SUMMARY

There had been cases where public companies suddenly collapsed on the following year after receiving a clean audit opinion. Especially for Indonesia, the issue of going concern first emerged in 1995 with the collapse of Summa bank although the bank accepted a clean opinion in the preceding year (Haron, Hartadi, Ansari and Ismail, 2009). Therefore the ability of a financial statement to predict the company's going concern is doubted. According to SPAP (2011) it is auditor's responsibilities to evaluate its client's going concern. Introduced to counter these issues, a going concern opinion is a modified opinion that aims to warn or notify financial statement users, especially investors/shareholders, when there might be disputes or even chance of bankruptcy faced by the company within 12 months' time after the financial statement date. Nevertheless, Haron et al. (2009) found evidence proving that auditors seemed to avoid issuing going concern opinion even when their clients face liquidity problems. Therefore it is a necessity to study the bases auditors used for issuing going concern opinion.

Numerous studies have been made in the past in order to understand the "real" reasoning behind the issuance of going concern. However the models provided are irregular and the results are not very assuring since there are plenty of research gaps. One of the main reason would be due to the variance in regulation and accounting principles of the countries sampled for the studies. The other reason would be due to the different variables being used by the authors. After taking careful consideration, there is a need for us to re-study the issuance of going concern using the financial condition as the financial aspect and auditor

tenure and opinion-shopping as the non-financial aspect. This study also used companies which had obtained going concern opinion as its samples.

This study came up with three hypothesis, firstly, financial condition is related to the issuance of GCO, secondly, auditor tenure is related to the issuance of GCO, and thirdly, opinion shopping is related to the issuance of GCO. Financial condition is examined because SPAP (2011) has stated in section 340 that one of the main indication that a company faces going concern issues is negative trends (of financial conditions). Auditor tenure is examined because auditors are argued to have their independencies impaired due to lengthy tenure period and yet there were research gaps stating that argument is right, and otherwise. Lastly, opinion shopping is examined because in Indonesia where audit fee is not mandated to be published publicly, there is a huge chance that a fee competition exists and may indulge in company exercising opinion shopping especially for companies in distress.

This study found that H1 is accepted which suggests that financial condition is indeed related to the issuance of going concern opinion and it is inversely related. Therefore, the worsen the company's financial condition get, the higher the chance of going concern opinion to be issued and likewise, if the company is in a firm condition, then there should be no chance of them getting going concern opinion. H2 and H3, however, are rejected which suggests that regardless of the tenure period between the two parties, audit independence will remain unchanging and hence auditors are unaffected by clients' pressures. This suggests that auditors were able to follow the procedures set in SPAP (2011).