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Financial Distress and Its Effect on Solvency Acceptance of Audit Opinion

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Abstrak

Bursa Efek merupakan sebuah pasar yang memperjual belikan berbagai instrumen keuangan seperti obligasi, saham, reksa dana, instrumen derivatif, maupun instrumen lainnya. Perusahaan manufaktur merupakan suatu organisasi bisnis yang menjalankan usaha dari mengolah bahan baku menjadi bahan setengah jadi maupun produk jadi. Penelitian ini bertujuan untuk mengetahui seberapa besar pengaruh financial distress dan solvabilitas terhadap opini audit pada perusahaan manufaktur. Variabel independen dalam penelitian ini adalah financial distress yang diproksikan oleh altman's z-score revisi (1993) dan solvabilitas yang diproksikan oleh debt to equity ratio. Variabel dependen dalam penelitian ini yaitu opini audit. Populasi dalam penelitian ini adalah seluruh perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia dengan jumlah sampel sebanyak 14 perusahaan dan jumlah N sebanyak 42 data. Pengambilan sampel dalam penelitian ini menggunakan teknik purposive sampling. Data dalam penelitian ini diolah menggunakan SPSS dengan metode analisis regresi. Hasil penelitian menunjukkan financial distress berpengaruh negatif dengan nilai sebesar -2,430 dan financial distress tidak berpengaruh signifikan terhadap opini audit, dengan taraf signifikansi 0,05 dan hasil analisis SPSS menunjukkan nilai sebesar 0,059. Solvabilitas menunjukkan hasil berpengaruh positif dengan nilai sebesar 0,023 dan solvabilitas berpengaruh signifikan terhadap opini audit dengan nilai sebesar 0,023, dan nilai tersebut lebih kecil dari taraf signifikansi 0,05 (•). Hasil pengujian financial distress dan solvabilitas secara simultan tidak berpengaruh signifikan terhadap opini audit.

Kata Kunci: *Kesulitan Keuangan, Altman's Z-Score, Solvabilitas, Debt to Equity Ratio, Opini Audit*

Abstract

Exchange is a market that peddle copies of various financial instruments such as bonds, stocks, mutual funds, derivatives, or other instruments. The manufacturing company is a business organization is engaged in business of processing raw materials into semi-finished materials and finished products. This study aims to determine how much influence financial distress and audit opinion on the solvency of the companies listed on the Stock Exchange. The independent variable in this research is financial distress proxied by Altman's Z-score revision (1993) and the solvency proxied by debt to equity ratio. The dependent variable in this study is an audit opinion. The population in this study are all manufacturing companies listed in Indonesia Stock Exchange with a total sample of 14 companies and the number N as many as 42 data. The samples in this study using purposive sampling technique. The data were processed using the SPSS regression analysis method. The test results and solvency of financial distress simultaneously showing a significance value of 0.006, the value is smaller than the significance level of 0.05, this means that financial distress and solvency simultaneously significant effect on the audit opinion.・The results showed the negative impact of financial distress with a value of -2.430 and financial distress does not significantly influence the audit opinion, with a significance level of 0.05 and SPSS analysis results indicate a value of 0.059. Solvency show the results of a positive effect with a value of 0.023 and a significant effect on the solvency of the audit opinion with a value of 0.023, and the value is smaller than the 0.05 significance level. The test results and solvency of financial distress simultaneously showing a significance value of 0.006, the value is smaller than the significance level of 0.05, this means that financial distress and solvency simultaneously significant effect on the audit opinion.

Keywords: *Financial Distress, Altman's Z-Score, Solvability, Debt to Equity Ratio, Audit Opinion*

INTRODUCTION

Agency theory is a condition that occurs in a company where the management as executor or agent and the capital owner as principal build a cooperation contract containing agreements that explain that the company management must work optimally to provide maximum satisfaction. such as high profits to capital owners and company sustainability. This condition is vulnerable for company management to take coercive actions so that company profits increase, especially since the management is those who have high education and optimal work experience so that the fraudulent actions they commit will be very neat and difficult to detect quickly, (Fahmi, 2014). For this reason, a third party, namely an independent auditor, is needed to provide an assessment of the fairness of the financial statement presentation.

The aim of an independent auditor in his duties is to form an opinion on financial reports based on an evaluation of the conclusions drawn from the evidence obtained and express an opinion clearly through a written report (IAPI SA 700, 2015). In providing an audit opinion there are many factors that influence the independent auditor. Several factors are thought to influence audit opinions and have been studied by previous researchers, namely the company's financial difficulties, which are popularly called financial distress, and capital structure or solvency. Based on the description above, researchers are interested in conducting research on the factors that influence independent auditors to provide audit opinions, especially financial distress factors and the influence of financial distress and solvency on the acceptance of audit opinions".

RESEARCH METHOD

Descriptive statistics are used to provide an overview of the frequency distribution of a variable as seen from the average (mean), standard deviation, maximum and minimum values. In this process, variables that use a nominal scale are not included in the descriptive statistics calculations. Nominal scale is a measurement scale that states categories or groups. This number functions as a category label without intrinsic value and does not have any meaning, therefore it is not appropriate to calculate the average and standard deviation of this variable (Ghozali, 2011). Inferential statistical analysis is used to test hypotheses. Hypothesis testing in this research uses SPSS (Statistical Package for Social Sciences) version 22 using the logistic regression method. According to Ghozali (2011), this method is suitable for research where the dependent variable is qualitative and categorical (nominal or non-metric) and the independent variable is a combination of metric and non-metric. The steps for logistic regression analysis are as follows:

a. Assess model fit and overall model

   Testing model fit and overall model fit can be seen from the -2LogL value which aims to find out whether the model fits the data or not. A reduction in the value between the initial -2LogL (likelihood block 0) and the subsequent -2LogL value (likelihood block 1) indicates that the hypothesized model fits the data (Ghozali, 2011).

b. Assessing the Feasibility of Regression Models

   Assessing the suitability of the regression model can be seen from the results of Hosmer and Lameshow's Goodness Fit Test which can be determined from the Chi-Square value. Assessing the suitability of the regression model aims to assess

whether or not there are differences between the model and the data in this study and to assess whether the regression model is suitable for use for further analysis.

c. Coefficient of Determination

Assessing the coefficient of determination to find out how much the independent variable is able to explain variations in the dependent variable. This value can be seen from the Nagelkerke R Square value.

d. Hypothesis Testing

Test the partial hypothesis by looking at the significance value in the variables in the equation table which is measured at a significance level of 5%.

e. F Statistical Test

The simultaneous influence test is used to determine whether the independent variables jointly or simultaneously influence the dependent variable (Ghozali, 2011).

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics are used to provide an overview of the frequency distribution of variables. In this research, what is included in the descriptive statistical test is solvency which is represented by the debt to equity ratio with the following results.

Table 1 Descriptive Statistical Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
DER	42	-31,78	70,83	1,3088	15,74907
Valid N (listwise)	42				

From the results of the descriptive statistical test, it can be seen that the data in the research amounted to 42 data. Solvency data (debt to equity ratio) has the lowest (minimum) value of -31.78 and the highest (maximum) value of 70.83. From all 42 debt to equity ratio data, an average value of 1.3088 was obtained. The standard deviation or the magnitude of the difference between the sample value and the average in the statistical test results shows a figure of 15.74907.

Inferential Statistical Analysis

The inferential statistical analysis used in this research is logistic regression analysis which is suitable for testing the relationship between non-metric dependent variables and independent variables combined between metric and non-metric.

a. Assessing Model Fit and Overall Model

Testing model fit and overall model fit aims to find out whether the model fits the data or not, the results of this test can be seen in the Likelihood table below.

Table 2 Results of Likelihood Block 0

Iteration History[a,b,c]			
Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	41,195	1,238
	2	40,902	1,435
	3	40,901	1,447
	4	40,901	1,447
a. Constant is included in the model.			
b. Initial -2 Log Likelihood: 40,901			
c. Estimation terminated at iteration number 4 because parameter estimates changed by less than ,001.			

The hypotheses are H0, the hypothesized model fits the data and Ha, the hypothesized model does not fit the data.

Table 3 Results of Likehood Block 1

Iteration History[a,b,c,d]					
Iteration		-2 Log likelihood	Coefficients		
			Constant	FD	DER
Step 1	1	33,641	-,238	-1,586	,031
	2	30,550	-,361	-2,162	,071
	3	30,279	-,391	-2,400	,085
	4	30,276	-,395	-2,430	,087
	5	30,276	-,395	-2,430	,087
a. Method: Enter					
b. Constant is included in the model.					
c. Initial -2 Log Likelihood: 40,901					

d. Estimation terminated at iteration number 5 because parameter estimates changed by less than ,001.

The overall model fit test is seen from the difference between the initial value of -2 Log Likelihood (Block 0) and the final value of -2 Log Likelihood (Block 1). Judging from the SPSS test results, it can be seen that the difference in the values of the two -2 Log Likelihood is 10.25 (40.901 – 30.276). A decrease in the value of -2 Log Likelihood means that the addition of independent variables, namely financial distress and solvency, will improve model fit and a decrease in the value of -2 Log Likelihood also shows that the regression model is better, in other words that the hypothesized model fits the data in this study .

b. Assessing the Feasibility of Regression Models

Assessing the suitability of the regression model can be seen from the results of Hosmer and Lameshow's Goodness Fit Test which can be determined from the Chi-Square value. The significance probability value stated in the SPSS results table 4.18 is then compared with the alpha (α) significance level of 5% (0.05).

Table 4 Regression Model Feasibility Assessment Results

Hosmer and Lemeshow Test			
Step	Chi-square	Df	Sig.
1	7,218	8	,513

Table 4 shows a significance probability of 0.513 which is stated in the SPSS results of the Hosmer and Lameshow Test. The significance probability value is much greater than 0.05, this shows that H0 (there is no difference between the model and the data) is accepted and Ha (there is a difference between the model and the data) is rejected. This means that in this research there is no difference between the model and the data and the regression model is suitable for use for further analysis.

c. Coefficient of Determination

The coefficient of determination is used to assess and explain how much the independent variable is able to explain variations in the dependent variable, this value can be seen from the Nagelkerke R Square value.

Table 5 Negelkerke R Square Table

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	30,276[a]	,224	,359

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

The statistical test results in table 5 show that the Nagelkerke R Square value is 0.359. This value shows that the variation in the dependent variable can be explained by the independent variable amounting to 35.9% and the remaining 64.1% (100% - 35.9%) is explained by variations in other variables outside this research.

d. Hypothesis Test Results

The results of hypothesis testing using logistic regression analysis can be seen from the significance and beta value columns in the Variables in the Equation table.

Table 6 Table of Hypothesis Test Results

Variables in the Equation							
		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1[a]	FD	-2,430	1,288	3,559	1	,059	,088
	DER	,087	,038	5,197	1	,023	1,091
	Constant	-,395	1,193	,110	1	,741	,674

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

The significance probability value is measured from a significance level of 5%. If the significance value is <0.05 then H0 is rejected and Ha is accepted, meaning that the independent variable has a significant effect on the dependent variable. If the significance value is > 0.05 then H0 is accepted and Ha is rejected, meaning that the independent variable does not have a significant effect on the dependent variable. The beta value shows whether the independent variable has a positive or negative effect on the dependent variable.

Table 6 shows that the independent variable X1, namely financial distress (FD), has a significance value of 0.059 (5.9%), this significance value is greater than the significance level of 0.05 (5%). This shows that H0 (financial distress has no significant effect on audit opinion) is accepted and Ha (financial distress has a significant effect on audit opinion) is rejected. This shows that financial distress does not have a significant effect on audit

opinion. The beta value of the financial distress variable shows a negative number, namely -2.430, meaning that financial distress has a negative effect on audit opinion.

From table 6 it can be seen that the independent variable) is rejected and Ha (solvency has a significant effect on audit opinion) is accepted. This means that the independent variable X2 solvency (DER) has a significant effect on the dependent variable audit opinion. Solvency (DER) has a positive beta value, namely 0.087, so solvency also has a positive effect on audit opinion.

e. Simultaneous Test Results

Omnibus test menunjukkan hasil dari uji simultan menggunakan taraf signifikansi 5%, jika probabilitas kurang dari 0,05 maka H0 diterima dan Ha ditolak, berarti variabel independen secara bersama-sama berpengaruh signifikan terhadap variabel dependen. Jika probabilitas lebih dari 0,05, maka H0 ditolak dan Ha diterima, artinya variabel independen tidak berpengaruh signifikan terhadap variabel terikat secara bersama-sama. Hasil uji SPSS pada table 7 menunjukkan nilai signifikasi sebesar 0,525 (5,25%), nilai tersebut lebih besar dari 0,05 (5%). Hal ini menunjukkan bahwa H0 dierima dan Ha ditolak, artinya variabel independen financial distress (FD) dan solvabilitas (DER) secara bersama-sama tidak berpengaruh signifikan terhadap variabel dependen opini audit.

Table 7 Results of Omnibus Test of Model Coefficients

Model		Chi-square	Df	Sig.
1Step 1	Step	1,290	2	.525
	Block	1,290	2	.525
	Model	1,290	2	.525

CONCLUSION

Auditors, when providing audit opinions on their clients' financial reports, can consider financial formulas such as financial distress and solvency, because the results of this research show that financial distress and solvency have a significant effect on audit opinions simultaneously. Selection of shares or increasing the number of share ownership in a company requires assessing the company's financial condition and business continuity. This can be seen from the company's financial reports, especially audited financial reports, because audited financial reports already contain audit opinions, where audit opinions are influenced by financial distress and solvency.

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