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DETERMINANTS OF GOING CONCERN AUDIT OPINION: EVIDENCE FROM INDONESIAN MANUFACTURING COMPANIES

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Abstract: Going concern audit opinions (GCAO) serve as an early warning for investors, creditors, and regulators, yet the factors behind them remain debated. This study examines whether debt default, financial condition, and the previous year's audit opinion are associated with the issuance of GCAO among Indonesian manufacturing companies during the COVID-19 period, drawing on agency and signaling theories. Secondary data cover 45 listed manufacturing companies selected through purposive sampling, yielding 135 firm-year observations for 2019–2021. Debt default is proxied by a current ratio below one, which indicates liquidity pressure rather than contractual default; financial condition is measured by the Altman Z″-score; and hypotheses are tested using binary logistic regression at the 5% significance level. The previous year's audit opinion is the strongest predictor of GCAO (Exp(B) = 15.405, $p < .001$), and financial condition is negatively but only marginally associated with GCAO ($p = .045$), a result that may be sensitive to an extreme Z″ value. The debt-default proxy is not significantly associated with GCAO. The model attains a Nagelkerke R^2 of 0.495. Auditors and investors may therefore combine distress scores with prior-period audit signals; future studies should use actual default data and robustness checks.

Keywords: Going Concern Audit Opinion, Debt Default, Financial Condition.

INTRODUCTION

Financial statements communicate a company's economic condition to investors, creditors, and other stakeholders, and they are prepared on the premise that the entity will continue its operations in the foreseeable future (Purba, 2016). This premise is known as the going concern assumption: the entity is expected to keep operating for an extended period rather than being wound up in the near term. If events or conditions raise significant doubt about this premise, the auditor must judge whether a material uncertainty exists and report it in the audit report (Institut Akuntan Publik Indonesia [IAPI], 2021). Following the convention of prior Indonesian studies, an audit report that draws attention to a material uncertainty related to going concern is referred to in this study as a going concern audit opinion (GCAO).

Manufacturing is a strategic sector for national economic development because it supplies the products demanded by the market. The COVID-19 pandemic, which began in late 2019, disrupted this sector through weaker demand, interrupted supply chains, and tighter liquidity. Many companies experienced a marked decline in performance, and some were unable to survive. The audited financial statements for 2019–2021 illustrate this pressure. PT Panasia Indo Resources Tbk, for example, reported recurring losses, an accumulated deficit, and a net current liability position in 2021, which created uncertainty about its ability to realize its assets and settle its

obligations in the ordinary course of business, and its independent auditor therefore drew attention to going concern uncertainty in the consolidated financial statements (Indonesia Stock Exchange [IDX], n.d.). PT Sunson Textile Manufacturer Tbk likewise experienced recurring losses and a continuous decline in total equity amid unpredictable market demand, which exposed the company to a high risk of bankruptcy (IDX, n.d.).

GCAO matters because users of financial statements, especially investors, treat it as an early warning before making investment decisions (Chen and Church, 1996). At the same time, a GCAO may erode public trust and make it harder for management to restore the company's condition, so the factors behind the auditor's decision deserve careful empirical scrutiny. Auditing standards list several indicators that may cast doubt on going concern, including a net current liability position, substantial operating losses, adverse key financial ratios, inability to pay creditors on due dates, and inability to comply with the terms of loan agreements (IAPI, 2021). Prior Indonesian studies translate these indicators into three recurrent determinants, namely debt default, the company's financial condition, and the previous year's audit opinion, but their results remain inconsistent.

Regarding debt default, (Nurbaiti and Yanti, 2022) and (Surianti and Purba, 2020) report a positive association with GCAO, whereas (Luspratama et al., 2021) and (Suprianto and Rinardi, 2022) find no significant association. Regarding financial condition, (Luspratama et al. ,2021), (Altiyani and Istutik, 2021), and (Salim, 2023) show that financial condition or financial distress is significantly associated with GCAO, while Ginting and (Tarihoran, 2017) do not. Regarding the previous year's audit opinion, (Ginting and Tarihoran, 2017), (Mutsanna and Sukirno, 2020), (Altiyani and Istutik, 2021), and (Putri et al., 2022) document a positive association, whereas (Surianti and Purba, 2020) find none. These inconsistencies suggest that the determinants of GCAO depend on context, and evidence that examines the three determinants jointly in the manufacturing sector during the pandemic remains relatively scarce.

Agency theory offers a useful lens for these questions. Because managers (agents) hold more information than owners (principals) and may act in their own interest, an independent auditor is needed to bridge the information gap and to give principals confidence in the financial statements (Endiana and Suryandari, 2021; Jensen and Meckling, 1976). The going concern assessment is one of the most visible expressions of this monitoring role, and signaling theory complements this view by treating the audit opinion as a signal through which the auditor conveys a private assessment of continuity risk to outsiders (Connelly et al., 2025). Accordingly, this study asks whether debt default, financial condition, and the previous year's audit opinion are associated with the issuance of GCAO among manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2019–2021. The study contributes in three ways. First, it provides evidence from the COVID-19 period, when the going concern assessment was under unusual pressure. Second, it combines a liquidity-based default proxy (the current ratio, which reflects liquidity pressure rather than actual contractual default), a multivariate distress score (the Altman Z″-score), and the prior-period audit signal in a single logistic model, so that the relative

weight of these cues can be compared. Third, it offers practical input for auditors, investors, creditors, and regulators who rely on GCAO as a risk signal.

LITERATURE REVIEW

(Jensen and Meckling, 1976) conceptualize an agency relationship as a contractual arrangement in which owners (the principals) hire a manager (the agent) to act for them and, in doing so, hand over part of their decision-making authority. In a company, shareholders delegate day-to-day decisions to managers, who are expected to run the entity in the owners' interest. In the going concern context, principals care about the continuity of the company, whereas agents may pursue their own welfare and, in doing so, make errors or act in ways that damage the company (Endiana and Suryandari, 2021). An independent third party is therefore needed to stand between the two sides so that principals can rely on the statements prepared by the agent, and the public accountant fills this role. A GCAO can therefore be read as the auditor's independent signal to principals that the continuity of the entity is in doubt.

Signaling theory, introduced by (Spence, 1973) in the setting of job markets, addresses situations in which one party holds information that others cannot observe directly and sends a signal to reduce this asymmetry. A signal is informative to the extent that receivers can observe it and regard it as credible, which usually requires that it be costly to imitate for senders who lack the underlying quality (Connelly et al., 2025). An audit opinion fits this logic: the auditor has privileged access to the evidence about the continuity of the entity, and the opinion is the observable signal that investors, creditors, and regulators rely on when they cannot examine that evidence themselves. A GCAO therefore signals elevated continuity risk, and its issuance may depend on the cues the auditor observes, such as the liquidity position, the overall financial condition of the company, and the opinion given in the previous period. Signaling theory thus complements agency theory: the latter explains why independent assurance is demanded, whereas the former explains how the resulting opinion conveys information to outsiders.

The going concern assumption underlies accrual-based financial reporting (Purba, 2016). Under SA 570, management assesses the entity's ability to continue as a going concern, and the auditor obtains sufficient appropriate audit evidence about the appropriateness of management's use of this assumption and concludes whether a material uncertainty exists (IAPI, 2021). In forming this conclusion, the auditor also evaluates management's plans for future actions, such as debt restructuring or refinancing, and whether those plans are feasible (IAPI, 2021). Under the revised standard, an adequately disclosed material uncertainty is reported in a separate section of an otherwise unmodified report, whereas earlier practice used an explanatory paragraph; many Indonesian studies nevertheless treat both forms as GCAO.

Debt default arises when a company fails to settle the principal or interest of its borrowings when they fall due (Nurbaiti and Yanti, 2022). (Chen and Church, 1992) connect defaults on debt obligations with the issuance of going concern opinions. A heavy debt burden forces a company to devote a large share of its cash flow to debt service, which strains operations, and a failure to repay a loan places the company in default (Luspratama et al., 2021). Because inability to meet obligations is a recognized going concern indicator (IAPI, 2021), a company

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in default may be more likely to attract the auditor's doubt about its continuity. Empirical evidence is mixed, however: a positive association is reported by (Nurbaiti and Yanti, 2022) and Surianti and (Purba, 2020), while no significant association is reported by (Luspratama et al., 2021) and (Suprianto and Rinardi, 2022). Although an actual default is a direct signal that obligations cannot be met, this study observes only a proxy, because a current ratio below one indicates liquidity pressure rather than a contractual default. The first hypothesis is therefore formulated as follows. **H1:** Debt default, proxied by a current ratio below one, is positively associated with the issuance of GCAO.

Financial condition reflects a company's financial position over a given period and can be read from its financial statements (Altiyani and Istutik, 2021). Under uncertain economic conditions, investors look to auditors for advance warning of corporate failure, and companies threatened with bankruptcy are more likely to receive a GCAO (Chen and Church, 1996). Multivariate bankruptcy prediction models condense several ratios into a single score, and Altman's Z-score family is among the most widely used (Altman, 1968, 2018; Altman et al., 2017). Because a higher Z″-score indicates a sounder company, financial condition measured in this way is expected to be negatively related to GCAO. (Luspratama et al., 2021), (Altiyani and Istutik, 2021), and (Salim, 2023) find that financial condition or distress is associated with GCAO, whereas (Ginting and Tarihoran, 2017) find no association. The second hypothesis is therefore formulated as follows. **H2:** Financial condition, measured by the Altman Z″-score, is negatively associated with the issuance of GCAO.

The previous year's audit opinion refers to the opinion issued to the auditee for the preceding period. (Mutchler, 1985) argues that a company already given a going concern opinion is likely to be given one again in the following year, and (Ginting and Tarihoran, 2017) make a similar point. The auditor must consider business continuity when auditing the following period, and an earlier opinion may act as a reinforcing signal that guides further investigation and promotes consistency of judgment (Mutsanna and Sukirno, 2020). In addition, a GCAO may reduce stakeholder confidence and make recovery harder, a mechanism often described as a self-fulfilling prophecy. (Ginting and Tarihoran, 2017), (Mutsanna and Sukirno, 2020), (Altiyani and Istutik, 2021), and (Putri et al., 2022) report a positive association between the previous year's opinion and GCAO, while (Surianti and Purba, 2020) report none. The third hypothesis is formulated as follows. **H3:** The previous year's audit opinion is positively associated with the issuance of GCAO. The research framework is presented in Figure 1.

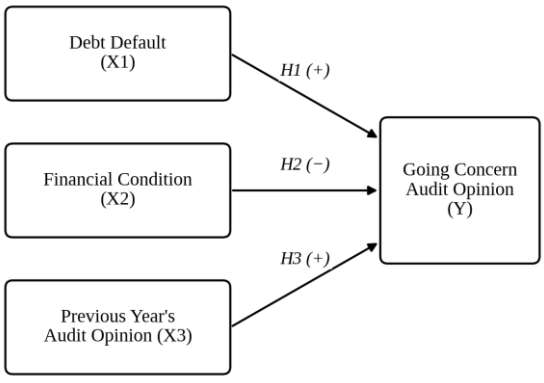


Figure 1. Research Framework
Source: Authors' conceptualization (2026)

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RESEARCH METHODS

This study uses a quantitative, explanatory design to test whether debt default, financial condition, and the previous year's audit opinion are associated with GCAO. The objects of the study are manufacturing companies listed on the IDX, and the observations are the audit opinions contained in their audited annual financial statements for 2019–2021. The population comprises all manufacturing companies listed on the IDX during this period, and the sample was selected through purposive sampling using five criteria: (1) the company was listed on the IDX throughout 2019–2021; (2) it published annual financial statements ending in December that were audited by an independent auditor in each year; (3) it reported in Indonesian rupiah; (4) it recorded a net loss in at least one year of the observation period, which identifies companies facing financial difficulty and therefore a higher likelihood of receiving GCAO; and (5) it had published financial statements and audit reports for the year preceding the observation period, so that the previous year's audit opinion could be identified. Of the 197 listed manufacturing companies, 45 met these criteria, which yields 135 firm-year observations.

The data are secondary and were collected from the audited financial statements and annual reports available on the IDX website (www.idx.co.id), IDN Financials (www.idnfinancials.com), and the companies' own websites. The data were processed using SPSS version 25.

The dependent variable, GCAO, is a dummy variable coded 1 if the company received a GCAO and 0 otherwise (Surianti and Purba, 2020). Debt default (DD) is also a dummy variable, but it is measured through a proxy rather than observed directly: the current ratio (CR), calculated as current assets divided by current liabilities. A company with a CR below 1.0 is coded 1, while a company with a CR of 1.0 or higher is coded 0. A CR below 1.0 indicates liquidity pressure, that is, current liabilities exceeding current assets, rather than an actual contractual default or covenant breach, so DD should be read as a liquidity-based default proxy. The proxy reflects the view that the lower the current ratio, the less able the company may be to meet its obligations as they fall due. Financial condition (FC) is measured using the revised Altman Z″-score, a member of the Z-score family (Altman, 1968; Altman et al., 2017) that was developed for emerging-market firms and is advocated for non-manufacturing firms (Altman, 2018). Purba (2016) likewise describes this modified formula as applicable beyond manufacturing and non-listed companies. It omits the sales-to-total-assets ratio:

$$Z'' = 6.56X_1 + 3.26X_2 + 6.72X_3 + 1.05X_4$$

where X_1 is net working capital divided by total assets, X_2 is retained earnings divided by total assets, X_3 is earnings before interest and tax divided by total assets, and X_4 is the book value of equity divided by total liabilities. A higher score indicates a sounder financial condition. Scores below 1.10 are conventionally interpreted as distress, scores between 1.10 and 2.60 as a grey area, and scores above 2.60 as safe; in the regression, however, the score enters as a continuous variable. The previous year's audit opinion (PYAO) is a dummy variable coded 1 if the company received a GCAO in the year before the observation year and 0 otherwise (Mutsanna and Sukirno, 2020).

The analysis comprises descriptive statistics, evaluation of the logistic regression model, and hypothesis testing. Because GCAO is binary, binary logistic

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regression is appropriate, and it does not require normally distributed predictors (Ghozali, 2018). The model is specified as follows, where P is the probability that a company receives GCAO, α is a constant, β is a regression coefficient, and ε is the residual error:

$$\ln[P/(1-P)] = \alpha + \beta_1 DD + \beta_2 FC + \beta_3 PYAO + \varepsilon$$

Model feasibility is assessed with the Hosmer–Lemeshow goodness-of-fit test, overall model fit with the change in the −2 log likelihood (−2LL) between the constant-only model (Block 0) and the full model (Block 1), and explanatory power with the Cox & Snell and Nagelkerke pseudo-R^2 (Nagelkerke, 1991), which serve as approximate indicators of fit rather than exact shares of explained variance. Each hypothesis is tested using the Wald statistic of the corresponding coefficient at a significance level of 5%.

RESULTS AND DISCUSSION

Table 1 summarizes the descriptive statistics for the 135 firm-year observations. The mean of GCAO is 0.37, which indicates that a little more than one third of the observations received a GCAO. The financial condition score ranges from −23.50 to 1,237.39, with a mean of 17.725 and a standard deviation of 106.473. A standard deviation that is several times larger than the mean indicates a heavily skewed distribution. The extreme maximum value, which belongs to PT Jembo Cable Company Tbk in 2021, is a potential outlier whose possible influence on the estimates is discussed below, whereas the lowest score belongs to PT Panasia Indo Resources Tbk in 2021.

Table 1. Descriptive Statistics Of The Research Variables

Variable	Min.	Max.	Mean	SD
DD (X_1)	0	1	0.30	0.462
FC (X_2)	−23.50	1,237.39	17.725	106.473
PYAO (X_3)	0	1	0.30	0.462
GCAO (Y)	0	1	0.37	0.485

Note: SD = standard deviation; N = 135 for all variables.
Source: Authors' data processing using SPSS 25 (2026)

Table 2 presents the frequency distribution of the three dummy variables. Of the 135 observations, 85 (63.0%) did not receive a GCAO and 50 (37.0%) did. Under the current-ratio proxy, 41 observations (30.4%) are classified as debt default (CR below 1), and the remaining 94 (69.6%) are not. In addition, 41 observations (30.4%) received a GCAO in the previous year, whereas 94 (69.6%) did not. The sample therefore contains enough variation in the dependent variable for logistic estimation.

Table 2. Frequency Distribution Of The Dummy Variables

Variable	Category (code)	F	%
GCAO (Y)	No GCAO (0)	85	63.0
	GCAO (1)	50	37.0
DD (X_1)	Current ratio ≥ 1 (0)	94	69.6
	Current ratio < 1 (1)	41	30.4
PYAO (X_3)	No GCAO (0)	94	69.6
	GCAO (1)	41	30.4

Note: N = 135 for each variable.
Source: Authors' data processing using SPSS 25 (2026)

The logistic regression results are reported in Table 3, and the tests of model feasibility, overall fit, and explanatory power are summarized in Table 4. The Hosmer–Lemeshow statistic is 4.122 (df = 8) with a significance of 0.846, which is above 0.05. The null hypothesis that the model and

the data do not differ cannot be rejected, so the model is considered to fit the data. The −2LL falls from 177.971 in the constant-only model to 117.205 in the full model, a reduction of 60.766 that far exceeds the critical chi-square value of 7.815 (df = 3, α = 0.05), so adding the three predictors improves the model significantly. The Nagelkerke R^2 of 0.495 is a pseudo-R^2 that should be read as an approximate indicator of fit, suggesting that the three predictors together capture a considerable part of the variation in GCAO. It is not an exact share of explained variance, and the variation that remains unaccounted for cannot be attributed to any specific factor on the basis of these results. The estimated model is:

$$\ln[P/(1 - P)] = -0.863 - 0.256DD - 0.065FC + 2.735PYAO$$

Table 3. Logistic Regression Results

Variable	B	S.E.	Wald	Sig.	Exp(B)
DD (X_1)	−0.256	0.581	0.194	0.660	0.774
FC (X_2)	−0.065	0.032	4.030	0.045	0.937
PYAO (X_3)	2.735	0.517	27.946	<0.001	15.405
Constant	−0.863	0.482	3.201	0.074	0.422

Note: df = 1 for all variables.

Source: Authors' data processing using SPSS 25 (2026)

Table 4. Model Feasibility, Overall Fit, And Explanatory Power

Test	Statistic	Sig.
Hosmer–Lemeshow χ^2 (df = 8)	4.122	0.846
−2LL, Block 0 (constant only)	177.971	
−2LL, Block 1 (full model)	117.205	
Decrease in −2LL	60.766	
Cox & Snell R^2	0.362	
Nagelkerke R^2	0.495	

Source: Authors' data processing using SPSS 25 (2026)

Regarding the first hypothesis, the coefficient of debt default is −0.256 with a Wald statistic of 0.194 and a significance of 0.660, which is above 0.05. The debt-default proxy is therefore not significantly associated with GCAO, and H1 is not supported. The negative sign is also opposite to the expected direction, although it is statistically indistinguishable from zero. In this sample, an auditor does not appear to issue a GCAO merely because a company's current liabilities exceed its current assets. Several explanations are possible, although this study cannot test them. First, companies under liquidity pressure may try to avoid formal default by negotiating with creditors to reschedule or restructure payments, and the auditor weighs management's plans for such actions when forming a conclusion (IAPI, 2021). The credit restructuring relief that the Financial Services Authority introduced during the pandemic, which allowed banks to classify restructured loans as current, may have made such arrangements easier to obtain (Otoritas Jasa Keuangan [OJK], 2020).

Second, a current ratio below one captures short-term liquidity pressure rather than a contractual default, so the proxy may not identify genuine default events, and part of its information is already contained in the working capital component of the Z″-score. It is therefore more accurate to say that liquidity pressure, rather than debt default itself, was not significantly associated with GCAO. Other studies of manufacturing companies report that liquidity itself is negatively related to GCAO (Averio, 2021; Bahtiar et al., 2021), which suggests that a dichotomous default proxy may be too coarse to capture the liquidity signal. The result is consistent with (Luspratama et al., 2021) and (Suprianto and Rinardi, 2022) but differs from (Nurbaiti and Yanti, 2022) and (Surianti and Purba, 2020), both of which

examined coal-mining companies, so differences in sector, observation period, and the measurement of default may explain the divergence.

Regarding the second hypothesis, financial condition has a coefficient of −0.065 with a Wald statistic of 4.030 and a significance of 0.045 (p = .045), which is only marginally below 0.05, so H2 is supported at the 5% level. The negative sign means that a higher Z″-score, that is, a healthier financial position, is associated with a lower probability of a GCAO, or equivalently that a deteriorating financial condition is associated with a higher one. The odds ratio of 0.937 indicates that each one-unit increase in the score is associated with about 6.3% lower odds of receiving a GCAO. Auditors may thus translate quantitative distress signals, such as weak working capital, accumulated losses, low earnings, and thin equity relative to liabilities, into their continuity judgment. This is consistent with agency theory, under which the auditor acts as an independent monitor who may reduce the information asymmetry between management and owners (Endiana and Suryandari, 2021; Jensen and Meckling, 1976), and with signaling theory, under which the opinion conveys the auditor's reading of observable financial cues to outsiders (Connelly et al., 2025). The finding is consistent with (Luspratama et al., 2021), who also report a negative and significant coefficient for a Z-score-based measure, and with (Salim, 2023) and (Altiyani and Istutik, 2021), who likewise find a significant relationship of financial distress or condition with GCAO, although the latter report a positive sign in a small mining sample of 39 observations. It contradicts (Ginting and Tarihoran, 2017), who attribute their null result to the comparatively sound finances of the agricultural companies they studied. It also echoes (Altman, 2018), who argues that auditors can use distress-prediction scores as objective input in going-concern assessments. Because the association is only marginally significant (p = .045) and the score distribution contains an extreme observation, namely the maximum Z″ of 1,237.39, which is a potential outlier and may exert undue influence on the estimated coefficient, this result should be interpreted with caution. The model was not re-estimated without this observation, so the sensitivity of the coefficient to it remains untested.

Regarding the third hypothesis, the previous year's audit opinion has a coefficient of 2.735 with a Wald statistic of 27.946 and a significance below 0.001, so H3 is supported. The odds ratio of 15.405 (p < .001) indicates that, holding the other variables constant, a company that received a GCAO in the previous year has odds of receiving it again that are about 15.4 times higher than those of a company that did not. The previous year's audit opinion is thus by far the strongest predictor of GCAO in the model. A self-fulfilling mechanism may be at work: a GCAO in the previous period can reduce public trust and constrain access to financing, which makes it harder for management to improve the company's condition.

The improvement suggestions that the auditor raised in the previous report may also not have been implemented properly, so the same doubt persists. From the auditor's side, the earlier opinion may serve as a reinforcing signal, and removing a going concern paragraph requires convincing evidence of recovery, so auditors may tend to remain consistent with their earlier judgment (Mutchler, 1985; Mutsanna and Sukirno,

2020). The result is consistent with Ginting and (Tarihoran, 2017), (Mutsanna and Sukirno, 2020), (Altiyani and Istutik ,2021), (Putri et al., 2022), and (Suprianto and Rinardi, 2022), but differs from (Surianti and Purba, 2020), whose sample comprised only ten coal-mining companies. Table 5 summarizes the outcome of the three hypothesis tests.

Table 5. Summary Of Hypothesis Testing

Hypothesis	Sign	B	Sig.	Decision
H1: DD	+	−0.256	0.660	Not supported
H2: FC	−	−0.065	0.045	Supported
H3: PYAO	+	2.735	<0.001	Supported

Note: Sign = expected direction of the association; decisions are based on the Wald test at the 5% significance level.
Source: Authors' data processing using SPSS 25 (2026)

To gauge the practical size of these associations, the estimated model was used to compute illustrative predicted probabilities for a company with DD = 0 whose Z″-score sits at the conventional distress cut-off (1.10) or the safe cut-off (2.60), with and without a GCAO in the previous year (Table 6). Moving from the distress cut-off to the safe cut-off is associated with a predicted probability of a GCAO that is only about one to two percentage points lower, because the coefficient of financial condition is small in magnitude. By contrast, a GCAO in the previous year is associated with a predicted probability that is roughly 58 percentage points higher. This contrast reinforces the reading that the earlier opinion is the dominant cue in the auditor's decision, and it suggests that the marginal statistical significance of financial condition (p = .045) should not be mistaken for a large practical association.

These probabilities are illustrations derived from the reported coefficients rather than additional estimates, and they inherit the caution that applies to a score distribution containing an extreme value.

Table 6. Predicted GCAO Probabilities

Z″-score	PYAO	P(GCAO)
1.10 (distress)	0	28.2%
2.60 (safe)	0	26.3%
1.10 (distress)	1	85.8%
2.60 (safe)	1	84.6%

Note: Probabilities are computed from the coefficients in Table 3 with DD = 0.
Source: Authors' calculation based on the estimated model (2026)

Taken together, the results suggest that auditors of Indonesian manufacturing companies during the pandemic may have relied on two cues, namely a quantitative measure of financial health and the continuity of their own earlier judgment, while the liquidity-based default proxy was not significantly associated with GCAO. Read through signaling theory, a prior-period GCAO may be interpreted as a persistent signal that continuity doubts remain unresolved, whereas a current ratio below one is a weaker and more ambiguous signal. For management, the strong persistence of GCAO suggests that the causes of a first GCAO should be addressed quickly and visibly, for example through credible recovery plans and implemented auditor recommendations. For investors and creditors, a multivariate distress score combined with the previous audit report may offer a more informative early warning than a single liquidity ratio. For auditors and regulators, the results underline the need to document how management's mitigation plans, such as debt restructuring, are weighed against default indicators.

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CONCLUSION AND SUGGESTION

This study set out to determine whether debt default, proxied by a current ratio below one, financial condition, and the previous year's audit opinion are associated with the issuance of going concern audit opinions among Indonesian manufacturing companies listed on the IDX during 2019–2021. The debt-default proxy, which reflects liquidity pressure rather than actual contractual default, was not significantly associated with GCAO. The previous year's audit opinion was the strongest predictor (Exp(B) = 15.405, $p < .001$), and financial condition was negatively but only marginally associated with GCAO ($p = .045$), a result that should be treated with caution because the Z″ distribution contains an extreme value that may be an outlier. The weak role of the liquidity-based indicator may reflect that companies under pressure negotiate with their creditors and that auditors take such plans into account, although this explanation was not tested. These findings are consistent with agency theory, because the independent auditor acts as a monitor that may reduce information asymmetry between management and owners, and with signaling theory, because the opinion conveys the auditor's assessment of business continuity to outsiders. The results may be useful for auditors as a reference for the considerations behind going concern judgments, for investors and creditors as an aid in assessing continuity risk, and for management as a reminder that a going concern opinion, once issued, tends to persist.

This study has limitations that point to directions for future research. The sample is restricted to manufacturing companies that reported at least one loss during a three-year pandemic window, debt default is proxied by the current ratio rather than by observed default or covenant breach, the financial condition score contains an extreme value that may be an outlier and was not tested for influence, the association of financial condition with GCAO is only marginally significant, and only three explanatory variables are examined. The associations reported here are also not evidence of causation. Future research should therefore (1) include non-manufacturing sectors and companies without losses to improve generalizability, (2) extend the observation period, for example to ten years, and compare pandemic and non-pandemic years, (3) measure debt default using disclosed default or covenant-breach events and test the robustness of the results to outliers, for example by excluding or winsorizing extreme Z″ values, and to multicollinearity, and (4) add factors such as profitability, operating cash flow, firm size, audit quality, and auditor tenure, building on work that relates financial performance and operating cash flow to going concern opinions among consumer-goods manufacturers during the pandemic (Pratomo and Laksito, 2025). Practitioners are advised that auditors should document how management's mitigation plans are evaluated, that investors and creditors should combine distress scores with prior audit reports, and that management should act early on the causes of a going concern opinion.

THE USE OF AI OR AI-ASSISTED TECHNOLOGIES

During the preparation of this work, the author(s) used AI tools solely to translate the manuscript from Indonesian into English. After using the tool, the author(s) reviewed and edited the translation as needed and take full responsibility for the

content of the publication.

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