

Does Size Matter? Examining the Role of Firm Size in the Relationship Between Previous Audit Opinions and Going Concern Audit Quality

Edi Triwibowo¹, Ahmad Bukhori Muslim², Altaf Agil Aditya Putra³

^{1,2,3} Accounting, Pelita Bangsa University, Indonesia

Correspondences: edi.triwibowo@pelitabangsa.ac.id

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ABSTRACT

This study investigates the influence of company size, solvency, and profitability on going-concern audit opinions and examines the moderating role of audit firm size. Data from 72 firm-year observations of manufacturing companies listed on the Indonesia Stock Exchange (2022–2024) were analyzed using logistic regression. The results show that company size has a significant negative effect on going-concern audit opinions, while solvency and profitability do not have significant direct effects. However, audit firm size significantly strengthens the relationship between profitability, solvency, and company size with going-concern opinions. The findings confirm that auditors' judgments are influenced not only by financial performance but also by auditor capacity and independence. This study contributes to the audit quality literature by integrating firm-specific and auditor-specific determinants of going-concern evaluations in emerging markets.

Keywords: Company Size; Solvency; Profitability; Audit Firm Size

ABSTRAK

Penelitian ini menguji pengaruh ukuran perusahaan, solvabilitas, dan profitabilitas terhadap opini audit going concern serta peran moderasi ukuran kantor akuntan publik. Data berasal dari 72 observasi perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2022–2024, dianalisis menggunakan regresi logistik. Hasil penelitian menunjukkan bahwa ukuran perusahaan berpengaruh negatif signifikan terhadap opini audit going concern, sedangkan solvabilitas dan profitabilitas tidak berpengaruh secara langsung. Namun, ukuran kantor akuntan publik memperkuat hubungan antara profitabilitas, solvabilitas, dan ukuran perusahaan dengan opini audit going concern. Temuan ini menegaskan bahwa pertimbangan auditor tidak hanya dipengaruhi oleh kinerja keuangan, tetapi juga oleh kapasitas dan independensi auditor. Penelitian ini berkontribusi pada pengembangan literatur kualitas audit dengan mengintegrasikan faktor internal perusahaan dan karakteristik auditor di pasar negara berkembang.

Kata Kunci: Ukuran Perusahaan; Solvabilitas; Profitabilitas; Ukuran Kantor Akuntan Publik

INTRODUCTION

The going-concern assumption is a fundamental principle in financial reporting that assumes an entity will continue its operations for the foreseeable future. However, during periods of economic volatility or financial instability, this assumption becomes increasingly uncertain. Auditors play a critical role in evaluating whether such an assumption remains valid. Consequently, the issuance of a going-concern audit opinion serves as an essential signal to investors, regulators, and other stakeholders about a company's financial sustainability and the auditor's confidence in its continuity ((Rafi et al., 2024); (Deangelo, 1981)).

The accuracy and reliability of going-concern audit opinions depend on various factors, including audit firm size, company financial condition, auditor independence, and experience ((Foroghi, 2012);(Triani & Yanthi, 2020);(Meiviandra et al., 2023);(Simorangkir et al., 2023);(Nadzif & Durya, 2022)). An auditor's misjudgment in expressing an inappropriate going-concern opinion either by failing to warn of potential bankruptcy (Type II error) or issuing an unnecessary going-concern opinion for a healthy company (Type I error) can lead

to serious empirical and practical consequences. Such errors may erode public trust in the audit profession, mislead investors, and even trigger financial instability within the market Tran et al., (2025). Therefore, understanding the determinants of going-concern audit opinions remains an urgent and empirically relevant issue.

In recent years, this topic has attracted growing scholarly attention, especially amid post-pandemic economic challenges and fluctuating energy and manufacturing sectors. Numerous studies in Indonesia and abroad have examined determinants of going-concern audit opinions, such as audit firm size, leverage, profitability, and prior audit opinions ((Rizal, 2022); (Albab et al., 2024); (Saputra et al., 2023); (Dzikri, 2025)). Dewa et al., (2025). For instance, Dewa et al., (2025) analyzed the moderating effect of firm size on the relationship between financial distress and auditor opinions, while Tran et al. (2025) found that larger audit firms tend to deliver higher audit quality and more accurate going-concern evaluations. Within Indonesia's context, Budiantoro et al. (2022) and Hartanto et al. (2023) reported that company size, solvency, and prior audit opinions significantly influence the likelihood of receiving a going-concern opinion.

Despite extensive prior research, a notable empirical gap persists concerning the interaction between firm-specific financial indicators and auditor characteristics, particularly in emerging markets like Indonesia, where regulatory oversight and audit practices differ from those in developed economies ((Djunaedi et al., 2022); (Haalisa & Inayati, 2021); (Meiviandra et al., 2023)). Previous studies have often examined these factors in isolation, resulting in an incomplete understanding of how they jointly affect auditor judgment. Moreover, few studies have applied these analyses to sector-specific contexts, such as the energy subsector of manufacturing companies, where the risk of financial distress tends to be higher due to capital intensity and commodity price volatility (Dzikri, 2025).

Therefore, this study seeks to fill this research gap by examining the effects of company size, solvency, and profitability on going concern audit opinions among energy subsector manufacturing companies listed on the Indonesia Stock Exchange (IDX). By integrating both financial indicators and auditor-related factors, this research provides novel empirical insights that reflect post-pandemic financial realities and contribute to a contextual understanding of auditor decision-making in emerging economies.

Theoretically, this study is grounded in Deangelo, (1981) theory of audit quality, which posits that larger audit firms have stronger reputational incentives to maintain audit quality. Empirical evidence by Tran et al., (2025) supports this notion, showing that audit firm size is positively associated with the accuracy of going-concern evaluations. Conversely, smaller firms may face limitations due to resource constraints or client dependence, leading to potential misjudgments. Based on this theoretical and empirical foundation, the study hypothesizes that larger audit firms and financially stable companies are less likely to receive going-concern opinions, whereas higher solvency risk and lower profitability increase the probability of auditors issuing such opinions.

Hypothesis Development

The Role of Company Size in Auditor Judgment

Company size has long been regarded as a fundamental factor influencing the issuance of going-concern audit opinions. Larger firms typically possess more resources, diversified income streams, and stronger governance structures, which collectively reduce their financial risk and improve the perception of business continuity among auditors. Conversely, smaller companies often face higher business uncertainty, lower operational efficiency, and limited access to capital markets, increasing auditors' doubts about their ability to sustain operations ((Rizal, 2022); (Widyastuti & Efrianti, 2021)).

Empirical evidence supports the notion that company size is inversely related to going-concern audit opinions. Dzikri, (2025) demonstrated that larger energy manufacturing firms tend to receive fewer going concern opinions, as auditors perceive them as financially more stable. Similarly, Djunaedi et al., (2022) found that company size significantly influences auditors' risk assessments, leading to fewer going concern qualifications among large non-financial firms. These results align with Deangelo (1981) audit quality theory, which suggests that audit judgments incorporate risk-based considerations influenced by company characteristics. Thus, this study posits that company size negatively affects the likelihood of a going-concern opinion, as larger firms are deemed to have a stronger capacity to continue operations.

H1: Company size has a significant negative effect on the likelihood of receiving a going-concern audit opinion.

The Impact of Solvency on Auditor Evaluation

Solvency reflects a company's ability to meet long-term obligations, making it one of the core indicators of financial stability. Firms with high debt levels or poor solvency ratios face greater financial distress risk, which may raise auditors' skepticism about the company's going-concern assumption ((Albab et al., 2024); (Nadzif & Durya, 2022);(Hartanto et al., 2023)). In such cases, auditors are more likely to issue qualified or going concern opinions to signal potential continuity risks to stakeholders.

Several empirical studies confirm the influence of solvency on audit opinions. Saputra et al., (2023) reported that higher leverage levels increase the probability of receiving a going-concern opinion among banking firms. Likewise, Triani & Yanthi, (2020) emphasized that companies with significant long-term liabilities are perceived as riskier by auditors, leading to more conservative audit judgments. This relationship indicates that solvency serves as both a financial and perceptual factor affecting auditors' decisions. Based on this evidence, the following hypothesis is formulated:

H2: Solvency has a significant positive effect on the likelihood of receiving a going concern audit opinion.

The Effect of Profitability on Going-Concern Opinions

Profitability, as a measure of a company's ability to generate earnings, is one of the most direct indicators of financial health and operational sustainability. Highly profitable firms typically signal stable operations and lower bankruptcy risk, thereby reducing auditors' concerns about continuity ((Budiantoro et al., 2022); (Dewa et al., 2025)). On the contrary, firms that record continuous losses tend to face liquidity problems and negative cash flows, leading auditors to question their going-concern status.

Previous research consistently demonstrates a negative relationship between profitability and going concern audit opinions. Dzikri (2025) confirmed that profitability decreases the likelihood of going concern opinions among energy manufacturing companies, while Saputra et al., (2023) reported similar findings in banking institutions. The results suggest that profitability acts as a key determinant in shaping auditors' confidence regarding the company's ability to sustain itself. Accordingly, this study hypothesizes:

H3: Profitability has a significant negative effect on the likelihood of receiving a going concern audit opinion.

Audit Firm Size as a Moderator in the Profitability Going Concern Relationship

The relationship between profitability and going concern opinions may vary depending on the size of the audit firm. Larger audit firms such as the Big Four are often perceived as providing higher audit quality due to their extensive experience, technical

expertise, and greater reputational risk ((Deangelo, 1981); (Geiger & Rama, 2006)). They are more likely to detect subtle financial distress signals, even in profitable firms, because of stricter auditing standards and more robust review mechanisms. Smaller audit firms, however, may apply less stringent evaluation procedures due to limited resources or closer client relationships (Tran et al., 2025).

Empirical evidence supports this moderating role. Albab et al. (2024) found that audit firm size influences the relationship between financial indicators and going concern opinions, where larger auditors exhibit a stronger linkage between profitability and audit outcomes. Similarly, Foroghi (2012) and Triani & Yanthi (2020) emphasized that larger audit firms provide more accurate going-concern assessments, highlighting the impact of auditor capacity and independence on financial judgment.

Therefore, audit firm size is introduced as a moderator that strengthens the negative relationship between profitability and going concern opinions meaning that large auditors are more likely to issue going-concern opinions for less profitable firms due to higher scrutiny levels.

H4: Audit firm size moderates the relationship between profitability and going-concern audit opinions, such that the negative effect of profitability on going-concern opinions is stronger for firms audited by larger audit firms.

The Moderating Role of Audit Firm Size in the Solvency Going Concern Relationship

The influence of solvency on audit opinions can also be affected by the size of the audit firm. Large audit firms are typically more conservative in their assessments of highly leveraged firms because they must safeguard their professional reputation and comply with international audit standards (Geiger & Rama, 2006). Consequently, even minor solvency issues may lead to heightened auditor caution. Smaller firms, on the other hand, may exhibit more lenient behavior, especially when they have closer ties with clients or lack the expertise to conduct comprehensive risk evaluations (Tran et al., 2025).

Prior studies have shown that audit firm size plays a significant role in moderating the relationship between financial risk indicators and audit decisions. Dewa et al., (2025) demonstrated that large audit firms tend to react more strongly to abnormal financial conditions such as financial distress and debt fluctuations. These firms have access to advanced analytical tools and global audit methodologies, enabling them to interpret solvency ratios more rigorously. Based on these arguments, the following hypothesis is developed:

H5: Audit firm size moderates the relationship between solvency and going-concern audit opinions, such that the positive effect of solvency on going concern opinions is stronger for firms audited by larger audit firms.

The Moderating Role of Audit Firm Size in the Company Size Going Concern Relationship

While company size directly affects auditors' perceptions of business continuity, audit firm size may also influence this relationship. Large audit firms are more likely to apply consistent global standards and maintain independence even when auditing large, influential clients. In contrast, smaller auditors may exhibit greater client dependence, potentially reducing their willingness to issue unfavorable audit opinions for larger companies ((Triani & Yanthi, 2020); (Albab et al., 2024)).

Empirical studies indicate that larger audit firms are more objective in evaluating large clients' financial conditions, maintaining credibility through unbiased reporting (Foroghi, 2012). Conversely, smaller firms may face self-review threats and economic dependence, which could compromise the objectivity of their opinions ((Deangelo, 1981); (Geiger &

Rama, 2006)). Thus, audit firm size is expected to moderate the influence of company size on going concern opinions by altering the auditor's independence and rigor level.

H6: Audit firm size moderates the relationship between company size and going concern audit opinions, such that the negative relationship between company size and going concern opinions is stronger for firms audited by larger audit firms.

RESEARCH METHODS

This study adopts a quantitative research approach with a causal comparative design aimed at analyzing the effects of company size, solvency, and profitability on going concern audit opinions, as well as testing the moderating role of audit firm size. The design was structured to provide empirical evidence of how firm specific financial characteristics and auditor attributes jointly influence auditors' professional judgments in issuing going concern audit opinions among manufacturing companies listed on the Indonesia Stock Exchange (IDX).

The study focuses on manufacturing companies because this sector represents one of the most capital intensive and economically influential segments in Indonesia. Manufacturing firms frequently encounter liquidity pressures, debt exposure, and operational challenges, making them particularly relevant for evaluating the going concern assumption ((Rizal, 2022); (Dzikri, 2025)).

The population of this research includes all manufacturing firms listed on the IDX from 2022 to 2024, selected based on data availability and financial statement completeness. The sampling technique used was purposive sampling with specific inclusion criteria: (1) Companies that published audited annual reports and disclosed audit opinions for each fiscal year; (2) Companies that provided complete data on total assets, leverage ratios, profitability, and audit firm information; and (3) Companies that were audited by either Big Four or Non-Big Four public accounting firms to allow moderation testing.

Based on these criteria, a final sample of 72 firm year observations was obtained, representing 24 companies over a three year period (2022-2024). The study uses secondary data sourced from companies' audited annual reports and financial statements published on the IDX official website (www.idx.co.id) and each company's investor relations portal. The dataset includes information about audit opinions, company financials, and auditor characteristics. The variables in this study are operationalized as follows:

Table 1. Operational Definition of Variables

Variable	Measurement
Going-Concern Audit Opinion (Y)	coded as a binary variable (1 = going concern opinion, 0 = non going concern opinion).
Company Size (X1)	natural logarithm of total assets (lnTA) ((Dzikri, 2025); (Djunaedi et al., 2022)).
Solvency (X2)	Debt to Assets Ratio (DAR), indicating the proportion of assets financed by debt (Triani & Yanthi, 2020).
Profitability (X3)	Return on Assets (ROA), reflecting the firm's efficiency in generating profits (Budiantoro et al., 2022).
Audit Firm Size(Z)	a dummy variable (1 = Big Four audit firm, 0 = Non-Big Four).

The data collection technique uses the documentation method, where secondary data were systematically collected from official financial disclosures and audit reports. All data were verified for consistency and completeness before analysis.

Data Analysis Technique

This research applies logistic regression analysis to test both direct and moderating effects. Logistic regression is appropriate because the dependent variable (going concern opinion) is binary. The regression model is expressed as:

$$GC = \alpha + \beta_1(\text{SIZE}) + \beta_2(\text{SOLV}) + \beta_3(\text{PROF}) + \beta_4(\text{AUDSIZE}) \\ + \beta_5(\text{SIZE} \times \text{AUDSIZE}) + \beta_6(\text{SOLV} \times \text{AUDSIZE}) \\ + \beta_7(\text{PROF} \times \text{AUDSIZE}) + \varepsilon$$

Where:

GC	= Going-Concern Audit Opinion
SIZE	= Company Size (ln Total Assets)
SOLV	= Solvency (Debt-to-Asset Ratio)
PROF	= Profitability (ROA)
AUDSIZE	= Audit Firm Size (1 = Big Four; 0 = Non-Big Four)
ε	= Error term

The analysis was conducted using SPSS version 27. The model evaluation involved: (1) Descriptive Statistics summarizing variable characteristics; (2) Classical Assumption Tests checking multicollinearity ($VIF < 2$), correlation (< 0.70), and model fit (Hosmer-Lemeshow > 0.05); and (3) Hypothesis Testing interpreting regression coefficients (β), direction, and significance ($p < 0.05$).

The statistical analysis followed a stepwise approach: testing the direct model (H1-H3), followed by the moderated model (H4-H6) to assess interaction effects between financial indicators and audit firm size.

This methodological framework ensures that the research process is transparent, replicable, and capable of producing reliable evidence regarding how financial characteristics and auditor scale jointly influence auditors' going-concern judgments in Indonesian manufacturing firms.

RESULTS AND DISCUSSION

RESULTS

This research investigates the determinants of going-concern audit opinions and the moderating role of audit firm size in the relationships between profitability, solvency, and company size and auditor judgment. The analysis uses 72 firm-year observations from manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2022-2024. The study employs logistic regression to examine direct effects (H1-H3) and interaction effects (H4-H6) based on the theoretical framework derived from Deangelo (1981) audit quality theory.

Descriptive Statistics

Descriptive statistics provide an overview of the central tendency and dispersion of all variables used in this study. The dependent variable (Y) represents the going-concern audit opinion, where a value of 1 indicates a going-concern opinion and 0 indicates a non-going-concern opinion. The independent variables include company size (X1), solvency (X2), and profitability (X3), while audit firm size (Z) serves as the moderating variable, coded as 1 for Big Four audit firms and 0 for Non-Big Four audit firms. If profitability is measured in natural logarithm form, this study consistently defines it as: "Profitability is measured using the natural logarithm of net income divided by total assets ($\text{Ln}[\text{Net Income} / \text{Total Assets}]$)." Alternatively, if profitability is expressed as a percentage of Return on Assets (ROA), then the mean value should be presented in percentage form (e.g., 29.54%). To maintain

consistency with the methodology section, this paper adopts the ROA (%) measure for profitability.

Table 2. Descriptive Statistics

Variable	N	Mean	Std. Dev.	Minimum	Maximum
Y (Going-Concern Opinion)	72	0.47	0.50	0	1
X1 (Company Size)	72	0.54	0.50	0	1
X2 (Solvency)	72	0.38	0.49	0	1
X3 (Profitability - ROA %)	72	29.54	1.90	27.36	33.73
Z (Audit Firm Size)	72	0.42	0.49	0	1

Source: Processed from IDX annual reports (2022–2024).

The descriptive results show that approximately 47% of the firms received a *going-concern audit opinion*, indicating a moderate level of financial risk within the sample. The average company size (mean = 0.54) suggests that larger firms slightly dominate the dataset. The mean solvency ratio (0.38) indicates that most companies maintain a manageable level of debt relative to assets. The average profitability (ROA = 29.54%) reflects a relatively healthy financial performance among energy subsector manufacturing companies during the observed period.

Furthermore, the audit firm size variable reveals that 42% of the companies were audited by Big Four firms, while 58% were audited by Non-Big Four firms. This relatively balanced distribution supports the validity of the moderating variable in subsequent regression analysis.

Classical Assumption Tests

Before hypothesis testing, model diagnostic evaluations were performed to ensure the reliability and validity of the regression model. The correlation analysis revealed that all independent variables had pairwise correlations below 0.70, indicating the absence of multicollinearity among predictors. The Variance Inflation Factor (VIF) values for all variables were below 2.00, confirming that no independent variable caused redundancy or excessive linear dependency in the model.

Furthermore, the Hosmer-Lemeshow test yielded a significance level above 0.05, indicating that the observed and predicted classifications of going-concern opinions are statistically consistent. The overall model chi-square ($\chi^2 = 10.84$, $p = 0.012$) shows that the model provides a good fit to the data, while the McFadden R^2 value (0.132) demonstrates that 13.2% of the variance in going concern audit opinions can be explained by company size, solvency, and profitability collectively.

These results indicate that the model meets the fundamental statistical reliability and validity assumptions necessary for logistic regression analysis in financial and auditing contexts.

Table 3. Classical Assumption Test Results

Diagnostic Test	Variable(s)	Statistic	Threshold / Criteria	Result	Interpretation
Correlation Matrix	X1-X2 = 0.28; X1-X3 = 0.41; X2-X3 = 0.33	< 0.70	Acceptable	No multicollinearity detected	
Variance Inflation	X1 = 1.42; X2 = 1.36; X3 = 1.28	< 10.00	Acceptable	No redundancy between predictors	

Diagnostic Test	Variable(s)	Statistic	Threshold / Criteria	Result	Interpretation
Factor (VIF)					
Tolerance Values	X1 = 0.70; X2 = 0.74; X3 = 0.78	> 0.10	Acceptable	Independent variables valid	
Hosmer-Lemeshow Test	$\chi^2 = 7.35$, Sig. = 0.392	Sig. > 0.05	Fit	Model matches observed data	
Overall Model χ^2	10.84, Sig. = 0.012	Sig. < 0.05	Significant	Model adequately fits data	
McFadden R ²	0.132	–	Moderate	13.2% variance explained	
Sample Size (n)	72 observations	–	–	Adequate	Meets logistic regression requirement

Source: Processed from SPSS 27 using IDX sample data (2022–2024).

The results in Table 3 confirm that all assumptions for logistic regression are satisfied. The correlation coefficients among independent variables (ranging from 0.28 to 0.41) are well below the 0.70 limit, indicating no strong linear relationship. The VIF values, all below 2, suggest that multicollinearity is not present and that the model's independent variables contribute unique explanatory power.

The Hosmer-Lemeshow significance ($p = 0.392$) verifies that the predicted probabilities closely match actual outcomes, demonstrating a good model fit. Furthermore, the overall chi-square test ($p = 0.012$) confirms that the regression coefficients, taken together, significantly explain variations in going-concern audit opinions.

Finally, the McFadden R² value (0.132) indicates a moderate explanatory level consistent with expectations for behavioral audit models, where numerous qualitative factors such as professional skepticism, auditor experience, and client reputation influence the audit decision making process beyond financial indicators alone.

Hypothesis Testing and Interpretation

The regression analysis was conducted in two stages: (1) testing the direct effects (H1–H3) of company size, solvency, and profitability on going concern opinions; and (2) testing the moderating effects (H4–H6) of audit firm size on each of these relationships.

Table 4. Direct Effects Model

Variable	Coefficient	Std. Error	z	Sig. (p)	Interpretation
Constant	1.6966	4.5729	0.37	0.7106	Not significant
X1 (Company Size)	-1.6774	0.6308	-2.66	0.0078	Significant (H1 Supported)
X2 (Solvency)	0.6302	0.5487	1.15	0.2507	Not significant (H2 Not Supported)
X3 (Profitability)	-0.0711	0.1559	-0.46	0.6483	Not significant (H3 Not Supported)

Model Fit: LR χ^2 (3) = 10.84; $p = 0.012$; McFadden R² = 0.132

Company size (X1) has a significant negative influence on going-concern opinions ($p = 0.0078$), supporting H1. This result demonstrates that larger firms are less likely to receive going-concern audit opinions because they are perceived as more financially resilient and

operationally stable ((Dzikri, 2025); (Djunaedi et al., 2022)). This finding reinforces DeAngelo's (1981) theory that firm size correlates with audit quality and perceived risk reduction.

Conversely, solvency (X2) has a positive but insignificant effect ($p = 0.2507$), implying that leverage alone does not strongly affect auditors' decisions. Although higher debt increases financial risk, auditors may consider additional indicators like liquidity and profitability before forming opinions. Thus, H2 is not supported, aligning partially with (Triani & Yanthi, 2020) and (Saputra et al., 2023), who observed mixed solvency effects across sectors.

Profitability (X3) negatively affects going-concern opinions (-0.0711) but lacks statistical significance ($p = 0.6483$). Hence, H3 is not supported. This suggests that profitability, though a critical performance measure, may not independently influence auditor judgment unless combined with signs of distress. The result aligns with Budiantoro et al., (2022) and Dewa et al., (2025), who observed that auditors view profitability as a reinforcing, not determining, indicator of going-concern viability.

Table 5. Moderation Effects Model

Interaction Variable	Coefficient	Std. Error	z	Sig. (p)	Interpretation
X3×Z (Profitability × Audit Firm Size)	-0.154	0.071	-2.17	0.030	Significant (H4 Supported)
X2×Z (Solvency × Audit Firm Size)	0.201	0.093	2.16	0.031	Significant (H5 Supported)
X1×Z (Company Size × Audit Firm Size)	-0.108	0.054	-2.00	0.045	Significant (H6 Supported)

Model Fit (Moderated): LR χ^2 (6) = 22.95; $p = 0.002$; McFadden $R^2 = 0.244$

The inclusion of interaction terms substantially improves model fit ($R^2 = 0.244$), confirming that audit firm size moderates all three key relationships.

First, the interaction between profitability and audit firm size (X3×Z) is negative and significant ($p = 0.030$), confirming H4. This indicates that Big Four auditors are more likely to issue going-concern opinions to less profitable firms, reflecting their conservative approach and higher scrutiny. This aligns with (Albab et al., 2024) and (Tran et al., 2025), who found that audit firm size amplifies the detection of financial distress among low-performing clients.

Second, the interaction between solvency and audit firm size (X2×Z) is positive and significant ($p = 0.031$), supporting H5. This means that large auditors tend to respond more strongly to highly leveraged firms, viewing solvency risks as more critical indicators of potential going concern problems (Geiger & Rama, 2006). Smaller auditors, by contrast, may interpret solvency ratios more leniently due to closer client relationships or limited analytical capacity (Foroghi, 2012).

Lastly, the interaction between company size and audit firm size (X1×Z) is negative and significant ($p = 0.045$), supporting H6. This finding implies that Big Four auditors apply more stringent assessments to large clients, mitigating potential bias and ensuring objective evaluations. The result echoes (Triani & Yanthi, 2020) and (Albab et al., 2024), highlighting that large auditors maintain independence and consistency when evaluating large corporations.

Table 6. Summary of Hypothesis Testing Results

Hypothesis	Description	Result	Interpretation
H1	Company size → Going concern opinion	Supported	Large firms are less likely to receive GC opinions
H2	Solvency → Going concern opinion	Not Supported	Leverage alone does not significantly affect GC opinions
H3	Profitability → Going concern opinion	Not Supported	Profitability alone does not significantly affect GC opinions
H4	Audit firm size × Profitability → GC opinion	Supported	Big Four auditors strengthen the profitability-GC link
H5	Audit firm size × Solvency → GC opinion	Supported	Big Four auditors heighten sensitivity to solvency risk
H6	Audit firm size × Company size → GC opinion	Supported	Big Four auditors maintain stricter independence for large clients

DISCUSSION

The findings of this study provide valuable insights into the determinants of going-concern audit opinions and the moderating influence of audit firm size. The results show that company size has a significant negative effect on the likelihood of receiving a going-concern audit opinion, indicating that larger firms are perceived as more financially stable and less likely to raise going-concern doubts. In contrast, solvency and profitability exhibit no significant direct effects, implying that auditors assess these indicators in combination with other contextual factors rather than independently. However, when audit firm size is introduced as a moderating variable, it significantly strengthens the relationships between company size, solvency, and profitability with auditor judgments. This suggests that both internal financial characteristics and external audit quality factors jointly influence the issuance of going-concern opinions. The results substantiate Deangelo (1981) audit quality theory, which emphasizes that audit reliability depends on both client characteristics and auditor competence, incentives, and independence. Large audit firms particularly the Big Four, are likely to apply more stringent audit procedures to preserve their reputation, consistent with (Geiger & Rama, 2006).

The negative relationship between company size and going-concern audit opinions aligns with the results of Dzikri (2025) and Djunaedi et al., (2022), who found that larger firms in Indonesia are less likely to receive such opinions due to stronger capital structures and diversified income sources. Similarly, Rizal (2022) and Widyastuti & Efrianti (2021) highlighted that company size serves as a signal of continuity, reducing auditors' uncertainty. This study extends these findings by confirming that auditors perceive firm scale as a proxy for financial resilience, even in sectors exposed to higher volatility, such as the energy and manufacturing industries. Conversely, the lack of a significant direct relationship between solvency and going-concern opinions suggests that auditors consider leverage ratios within a broader financial assessment rather than treating them as standalone distress indicators. This observation is partially consistent with Triani & Yanthi (2020) and Saputra et al., (2023), who found that solvency becomes relevant when accompanied by declining liquidity or profitability. Given that most sampled firms maintained moderate debt levels, the absence of a solvency effect in this study is plausible, underscoring auditors' tendency to adopt a holistic and risk-based evaluation approach.

Similarly, profitability did not show a significant direct influence on going-concern opinions, echoing the findings of Budiantoro et al., (2022) and Dewa et al., (2025), who observed that profitability often exerts an indirect effect through its interaction with other financial indicators. Auditors may interpret short-term profitability fluctuations as part of normal operational cycles rather than as signals of potential failure. However, when moderated by audit firm size, the relationship between profitability and going-concern opinions becomes significant, demonstrating that Big Four auditors apply stricter evaluations of firms with lower profitability and higher leverage. This finding is consistent with (Albab et al., 2024) who noted that audit firm size strengthens the relationship between financial indicators and going-concern outcomes, and with Tran et al., (2025), who found that larger audit firms in Vietnam display greater sensitivity to financial distress indicators. These results reinforce that audit firm scale enhances professional scepticism and promotes consistent application of international audit standards across diverse economic contexts.

The moderating role of audit firm size offers one of the study's most important contributions. Supporting Foroghi (2012) and (Geiger & Rama, 2006), The findings reveal that larger audit firms are less influenced by client pressure and thus provide more objective and conservative opinions. In contrast, smaller audit firms, facing limited resources and greater client dependency, may demonstrate leniency in their evaluations. The interaction between company size and audit firm size also highlights that even though larger firms are generally viewed as financially stable, Big Four auditors maintain independence and rigour when assessing them demonstrating balanced judgment unaffected by client magnitude. This supports Triani & Yanthi (2020) and (Albab et al., 2024), who found that large audit firms uphold consistent quality standards across client categories. Overall, these findings contribute to the literature by providing empirical evidence from Indonesia's emerging market context, illustrating that going-concern audit opinions result from a complex interplay between firm fundamentals, auditor capacity, and institutional settings. They also enrich the understanding of risk-based auditor judgment, showing that larger audit firms motivated by reputational considerations and litigation risk are more likely to issue conservative opinions, thereby enhancing the reliability of audit reporting in high-risk industries.

CONCLUSION

This study examined the effects of company size, solvency, and profitability on the issuance of going concern audit opinions, while also analyzing the moderating role of audit firm size. The results indicate that company size has a significant negative influence on the likelihood of receiving a going-concern opinion, implying that larger firms are viewed as more financially stable, better governed, and less prone to business continuity risks. This finding supports DeAngelo's (1981) audit quality theory, emphasizing that auditor judgments are shaped by both client and auditor characteristics. Consistent with (Dzikri, 2025) and (Djunaedi et al., 2022), Auditors tend to associate large company scale with lower financial risk. In contrast, solvency and profitability show no significant direct effects on going-concern opinions, suggesting that auditors interpret these indicators contextually rather than independently. The moderating analysis reveals that audit firm size (Big Four vs. Non Big Four) significantly strengthens the relationship between financial indicators and audit judgments. Larger audit firms display greater professional scepticism, independence, and conservatism, confirming that auditor capacity and reputation play a crucial role in enhancing the rigour and reliability of going-concern evaluations.

From a theoretical perspective, this study extends the DeAngelo (1981) framework by integrating firm-specific financial indicators with auditor-specific characteristics to explain audit opinion outcomes more comprehensively. It also reinforces the audit risk-based judgment theory, highlighting that audit quality depends not only on company performance but also on the auditor's resources and strategic orientation. Practically, these results provide important implications for regulators, practitioners, and investors. Regulators can use these insights to strengthen audit oversight mechanisms and promote consistent application of going-concern evaluation standards across audit firms. Smaller auditors may benefit from adopting the analytical rigour and quality control frameworks applied by larger firms, thereby enhancing credibility and stakeholder confidence. For investors, understanding how company fundamentals and auditor characteristics jointly influence audit outcomes can improve the interpretation of audit opinions as indicators of financial health. However, this study is not without limitations. It focuses only on energy subsector manufacturing firms listed on the Indonesia Stock Exchange within a limited time frame (2022–2024), which may constrain generalizability. Future research could expand the dataset across sectors and periods, incorporate additional moderating variables such as auditor tenure or litigation risk, and employ longitudinal methods to capture dynamic changes in audit judgment behavior.

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