temporarily suspend their operations and need further financial assistance to stay afloat (Tschoegl, 2005). Some businesses have even permanently shut down their whole operations. The survival of companies across all sectors are put at risk. The importance of knowing the company's future is heightened under the current uncertain environment. In order to shed light upon the matter, it is necessary to have the right information that can accurately represent the entity's actual financial position and performance (Sirmon et al., 2007).

The role of auditors in presenting relevant and representationally faithful information related to the financial health of their client company is critical in relation to going concern related uncertainties (Johnson et al., 1991). Manns (1992) shows that the auditor's responsibility in relation to going concern is to assess on every audit engagement the entity's ability to continue as a going concern for a reasonable period of time. The auditor can completely assess a company's going concern status by going through the processes of reviewing the information already obtained, evaluating management's preparations to mitigate the effect of negative conditions, and selecting what type of report to give (Mutchler, 1985).

The assessment of the going concern assumption is one of the “Most relevant auditors judgments that may affect the capital market" in the audit of financial statements (George-Silviu & Melinda-Timea, 2015). Due to the increasing risk and uncertainty as the market becomes more volatile, investors become more risk-averse and adjust their information gathering approach, relying more on fundamental data and deem other information as noisy and speculative (Stracca, 2004). As a result, the accuracy of accounting information and accompanying disclosures in financial statements becomes extremely important for capital markets and investors during the times of economic slowdowns (Lang & Maffett, 2011).

The reports of Kaplan & Williams' (2012) into the changing relationship between audit firm size and going concern reporting revealed that public stock companies that are experiencing financial stagnation tend to employ smaller audit firms since bigger audit firms refuse to work with them. Additionally, their research indicates that smaller audit firms have had a better likelihood of issuing going concern opinions than bigger audit firms. Still continuing in this vein, Fargher & Jiang (2008) claimed that after an economic downturn, conservative auditors are very likely to issue a going concern opinion to financially distressed firms. Big audit firms frequently refuse to take such clients since they are facing the most financial stress and want to conceal their bad financial performance through earnings management efforts (Schwartz & Menon, 1985).

According to Muflihah (2017), the concept underlying voluntary disclosure is that of signalling theory, which states that management always wants to communicate good news to potential investors. When two parties (individuals or organizations) have access to different information,

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signalling theory is useful for describing the subsequent behaviour (Connelly et al., 2011). This theory describes the action taken by the company's management to provide information signals for investors or creditors about the current conditions experienced by the company (Brigham & Houston, 2006).

Signaling theory underlies this particular research, as it serves as the study foundation block, the signaling theory is utilized to elucidate that the financial statements and audit opinions are used to give good news (positive signals) and bad news (negative signals) to users of financial statements (Inchausti, 1997). The link between companies and investors is frequently associated with the financial statement. Additionally, the interconnections between the dependent variable, independent variable, and the issuance of modified opinion in the context of going concern will be connected to signalling theory (Dainelli et al., 2013).

In compliance with the definition of signalling theory, the author contends that signalling theory is strongly and closely tied to this research, which has a connection in identifying healthy and unhealthy companies through the information provided in financial statements (BliegeBird & Smith, 2005). Since the financial statements contain information from the firm's management, they will provide a signal to examine the firm’s financial performance and offer information regarding whether or not there's an undergoing failure or success within the context of a going concern (Beasley, 1996).

External auditors play a crucial role in protecting the integrity of a company's financial reports because they can thwart management's opportunistic conduct by advocating conservative financial reporting (Herrmann et al., 2008). According to Manao & Nursetyo (2002) study of Indonesian companies, large Certified Public Accountant firms are more conservative than small CPA firms, as evidenced by the solvency ratio. Small CPA firms, on the other hand, are not more conservative (less conservatism) in issuing a modified opinion on going concern uncertainty than large CPA firms in terms of liquidity and profitability ratios.

The auditor's role as a financial statement observer has become more important than ever during this period of elevated risk. This demonstrates to the capital market and company's stakeholders that auditors can not only give faithful prosperity signals for both parties through their audit opinion, but also that conservatism will be effective in reducing financial reporting manipulation and agency difficulties in developing countries like Indonesia (Solikhah et al., 2020). The auditor's opinion and fundamental data such as financial ratio is to be regarded as a reference, and various related stakeholders will utilize that information to make business decisions with the intention that it will lead to value creation. Thus, the auditor's opinion is expected to be congruent with the company's actual circumstances. Only a qualified auditor can ensure that the report (information) generated is reliable and trustworthy (Praptitorini & Januarti, 2014). During this period of crisis, the difficulty in determining an entity's viability by an auditor places the determination of going concern as the most complicated and difficult procedure faced by an auditor, despite the fact that the professional standards of auditing state that auditors must modified their opinion in the face of substantial doubts about their client's going concern (business continuity) in order to acknowledge that risk (Carson dkk, 2013).

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Therefore, it is envisaged that understanding the company's going concern situation from the start will enable initiatives to be taken to avoid events that may lead to business failure and material loss. To achieve this and to see if the opinion issued is truly congruent with the real condition of the company is experiencing, financial statements variables can be utilized to make future financial estimates for the company's various financial aspects. In order to determine the symptoms of a going concern, a model is required to predict financial distress conditions in order to avert investment losses. In line with the notion, one essential aspect of predicting a company's continuity is to examine the financial ratios contained within its financial statements.

B. LITERATURE REVIEW

1. Going Concern

The going concern assumption, according to Fremgen (1968), has been one of accounting's most firmly entrenched and least controversial assumptions. The House of GAAP visual model by Steven Rubin (1984) depicts the going concern concept as an important basis for accounting standards. Going concern becomes an essential foundation for assumption in financial reporting where firms assume that they have no intention of significantly reducing their business scale (Astari & Latrini, 2017). When financial reporting fails to meet the going concern assumption, there is uncertainty about a company's ability to continue operating and maintain their business survival for at least one year after the financial statement auditing date (IAPI, 2016).

Zeman & Lentner (2018) regard the going concern assumption as one of the criteria for economic development and stability at both the national and corporate levels, which further emphasizes the significance of the notion. In consequence, in times of economic instability and financial crises, the focus on management decisions shifts to the company's efficiency and effectiveness, as the available internal and external business resources diminish or become unpredictable.

Most public accountants view the inclusion of the company's financial position in the notes to the financial statements to be a "warning" to users of financial statements, according to Purba (2009). In order to make an optimal decision, investors expect that the auditor can transmit an early warning signal through this. In this challenging economic climate, auditor going concern opinions and default prediction are crucial concerns to a variety of stakeholders, including researchers, investors and potential investors, creditors, accounting standard makers and other users of financial statements. It is important that these people obtain reliable information from companies about their well-being and to protect and maintain the underlying presumption of such concern.

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2. Types of Auditor Opinions and Opinion Modifications

The audit opinion is part of the audit report, which contains the audit report's main information. The auditor issues an audit opinion at various stages of the audit in order to draw a conclusion on the opinion that must be given on the audited financial statements. According to Arens (2010), the audit report and the issuance of an opinion is the final phase in the auditing process. The auditor in providing an opinion will already be based on their professional beliefs and judgments toward the auditee. Investors and other stakeholders' decisions could be influenced by an audit opinion as it is a powerful monitor tool that is generally recognized (Bo & Wu, 2011).

The independent audit procedure is a way to ensure the credibility of financial information. Studies have shown, information from audited financial statements is more valuable and is used more frequently and intensively than information from unaudited financial statements (Minnis, 2011). The auditor's report is a means for the auditor to present their opinion, or to disclaim an opinion, depending on the circumstances. Auditors can provide a variety of financial statement opinions, each of which reflects a different level of financial reporting credibility.

When the auditor concludes that the financial statements have been prepared in all material respects and in compliance with the applicable financial reporting framework, the auditor will express an unmodified opinion. On the other hand, if the auditor decides that the financial statements are not free of material misstatement and is unable to gather sufficient acceptable audit evidence to establish that the financial statements as a whole are free of material misstatement, the auditor issues a modified opinion (Agoes, 2017; IAI, 2002).

3. Conservatism

Conservatism is defined as follows in Statement of Financial Accounting Concepts (SFAC): "Conservatism is a prudent reaction to uncertainty to try to ensure that uncertainties and risks inherent in business situations are adequately considered. Thus, if two estimates of amounts to be received or paid in the future are about equally likely, conservatism dictates using the less optimistic estimate…" (FASB, 1980). Prudence, also known as conservatism, is defined by the International Financial Reporting Standards (IFRS) framework as "The inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated'' (IASB Framework, 2006).

In its extreme form the philosophy of conservatism is traditionally defined by the adage "anticipate no profit, but anticipate all losses" (Bliss, 1924). Anticipating profits entails recognizing profits before making a legal claim on the revenues that generated them and ensuring that the revenues are verifiable. While conservatism does not require that all revenue cash flows be collected before profits or credit sales are recognized, it does imply that they are verifiable. Despite vociferous criticism from a variety of directions, official data shows that conservatism not only exists, but has risen in recent decades in modern financial reporting (Watts, 2003).

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Watts, on the other hand, saw the adage as implying that recognizing gains requires a greater level of verifiability than losses (Watts, 2006). Furthermore, Guay and Verrecchia (2006) said that a "more timely acknowledgment of losses than profits as a result of the costs and advantages of disclosing verifiable information by managers and / or organizations being asymmetric (p. 150)". Conservatism is described by Watts & Zimmerman (1986) as reporting the lowest possible alternatives value for assets while reporting the greatest possible alternative value for liabilities. The concept of conservatism or prudence have long been important concepts in financial reporting, and they're frequently included within the accounting conceptual frameworks such as APB (1970), FASB (1980) and IASC (1989).

4. Financial Ratio and It Benefits as a Going Concern Indicator

A financial ratio is a mathematical expression of the relationship between two accounting numbers. A financial ratio is a measure that is used to assess a company's financial situation and productivity (Pandey, 2010). It reflects a company's financial performance; if the ratio of a company's performance is higher than the industry average, it has outperformed and if it performed lower than the average it has underperformed (Ugurlu & Aksoy, 2006). Financial ratios are an expression of the relationship between numbers in financial statements to make them more meaningful. These are a tool for expressing views on a certain underlying condition, in this context, the financial status of the company. A properly evaluated ratio will reveal areas that need to be investigated further (Setiawan & Amboningtyas, 2018). Ratio analysis is a financial analysis tool that is prominent and commonly used by analysts. And according to Ward (2007), it depicts the relationship between financial statements over a certain time period.

Financial ratio analysis, according to Okwuosa (2005), is defined as expressing one number in terms of another to demonstrate a relationship. He further stated that there are specific relationships between items in the profit and loss account and those in the balance sheet, as well as between items in these statements, in financial accounting and reporting. Ratios are employed to express these relationships as a result of this knowledge. In accordance with this, Ezeamama (2010) suggests that when compared to a standard, ratios are most effective in interpreting financial statements. Ratio analysis is an effective financial analytical method. A single ratio is insufficient to determine whether or not the situation is favourable. Before passing judgment on the ratio, it must be first compared to a benchmark or standard established.

5. Signalling Theory

Since Spence's 1973 study, signalling theory has been the foundation for many hypotheses, models, theories, and concepts. Spence's (1973) pioneering study on labour markets, in which he illustrated how a job candidate may engage in behaviours to reduce information asymmetry, which hampered potential employers' selection abilities. The premise behind signalling theory is that the information received by each party is not the same. This hypothesis is linked to information asymmetry, which depicts information disparity between company management and parties concerned with the information.

The significance of information provided by a company for capital decisions made by parties outside the company's management is highlighted by signalling theory. Parties outside of

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management will become capable to grasp the company's status primarily to the information released by management in the financial statements. As a result, the financial statements that have been constructed and presented must be reliable in order for the information contained in the financial statements not to mislead the decision makers (Marita & Permatasari, 2019).

6. Hypothesis Development

Financial ratios are one of the management instruments for carrying out management functions, as well as a foundation for investment decisions for analysts and potential investors. Scott (1981) states that the purpose of financial statements is to provide information to assist investors, creditors, and other users of financial statements, both current and potential, in assessing the amount, timing, and uncertainty of company performance, cash receipts from dividends, and interest in the future, this is in accordance with SFAC (Statement of Financial Accounting Concepts) No.1 Objective of Financial Reporting by Business Enterprises (FASB-a 1978: par 32).

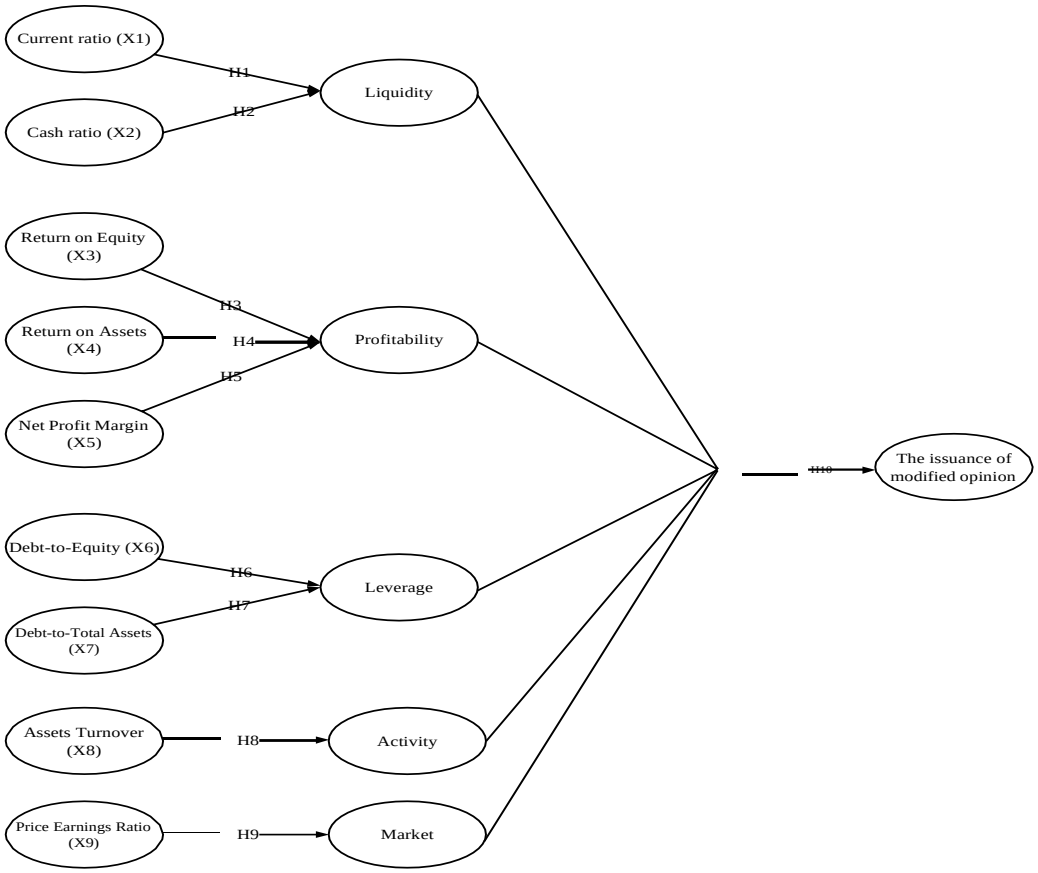

Figure 1 Research Framework

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Hypothesis

H1: The liquidity ratio proxy variable which is represented by the current ratio from the financial statements of companies that do not receive a modified opinion in the context of going concern is significantly different and better than the financial ratios of companies that receive a modified opinion in the context of going concern.

H2: The liquidity ratio proxy variable which is represented by the cash ratio from the financial statements of companies that do not receive a modified opinion in the context of going concern is significantly different and better than the financial ratios of companies that receive a modified opinion in the context of going concern.

H3: The profitability ratio proxy variable which is represented by the return on equity from the financial statements of companies that do not receive a modified opinion in the context of going concern is significantly different and better than the financial ratios of companies that receive a modified opinion in the context of going concern.

H4: The profitability ratio proxy variable which is represented by the return on assets from the financial statements of companies that do not receive a modified opinion in the context of going concern is significantly different and better than the financial ratios of companies that receive a modified opinion in the context of going concern.

H5: The profitability ratio proxy variable which is represented by the net profit margin from the financial statements of companies that do not receive a modified opinion in the context of going concern is significantly different and better than the financial ratios of companies that receive a modified opinion in the context of going concern.

H6: The leverage ratio proxy variable which is represented by debt-to-equity from the financial statements of companies that do not receive a modified opinion in the context of going concern is significantly different and better than the financial ratios of companies that receive a modified opinion in the context of going concern.

H7: The leverage ratio proxy variable which is represented by debt to total assets from the financial statements of companies that do not receive a modified opinion in the context of going concern is significantly different and better than the financial ratios of companies that receive a modified opinion in the context of going concern.

H8: The activity ratio proxy variable which is represented by total asset turnover from the financial statements of companies that do not receive a modified opinion in the context of going concern is significantly different and better than the financial ratios of companies that receive a modified opinion in the context of going concern.

H9: The market ratio proxy variable which is represented by price to earnings from the financial statements of companies that do not receive a modified opinion in the context of going concern is significantly different and better than the financial ratios of companies that receive a modified opinion in the context of going concern.

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H10: The proxy variables of liquidity ratio, profitability, leverage, activity and market from the company's financial statements simultaneously are able to predict the issuance of modified opinion in the context of going concern.

C. METHOD

In the study, the form of data presentation is dominated by statistics and financial ratios with that type of data used in this study being quantitative. The data used is secondary data, which is derived from historical data, namely the company's financial statements for the years 2018 to 2020, which is taken from the Indonesia Capital Market Directory (ICMD), The Indonesia Capital Market Institute (TICMI) and the IDX Reference Center. The population in this research are all manufacturing companies listed on the Indonesia Stock Exchange for the years 2018 to 2020. Through a purposive sampling method, the samples taken totalled to 352 manufacturing companies. Which contains nine financial ratios from 9 companies that received a modified opinion that are compared to 343 companies that did not receive a modified opinion from 2018 to 2020. Parametric t-test was conducted to compare the financial ratios of the two sample groups. Logistic regression analysis was used as a statistical instrument to predict the issuance of a modified opinion using SPSS version 25.0

D. RESULT AND DISCUSSION

1. Descriptive Analysis

By using the SPSS version 25.0 data processing program, an illustration of the research data is obtained which is reflected in the descriptive statistics as follows:

Table 1: Descriptive Statistics

Modified Opinion		DTA	DER	Cash Ratio	Current Ratio	ATO	ROA	ROE	NPM	PER
	N	343	343	343	343	343	343	343	343	343
	Minimum	0.00	-19.06	-0.41	0.00	0.00	-133.82	-13643.61	-2321.15	-5489.67
	Maximum	8.21	786.93	92.59	303.28	4.88	780.87	145.09	425.97	452851.19
	Mean	0.55	3.79	0.89	4.17	0.88	4.48	-38.76	-8.07	1355.67
	Std. Deviation	0.66	42.92	5.12	20.46	0.57	45.13	737.79	137.33	24452.82
	N	9	9	9	9	9	9	9	9	9
	Minimum	0.23	-2.01	0.01	0.34	0.43	-289.00	-202.73	-245.38	-40.60
Receive	Maximum	1.99	22.01	0.74	2.97	2.05	59.91	145.51	93.91	224.92
	Mean	0.70	3.03	0.25	1.42	0.88	-28.81	3.08	-22.21	55.57
	Std. Deviation	0.52	7.20	0.30	0.96	0.52	100.25	96.47	90.87	98.41
	N	352	352	352	352	352	352	352	352	352

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	Minimum	0.00	-19.06	-0.41	0.00	0.00	-289.00	-13643.61	-2321.15	-5489.67
Total	Maximum	8.21	786.93	92.59	303.28	4.88	780.87	145.51	425.97	452851.19
	Mean	0.55	3.77	0.87	4.10	0.88	3.63	-37.69	-8.43	1322.43
	Std. Deviation	0.65	42.38	5.05	20.20	0.57	47.34	728.44	136.27	24138.17

Based on the recapitulation in the table above, it can be seen that the variable DTA (debt to total assets) in companies that do not receive a modified opinion is 0.55 with a standard deviation of 0.66. Meanwhile, the companies that received the modified opinion were 0.70 with a standard deviation of 0.52. The average value of the DER variable (debt-to- equity ratio) in companies that do not receive a modified opinion is 3.79 with a standard deviation of 42.92. Meanwhile, the companies that received the modified opinion were 303 with a standard deviation of 7.20.

The average value of the Cash Ratio variable in companies that do not receive a modified opinion is 0.89 with a standard deviation of 5.12. Meanwhile, the companies that received the modified opinion were 0.25 with a standard deviation of 0.30. The average value of the CR variable (current ratio) in companies that do not receive a modified opinion is 4.17 with a standard deviation of 20.46. Meanwhile, the companies that received the modified opinion were 1.42 with a standard deviation of 0.96.

The average value of the variable ATO (asset turnover) in companies that do not receive a modified opinion is 0.88 with a standard deviation of 0.57. Meanwhile, the companies that received the modified opinion were 0.88 with a standard deviation of 0.52.

The average value of the ROA (return on assets) variable in companies that do not receive a modified opinion is 4.48% with a standard deviation of 45.13. Meanwhile, the companies that received the modified opinion were -28.81% with a standard deviation of 100.25. The average value of the ROE (return on equity) variable in companies that did not receive a modified opinion was -38.76% with a standard deviation of 737.79%. Meanwhile, the companies that received the modified opinion were 3.08% with a standard deviation of 96.47%. The average value of the variable NPM (net profit margin) in companies that do not receive a modified opinion is -8.07% with a standard deviation of 137.33%. Meanwhile, the companies that received the modified opinion were -22.21% with a standard deviation of 90.87%.

The average value of the PER (price to earnings ratio) variable in companies that do not receive a modified opinion is 1355.67 with a standard deviation of 24452.82. Meanwhile, the companies that received the modified opinion were 55.57 with a standard deviation of 98.41.

2. Hypothesis Testing and Discussion

The Hypothesis testing is done by using a comparison test (Independent sample t-test), to analyze the independent variables that can distinguish audit quality in the context of going concern opinion with a significance level of $\alpha = 5\%$ and $\alpha = 10\%$ or p-value < 10 meaning there is a difference which is statistically significant for the financial ratio proxy variable on

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companies who receive a modified opinion in the context of going concern and those who do not. In summary, the results of this test can be seen in the following table:

Table 2: t-Test Results Recapitulation Source: Output SPSS, 2022

Hypothesis	Variable	t-Stat	Sig
H1	Current Ratio	2.398	0.017
H2	Cash Ratio	2.154	0.032
H3	ROE	-0.17	0.865
H4	ROA	2.092	0.037
H5	NIM	0.307	0.75
H6	DER	0.226	0.823
H7	DTA	-0.702	0.483
H8	ATO	0.002	0.998
H9	PER	0.159	0.874

The hypothesis can be accepted if the probability obtained (significance value) is less than 0.05. So, based on Table 4.3 it can be seen that:

- H1: Accepted (sig = 0.017 < 0.05)
- H2: Accepted (sig = 0.032 < 0.05)
- H3: Rejected (sig = 0.865 > 0.05)
- H4: Accepted (sig = 0.037 < 0.05)
- H5: Rejected (sig = 0.750 > 0.05)
- H6: Rejected (sig = 0.823 > 0.05)
- H7: Rejected (sig = 0.865 > 0.05)
- H8: Rejected (sig = 0.998 > 0.05)
- H9: Rejected (sig = 0.874 > 0.05)

Hypothesis 1 states that companies who do not receive a modified opinion have a much better current ratio (CR) than those that do. According to the calculation, 0.017 is below 0.05. The average CR variable in unmodified organizations is 4.17. The modified opinion was 1.42. Hypothesis accepted. Current ratios of companies without a modified opinion are significantly different and better.

Hypothesis 2 states that the cash ratio of companies who do not receive a modified opinion is much better than companies that do. According to the computation, 0.032 is below 0.05. The average cash ratio variable in unmodified enterprises is 0.89. The changed opinion was 0.25.

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Hypothesis accepted. Companies without a modified viewpoint have a significantly different and superior cash ratio.

Hypothesis 3 states that companies without a modified viewpoint have a much higher return on equity (ROE). According to the computation, 0.865 is above 0.05. In companies without a modified opinion, ROE averages -38.76%. Modified opinion businesses were 3.08%. This rejects the idea. The ROE of companies without a modified view is not considerably different, but in a better position.

Hypothesis 4 states that companies that do not receive a modified opinion have a much higher return on assets (ROA). According to the computation, 0.037 is below 0.05. The average ROA variable in unmodified enterprises is 4.48 percent. The modified opinion businesses lost 28.81%. Hypothesis accepted. ROA of companies without a modified viewpoint is much superior.

Hypothesis 5 states that companies without a modified opinion have a much higher net profit margin (NPM). According to the computation, 0.750 is above 0.05. In companies without a modified viewpoint, the NPM variable averages -8.7%. The modified opinion companies were -22.21%. This rejects the idea. The NPM of companies without a modified opinion is not considerably different, but in a better position.

Hypothesis 6 states that companies without a modified viewpoint have a better debt-to-equity ratio (DER). According to the calculation, 0.823 is above 0.05. The average DER variable in unmodified enterprises is 3.79. The modified opinion companies were 3.03. This rejects the idea. The DER of companies without a modified viewpoint is not considerably different, but in a better position.

Hypothesis 7 states that organizations who do not receive a modified opinion have a better debt to total assets ratio (DTA). According to the computation, 0.865 is above 0.05. The average DTA variable value for unmodified organizations is 0.55. The amended opinion was 0.70. This rejects the idea. The DTA of companies without a modified viewpoint is not considerably different, but in a better position.

The total asset turnover (ATO) of enterprises that do not receive a modified opinion is much better than companies that do. According to the computation, 0.998 is above 0.05. In corporations without a changed opinion, the ATO variable averages 0.88. The modified-opinion companies had 0.88. This rejects the idea. The ATO activity ratio of enterprises without a modified opinion is not materially different and regarded equal.

Hypothesis 9 states that companies that do not receive a modified opinion have a considerably better price-to-earnings ratio (PER). According to the computation, 0.874 is above 0.05. The average PER variable in unmodified organizations is 1355.67. The amended rating was 55.57. This rejects the idea. The PER of companies without a modified opinion is not considerably different, but in a better position.

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According to the results of the t-test, it reveals that there are only three variables that can be analyzed using logistic regression (logit), namely Current Ratio, Cash Ratio and ROA while the remaining variables do not meet the requirements for further testing

3. Model Testing and Discussion

a) Assessing the Model Fit (Goodness of Fit Test)

By examining the output of the SPSS version 25.0 software application (attachment) which is by looking at the likelihood function L of the model is the probability that the hypothesized model describes the input data. To test H0 and H1, the value of L was transformed into -2 log L (Ghozali, 2001).

Table 3: Omnibus Tests of Model Coefficients

Chi-square		df		Sig.
Step 1	Step	7.228	3	.045
	Block	7.228	3	.045
	Model	7.228	3	.045

Source: Output SPSS, 2022

The difference from the calculation of -2 log L for the constant model only and -2 log L for the model with constants and independent variables are distributed as a chi-square value with df (difference in df of the two models). The SPSS output difference of -2LogL can be seen from the chi-square value of 7.228 (as shown in Table 4.3) with df 3 and this figure is statistically significant. This means that H0 is rejected and the addition of X1, X2, X4 independent variables into the model improves the model fit because it has a significance value of less than 0.05.

Table 4: Model Summary

Step	-2 Log likelihood	Cox and Snell R Square	Nagelkerke R Square
1	76.535[a]	.020	.096

Note: a. Estimation terminated at iteration number 10 because parameter estimates changed by less than .001.

Source: Output SPSS, 2022

Furthermore, the SPSS output shows the value of Cox and Snell's R2 as shown in Table 4.4. The model summary table is 0.020 and the Nagelkerke R square value is 0.096, which means that the variability of the dependent variable which can be explained by the variability of the independent variable is 9.6%.

Table 5: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	4.609	8	.798

Source: Output SPSS, 2022

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Within Table 4.5 Hosmer and Lemeshow Test to test H0 that the empirical data match or fit the model. This can be seen from the significance value greater than 0.05, which means that there is no significant difference between the model and the data, so the model is said to be fit. Where the significance value is 0.798 and the value is much greater than the tolerable error value of 5%. Thus, it can be concluded that the model can be accepted.

b) Classification Table (Testing the Model's Ability to Predict)

Table 6: Classification Table

Observed			Predicted Auditee / Company			Percentage Correct
			Do Not Receive	Receive		
Step 1	Auditee / Company	Do Not Receive	343		0	100.0
		Receive	8		1	11.1
Overall Percentage						97.7

Note: a. the cut value is .500

The 2x2 classification table above is used to calculate the correct and incorrect estimated values. In the column section, there are two predictive values of the dependent variable, in this case not modified (1) and modified (2), while the row section shows the actual observed value of the dependent variable, not modified (1) and modified (2). The SPSS output results show that the accuracy of predictions for auditees who do not receive a modified opinion in the context of going concern is up to 100.0% (Percentage Correct column), meanwhile for auditees who receive a modified opinion the predictability is 11.1%. However, the overall percentages of the predictive ability are considered to be very good, which is 97.7%.

In order to proceed to the next phase, an equation to forecast the provision of a modified opinion in the context of going concern must be constructed using the results of the above analysis; calculations will be carried out using logistic regression analysis. The following table summarizes the results of calculations using logistic regression analysis.

Table 7: Logistics Regression Calculation Results Summary

Variable	B
Current Ratio	0.099
Cash Ratio	-0.327
ROE	-0.014
Constant	-3.152

Succeeding that, from the table then an equation can be drawn up, the complete equation is as follow: **Prob = -3.152 + 0.099*Current Ratio – 0.327*Cash Ratio – 0.014*ROA**

From these equations, following it, the probability value can then be found to determine the limitations of each group.

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Table 8: Current Ratio, Cash Ratio, ROA, and Probability Value Averages

Group	Current Ratio	Cash Ratio	ROA	Prob
Modified Opinion	0.254	1.416	3.081	-3.633
Non-Modified Opinion	0.887	4.175	-38.759	118.668

Based on the results of these calculations, it can be concluded that by using the liquidity ratio represented by the current ratio (CR) and cash ratio, then the profitability ratio represented by return on assets (ROA), using the equations that have been prepared previously, it can be said that the auditee or company will likely to receive a modified opinion if the calculation results obtained are > -3.633 and will likely not receive a modified opinion if the calculation results obtained < 118.668. Meanwhile, auditees who score between -3.633 and 118.668 can be said to have the potential to receive a modified opinion or not to receive a modified opinion in the context of going concern Hypothesis 10 asserts that the five ratios: of liquidity, profitability, leverage, activity, and market ratio, each of which is proxied by its own respective variable(s), can predict the issuance of a modified opinion in the context of a going concern. It is discovered that not all of the five financial ratios that are assumed to be able to predict can be used to do so.

According to the test that has been carried out and model constructed it can be factually inferred that not all financial ratios proxy variables that are used in this research between companies that receive a modified opinion in the context of going concern and companies that do not receive a modified opinion are significantly different. Only three of the nine financial ratios used exhibited a significant difference. These three ratios are Liquidity Ratio represented by the Cash Ratio, Liquidity Ratio represented by the Current Ratio (CR) and Profitability ratio represented by the Return on Assets (ROA). Which means that these are the only three proxy variables that can move on to the next phase.

Continuing that, an equation can be formed from the result, completing the prediction model based on the ratios that were picked as predictors in relation to the issuance of a modified opinion in the context of a going concern, which also serves as a financial distress prediction for the company. For public companies from the manufacturing sector in the 2018–2020 period, the liquidity and profitability ratios have a significant effect on predicting the issuance of a modified opinion in the context of going concern, as indicated by the findings presented. This signifies that the proxy variables of liquidity ratio, profitability, leverage, activity, and market from the company's financial statements simultaneously are unable to predict the issuance of modified opinion in the context of going concern; only liquidity and profitability can. With that H10 is rejected.

E. CONCLUSION

To achieve this study's purpose, a logistic regression test was run on all proxy variables representing profitability, liquidity, activity, and leverage ratio in predicting financial distress using SPSS version 25.0. Based on the hypothesis testing and debate, only two of the five

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financial ratios show substantial differences, thus the company is in a stronger situation. These ratios are liquidity ratio, proxied by current ratio (CR) with significance level 0.017< 0.05 and cash ratio with significance level 0.032<0.05, and profitability ratio, proxied by return on assets (ROA) with significance level 0.037<0.05.

The leverage, activity, and market ratios reveal the opposite outcome, where their influence on going concern status is minor, as seen in the small disparities between receiving and non-receiving modified opinion companies. The prediction model may then be built using these three important proxy variables, proving that a model can be built using financial ratio analysis. The model shows that for manufacturing public businesses in 2018–2020, liquidity and profitability ratios predict the issue of a modified going concern opinion. The model's 97.7% prediction performance is very good. Only liquidity and profitability from a company's financial statements may forecast a modified going concern opinion, not liquidity, profitability, leverage, activity, or market.

COVID-19 has spread swiftly in 2020 and shows no signs of stopping soon. Virus containment and remedial actions have affected economic activity, which affects financial reporting. Every economic entity should assess whether improbable developments, including post-reporting occurrences, affect the going concern assumption. Business leaders juggle crisis response and business continuity.

As this study shows, public audit information can help determine a company's going concern status from the start, allowing actions to be taken to forecast bankruptcy and assess risks and opportunities to influence economic decisions. The prediction model developed in this research may add weight to the conservatism concept because the judgment based on predictions of the auditor issuing a modified opinion can be done prior to the issuance of an opinion or can be used to assess the conservatism level of audit opinions based on empirical patterns typically carried out by the auditor. This research proves that audit quality varies by going concern opinion as a reflection of conservatism. All users of financial statements can use the prediction model in going concern situations to make calculated investment decisions and economic transactions, as well as acquire reliable information about the company's financial performance, allowing inferences about its current conditions and future direction.

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