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THE EFFECT OF LAVERAGE, PROFITABILITY AND CASH FLOW ON GOING CONCERN AUDIT OPINION AND ITS IMPLICATIONS ON MARKET REACTION

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ABSTRACT

This study examines going concern audit opinions and their implications for market reactions. The going concern audit opinion received by the Company was based on an analysis of financial performance which indicated that the Company was experiencing financial distress, causing substantial doubts in carrying on its business and impacting market reaction. The variables used are leverage, profitability and cash flow as independent variables, going concern audit opinion as intervening variables and market reaction as dependent variables. The sample for this research comes from companies listed on the Indonesia Stock Exchange (IDX) for 2018-2021 and are included in the IDX special notation list on June 20 2022. The sampling technique uses purposive sampling. The results showed that leverage had a significant positive effect on going concern audit opinions, profitability and cash flow did not have a significant effect on going concern audit opinions. Leverage has a significant positive effect on market reaction, profitability and cash flow has a significant negative effect on market reaction. Going concern audit opinion has negative implications for market reaction. And going concern audit opinion is able to mediate the relationship of cash flow variables to market reaction, but has not been able to mediate the relationship of leverage and profitability variables to market reaction.

KEYWORDS *Leverage, profitability, cash flow, going concern audit opinion, and market reaction*

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INTRODUCTION

Companies issue financial reports to provide the information needed for users of financial statements. The information presented in the financial statements is useful for investors in making decisions. So that the credibility of the Company's

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financial statements is very meaningful for users of financial statements, especially investors. Investors ensure the credibility of financial reports prepared by management with an audit opinion from an independent external auditor. The audit opinion given by the auditor can be in the form of an unmodified opinion and a modified opinion.

The auditor gives the going concern assumption to the Company as a signal for users of financial statements to be conservative in making decisions. Companies that receive going concern audit opinions are companies whose ability to maintain business continuity is doubtful. Explanation of the going concern assumption is found in the unmodified audit opinion and the modified audit opinion depending on the condition of the Company.

Auditor Gideon Adi & Rekan provided a disclaimer opinion to PT Trikomsel Oke Tbk (TRIO) for the financial statements ended December 31, 2018 and 2019. This opinion was given to the Company because it experienced a shortage of cash flow for operations. So that the company doubted its ability to pay off its debts. Auditor Krisnawan, Nugroho & Partners reported that PT Bakrie Telkom Tbk (BTEL) in the Company's financial statements ending December 31 2017 and 2018 had not completed the restructuring of senior notes by Bakrie Telecom Pte, Ltd. At that time the Company did not yet have the ability to fulfill its obligation to postpone debt payments (PKPU), because operational activities at that time had stopped.

The auditor provides an audit opinion with an emphasis on going concern issues to the Company as an early warning for investors. This early warning affects the reaction on the stock market (market reaction). Market reaction is indicated by an increase or decrease from the previous stock price to the current price.

Y. Santoso and Partners provided a going-concern audit opinion to PT Bakrie & Brothers Tbk (BNBR) for the financial statements ending December 31, 2017. This opinion was given because the Company experienced a capital deficiency and recorded short-term liabilities that exceeded its current assets. So that during 2018 the share price of PT Bakrie & Brothers Tbk (BNBR) recorded a 90% correction and stuck at a share price of IDR 50/share. At that time, BNBR focused on debt restructuring, which was valued at IDR 9 trillion, after losing up to IDR 1.2 trillion in 2017. This information was reported by CNBC Indonesia on December 28, 2018.

The IDX has included a Special Notation on the share codes of listed companies that have certain conditions related to going concern issues and unfavorable performance. This special notation is an IDX effort to provide a signal in the context of protection to investors and it is hoped that this will provide initial awareness to investors about the condition of the Listed Company before making an investment decision. On June 20, 2022, there were 157 companies that received Special Notations.

Based on the phenomena that occur there are several factors that are taken into consideration in granting a going concern audit opinion which also has implications for market reactions. These factors are leverage, profitability and cash flow.

There are several authors who have conducted research on these factors, including the research by Averio, (2020), Simamora & Hendarjatno, (2019), and Abbott et al., (2019) showing that leverage has a positive effect on going concern audit opinions. However, in Nugroho et al.'s research, (2018), it shows that leverage has a negative effect on going concern audit opinions. Averio's research, (2020) shows that profitability has a negative effect on going concern audit opinions. Research by Ryu et al., (2019) shows that profitability has a positive effect on going concern audit opinions and research by Nugroho et al., (2018), profitability has no effect on going concern audit opinions. Research by Ryu et al., (2019) and Huang & Yu, (2019) shows that cash flow has a positive effect on going concern audit opinions. However, in Abbott et al, (2019) cash flow has no effect on going concern audit opinions.

Research by Kaczmarek et al., (2021), Rahman et al., (2021), Au Yong & Laing, (2021) shows that leverage has a negative effect on market reaction. Research by Anwar & Fun, (2021) leverage has a positive effect on market reaction. Research by Shin & Kim, (2019), Maffei et al., (2020) and Heyden & Heyden, (2021) leverage has no effect on market reaction. Research by Rahman et al., (2021) and Heyden & Heyden, (2021) shows that profitability has a negative effect on market reaction. Research by Au Yong & Laing, (2021) and Anwar & Fun, (2021) that profitability has a positive effect on market reaction. Research by Basnet et al., (2022) shows that cash flow has a negative effect on market reaction. Research by Xiong et al., (2020) cash flow has a positive effect on market reaction.

Research by Silva et al., (2019) and Pakdaman, (2018) shows that going concern audit opinions have a negative effect on market reaction. Wibowo's, (2019) going concern audit opinion has no effect on market reaction.

Based on the description of the phenomenon and previous research, the author will examine and analyze the influence, leverage, profitability and cash flow on going concern audit opinions and their implications for market reactions. The novelty used in this study is an empirical study. This study uses empirical studies on companies that are included in the IDX Special Notation list.

RESEARCH METHOD

This type of research is causal research with a quantitative approach tested using statistical methods. This research sample uses 181 financial reports from companies listed on the Indonesia Stock Exchange (IDX) for 2018-2021 and included in the IDX's special notation dated June 20, 2022.

The factors measured in this study are leverage, profitability and cash flow as the independent variables, going concern audit opinion as the intervening variable and market reaction as the dependent variable. The variable measurement in this study, namely the leverage variable using the debt to equity ratio (DER) proxy, refers to the study of Maffei et al. (2020). The profitability variable uses a proxy for return on equity (ROE) referring to research by u Yong & Laing, (2021). The cash flow variable uses a debt coverage (DC) proxy referring to the theory from Budiman, (2018). Going concern audit opinion uses a dummy variable by giving code 0 for financial reports that do not receive going concern audit opinions (NGCOA) and code 1 for financial reports that receive going concern audit opinions (GCOA). The market reaction variable uses a dummy variable proxy for abnormal returns which refers to the theory from Suganda, (2018). The dummy variable used is by giving code 1 (positive reaction) when the results of the calculation of the abnormal return and actual return are greater than zero. code -1 when the calculation results are other than positive reaction conditions. This abnormal return calculation uses a 60-day window period referring to Peterson and Pamela's research (1989), namely thirty days before (t-30) and thirty days after (t+30), and event date (t0). The following is a table of operationalization of the variables used. The following is a table of operationalization of the variables used.

Table 1

Variable	Symbol	Description	Proxy	Formula
Independent Variable (X1)	LV	Leverage Maffei et al. (2020)	Debt to Equity Ratio	$\mathrm{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$
Independent Variable (X2)	PF	Profitability Au Yong & laing, (2021)	Return on Equity	$\mathrm{ROE} = \frac{\text{Net Income}}{\text{Total Equity}}$
Independent Variable (X3)	CF	Cash Flow Budiman, (2018)	Debt to Coverage	$\mathrm{DC} = \frac{\text{Total Debt}}{\text{Cash from Operation}}$
Intervening variable (Z)	GCOA	Going Concern Audit Opinion Averio, (2020)	Dummy Variable	1 = GCOA 0 = NGCOA
Dependent variable (Y)	MR	Market Reaction Suganda, (2018)	Dummy Variable	$\mathrm{AR}_{i,t} = \mathrm{R}_{i,t} - \mathrm{E}(\mathrm{R}_{i,t-1})$ 1 = positive reactions (when the abnormal return and actual return is greater than 0) -1 = Negative Reaction (when the results show no positive reaction)

Variabel	Simbol	Deskripsi	Proksi	Rumus
Independent Variable (X1)	LV	*Leverage* *Maffei et al. (2020)*	*Debt to Equity Ratio*	$DER = \frac{Total\ Debt}{Total\ Equity}$
Independent Variable (X2)	PF	*Profitability* *Au Yong & laing , (2021)*	*Return on Equity*	$ROE = \frac{Net\ Income}{Total\ Equity}$
Independent Variable (X3)	CF	*Cash Flow* *Budiman, (2018)*	*Debt to Coverage*	$DC = \frac{Total\ Debt}{Cash\ from\ Operation}$
Intervening variable (Z)	GCOA	*Going Concern Audit Opinion* *Averio, (2020)*	*Dummy Variable*	1 = GCOA 0 = NGCOA
Dependent variable (Y)	MR	*Market Reaction* *Suganda, (2018)*	*Dummy Variable*	$\mathrm{AR}_{i,t} = \mathrm{R}_{i,t} - \mathrm{E}(\mathrm{R}_{i,t-1})$ 1 = reaksi positif

	(ketika *abnormal return* dan *actual return* diatas nol) -1 = reaksi negatif (Selain kondisi pada reaksi positif)

Source: processed data

This study was tested using the statistical method of binary logistic regression by forming the following three regression models:

$$\textbf{Model 1: Ln}\,\frac{\exp(\mathrm{GCOA})}{1-\exp(\mathrm{GCOA})} = \alpha + \beta_1\mathrm{LV} + \beta_2\mathrm{PF} + \beta_3\mathrm{CF} + e$$

$$\textbf{Model 2: Ln}\,\frac{\exp(\mathrm{MR})}{1-\exp(\mathrm{MR})} = \alpha + \beta_1\mathrm{LV} + \beta_2\mathrm{PF} + \beta_3\mathrm{CF} + e$$

$$\textbf{Model 3: Ln}\,\frac{\exp(\mathrm{MR})}{1-\exp(\mathrm{MR})} = \alpha + \beta_1\mathrm{GCOA} + e$$

Information:

Exp	= Eksponensial
GCOA	= Going concern audit opinion
LV	= Leverage
PF	= Profitability
CF	= Cash flow
MR	= Market reaction
α	= Konstanta
β_1-β_3	= Regression coefficient
e	= Residual Error

Effect of leverage on going concern audit opinion

Companies with high levels of leverage can trigger a high risk of default. If leverage continues to increase, the company may experience financial distress which is a consideration for the auditor to provide a going-concern audit opinion. Previous research from Averio, (2020), showed the results of his research, namely the leverage variable has a positive effect on going concern audit opinions. A company with poor financial conditions like a high leverage level implies that the company is dominated by loans so that the company has more obligations to manage debt payments and loan interest, which can affect cash flow, as well as profit and loss of the company, (Averio, 2020a, p. 162). Based on the theory and previous research the authors formed the following hypothesis:

Ha1: Leverage has a partial effect on going concern audit opinion.

Effect of profitability on going concern opinion

Profitability refers to the Company's ability to generate profits. This profit can be generated from sales, effective use of assets and capital. Poor company profitability indicates that the company has not been able to generate profits. This condition can hamper the Company's operational activities and become a signal for the auditor to provide a going concern audit opinion to the Company. Previous research from Averio, (2020), showed the results of his research, namely profitability has a negative effect on going concern audit opinions. Low profitability and liquidity also imply that a company has a doubt to guarantee its short-term debt and low ability to earn profit, which puts the company on the going concern problem, (Averio, 2020a, p. 162). Based on the theory and previous research the authors formed the following hypothesis:

Ha2: Profitability has a partial effect on going concern audit opinion.

The effect of cash flow on going concern audit opinion

Companies are required to be able to manage their cash flow properly. When the company's operating cash flow is negative, the company will seek outside funding which will have an impact on increasing the company's interest expense and liabilities to third parties. In addition, low cash flow indicates that the Company does not have sufficient cash available to pay off its debts and is at risk of default. So that poor cash flow indicates doubt over the company's ability to carry out its business.

The control sample shows insufficient operating cash flows as well but in a less severe condition. The mean is 4% with 31.1% of firms having negative operating cash flows. Therefore, despite the sample selection criteria which provide us with a sample of financially distressed firms, the going concern firms show an even worse financial situation with low profitability, low or negative cash flows, and high debt-financed capital structure, (Huang & Yu , 2019, p. 143).

Based on the theory and previous research the authors formed the following hypothesis:

Ha3: Cash flow has a partial effect on going concern audit opinion.

Effect of leverage on market reaction

Leverage can determine whether a company is good or not. An increase in leverage indicates an increase in the risk of financial distress due to failure to manage the capital structure which has an impact on investor reactions in the stock market. However, if the Company can manage its debt properly, such as being used for business development, it will trigger a positive market reaction. Research from Au Yong & Laing, (2021) shows the results of leverage research have a negative effect on market reaction, however research from Anwar & Asyik, (2021) shows a positive effect of leverage on market reaction. Based on the theory and previous research the authors formed the following hypothesis:

Ha4: Leverage has a partial effect on market reaction.

Effect of profitability on market reaction

Profitability describes the company's ability to generate profits. Good performance in profitability can convince investors because companies with high levels of profitability are more resistant to economic shocks. Research from Au Yong & Laing, (2021) shows the results of profitability research have a positive effect on market reaction, however research from Anwar & Asyik, (2021) shows a negative effect of profitability on market reaction. Based on the theory and previous research the authors formed the following hypothesis:

Ha5: Profitability has a partial effect on market reaction.

The effect of cash flow on market reaction

Investors are more likely to react when cash flow performance is unfavorable, especially when operating cash flow shows a negative balance. This condition makes it difficult for the Company to pay off its obligations, so that it becomes an early warning for investors to act conservatively. Research from Basnet et al., (2022) shows the results of cash flow have a negative effect on market reaction. Based on the theory and previous research the authors formed the following hypothesis:

Ha6: Cash flow has a partial effect on market reaction.

Effect of going concern audit opinion on market reaction

The receipt of a going concern audit opinion indicates that the company's ability to maintain its business continuity is doubtful, triggering a negative reaction on the stock market.

Research by Silva et al., (2019), with the results of going concern audit opinion research having a negative effect on market reaction. The auditors' going concern opinion for Ideaisnet impacted the stock price return and traded volumes, suggesting that the auditor's opinion was a surprise to the market, (Silva et al., 2019, p. 18). Based on the theory and previous research the authors formed the following hypothesis:

Ha7: Going concern audit opinion has implications for market reaction

Based on the phenomenon, theory and previous research journals, the writer can form a research hypothesis and focus on examining the effect of leverage, profitability and cash flow on going concern audit opinions and their implications for market reaction. So that the framework of thought formed is as follows:

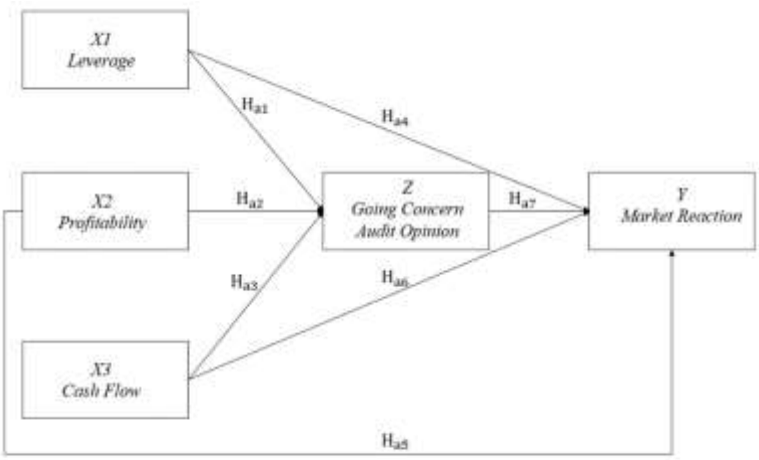

Figure 1

RESULTS AND DISCUSSION

Testing the variables in this study using SPSS v.27 software. Every variable and model formed in this study has passed the model feasibility test using Hosmer and Lemeshow's goodness of-fit-test and overall model fit. The following are the results of hypothesis testing for model 1 used in this study:

Table 2
Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B)	
								Lower	Upper
Step 1[a]	LV	,388	,149	6,784	1	,009	1,474	1,101	1,973
	PF	1,303	,718	3,292	1	,070	3,679	,901	15,029
	CF	,002	,001	2,426	1	,119	1,002	1,000	1,004
	Constant	-,999	,247	16,304	1	,000	,368		

a. Variable(s) entered on step 1: LV, PF, CF.

Source: Data management with SPSS 27.0

Table 2 shows that leverage has a significance value of 0.009 less than an alpha of 0.05 with a B value of 0.388 so that leverage has a significant positive effect on going concern audit opinion (Ha1 accepted). The positive effect of leverage shows that the higher the leverage, the greater the possibility of financial reports receiving a going concern audit opinion, and vice versa when the leverage is lower, the smaller the possibility of financial reports receiving a going concern audit opinion.

In this study, leverage is proxied using the debt to equity ratio, so that when the financial statements have a high leverage value it indicates that the proportion of the value of the debt owned by the Company in that period is greater than the proportion of the value of the equity owned. The large proportion of this debt value indicates that the Company's operational activities are mostly funded by debt. So that the Company has an obligation to fulfill (pay) the debt when it is due. This high leverage has a greater risk of default compared to a low leverage value.

The auditor gives a going concern audit opinion, one of which is with consideration of the performance of the company's financial statements to assess the company's ability to carry on business in the future. So that when the leverage value is high it creates a high risk of default. When in the future the company is unable to pay or pay off its debts it will have an impact on the delay in fulfilling the supply of goods in the warehouse which also has an impact on not fulfilling the demand for sales. So that the Company's revenue decreased and operational activities were disrupted which caused doubts about business continuity in the future if remedial steps were not immediately taken.

The results of this study are in line with the results of Averio's research, (2020). In research conducted by Averio, (2020) and Simamora & Hendarjatno, (2019) showed that leverage has a positive effect on going concern audit opinions by using the debt to total asset ratio (DAR) as a proxy for the leverage variable.

"Based on the results of the logistic regression analysis to determine influencing factors on the going concern audit opinion with research data of manufacturing firms listed on the IDX from 2015 to 2019, it can be concluded that leverage was positively affected the going concern audit opinion. This indicates that companies with a high debt ratio are very likely to suffer financial and continuity difficulties, (Averio, 2020, p. 162)."

In research conducted by Simamora & Hendarjatno, (2019) shows that leverage has a positive effect on going concern audit opinions by using the debt to total asset ratio (DAR) as a proxy for the leverage variable.

"… who found out that companies tended to frequently receive the going concern audit opinion when their leverage level was high. Because the assets used by the companies to run their operational activities are mostly covered by debts, the companies tend to depend on debts in running their business activities. Consequently, the company bears a huge debt in which it can cause the company to be unable to afford repaying the debts, Simamora & Hendarjatno, 2019, p. (155)."

Meanwhile, based on Table 2, the profitability and cash flow variables each have a significance value of more than 0.05, namely 0.70 and 0.119, so these results indicate that the profitability and cash flow variables have no significant effect on going concern audit opinions. So Ha2 and Ha3 are rejected. This research is in line with the research of Nugroho et al., (2018) and Abbott et al., (2019).

The following is model 1 from the results of statistical tests:

$$\textbf{Model 1: Ln} \frac{\exp(\mathrm{GCOA})}{1-\exp(\mathrm{GCOA})} = -0,999 + 0,388\mathrm{LV} + 1,303\mathrm{PF} + 0,002CF + e$$

Berikut ini adalah hasil dari uji hipotesis untuk model 2 yang digunakan dalam penelitian ini:

Table 3

Variables in the Equation

		B	*S.E.*	*Wald*	*df*	*Sig.*	*Exp(B)*	*95% C.I.for EXP(B) Lower*	*Upper*
Step 1[a]	LV	,043	,020	4,534	1	,033	1,044	1,003	1,086
	PF	-3,506	1,628	4,639	1	,031	,030	,001	,729
	CF	-,014	,007	4,242	1	,039	,986	,973	,999
	Constant	-,470	,268	3,073	1	,080	,625		

a. Variable(s) entered on step 1: LV, PF, CF.

Source: Data management with SPSS 27.0

Table 3 shows that leverage has a significance value of 0.033 which is smaller than alpha 0.05 with a B value of 0.043 so that profitability has a significant positive effect on market reaction (Ha4 accepted). The positive effect of leverage shows that the higher the leverage, the greater the possibility of financial reports receiving a positive reaction, and vice versa when the lower the leverage, the smaller the possibility of financial reports receiving a positive reaction.

A positive reaction occurs when there is an increase in stock prices from the window period used. While a negative reaction occurs during the window period there is no change in the value of the stock or the stock price has decreased. Leverage in this study is proxied by the debt to equity ratio so that when the leverage value is high, the proportion of debt value is greater than the company's equity value. In this study, leverage has a significant positive effect on market reaction, which means that the market reacts positively when the leverage value is high. Investors view the large proportion of debt owned by the Company with the consideration that large debt if managed properly will support the Company's development in the future. Such as the proportion of large debts caused by the existence of new loan funds intended for business expansion. In addition, the positive reaction that occurs when the company's leverage value is high can also be caused because in these conditions the company is looking for new investors as a way to increase business capital. The results of this study are in line with Anwar & Asyik's research, (2021).

Table 3 shows that profitability has a significance value of 0.031 which is smaller than alpha 0.05 with a B value of -3.506 so that profitability has a significant negative effect on market reaction (Ha5 accepted). The negative effect of profitability shows that if profitability is higher, the possibility of financial reports receiving a positive reaction is lower (reacting negatively), and vice versa when profitability is lower, the possibility of financial reports receiving a positive reaction is also greater.

The weakness in this test lies in the absolute number of results of calculating the ROE ratio used in the test. Absolute numbers are used because the sample in this study is a company that is under special attention that is included in the IDX special notation list. So that the majority of the companies in the sample are in financial trouble, namely experiencing losses and negative equity, but without using absolute numbers they produce a positive ROE ratio. Meanwhile, several companies that earn positive profits and equity without using absolute figures also produce positive ROE ratios. However, companies that experience losses and have positive equity without using absolute numbers will produce negative ROE. Based on these 3 conditions, companies that experience losses and negative equity have the worst performance compared to companies that experience losses and still have positive equity. However, when not using absolute numbers, it is as if the company that is experiencing losses and whose equity is still positive is the one with the worst financial performance because it has a negative ROE ratio. So that in this test the numbers used are absolute numbers.

Based on these conditions, the results of this study profitability have a significant negative effect on market reaction. The high profitability ratio results in this study do not reflect good financial performance. Because as previously explained, the majority of the sample in this study are experiencing losses and negative equity. So that when a high profitability value reflects that the company is experiencing large losses and negative equity or is in a condition where the company has a large profit value but little positive equity or is even experiencing negative equity due to accumulated losses in previous years. So that in this study the high profitability value gives a signal for investors to react negatively. This negative reaction is reflected in the decline in stock prices on the capital market.

The results of this study are in line with the results of research by Rahman et al., (2021), Anwar & Asyik, (2021) and Heyden & Heyden, (2021), namely profitability has a negative effect on market reaction.

Table 3 shows that cash flow has a significance value of 0.039 less than an alpha of 0.05 with a B value of -0.014 so that profitability has a significant negative effect on market reaction (Ha6 is accepted). The negative effect of cash flow shows that when cash flow is higher, the possibility of financial statements receiving a positive reaction is lower (reacting negatively), and vice versa when cash flow is lower, the possibility of financial statements receiving a positive reaction is also greater.

In this study, the cash flow variable uses a debt coverage proxy, namely total debt compared to the availability of the Company's operating cash flow. So when the cash flow ratio is high the market tends to react negatively. This means that in these conditions the Company has a large debt value but there is no sufficient cash availability from operating cash flow, so that the Company's share value has decreased. This condition occurs because the availability of cash from other activities only supports business continuity, but the most important cash availability remains the availability of cash generated from operating activities which are the Company's main operational activities. This high ratio gives a signal to investors to act conservatively. The higher this ratio triggers a high risk of default so that this condition makes the market react negatively. The results of this study are in line with the results of research by Basnet et al., (2022).

"… a less negative stock market reaction following negative cash flow news, (Basnet et al., 2022, p. 3)".

The following is model 2 from the results of statistical tests:

$$\textbf{Model 2: Ln}\,\frac{\mathbf{exp\,(MR)}}{\mathbf{1-exp\,(MR)}} = \mathbf{-0,470 + 0,043LV - 3,506PF - 0,014}\boldsymbol{CF} + \boldsymbol{e}$$

The following are the results of hypothesis testing for model 3 used in this study:

Table 4

Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I.for EXP(B) Lower	Upper
Step 1[a]	GCOA	-1,716	,431	15,896	1	,000	,180	,077	,418
	Constant	-,726	,222	10,654	1	,001	,484		

a. Variable(s) entered on step 1: GCOA.

Source: Data management with SPSS 27.0

Table 4 shows that going concern audit opinion has a significance value of 0.00 less than alpha 0.05 with a B value of -1.716 so that going concern audit opinion has a significant negative effect on market reaction (Ha7 accepted). The negative effect of going-concern audit opinion shows that if the financial statements receive a going-concern audit opinion, the possibility of the financial statements receiving a positive reaction is lower (reacts negatively), and vice versa when the financial statements do not receive a going-concern audit opinion, the possibility of financial reports receiving a positive reaction also getting bigger.

These results indicate that if the company's financial statements receive a going-concern audit opinion, the market will react negatively and vice versa, when the company's financial statements do not receive a going-concern audit opinion, the stock market will react positively.

In connection with the proxy variable used for going concern audit opinion and market reaction variables is a dummy variable, so this discussion uses table 5. In table 5 it is known that there are 100 financial statements that receive going concern audit opinions. Of the 100 financial reports, 92 of them received a negative market reaction and 8 of them received a positive reaction. So based on these data as much as 92% when the Company's financial statements receive a going concern opinion, the market will react negatively.

Tabel 5

Cell Information

Frequency			
		MR	
GCOA		Reaksi Negatif	Reaksi Positif
NGCOA	*Observed*	62	30
	Expected	62,000	30,000
	Pearson Residual	,000	,000
GCOA	*Observed*	92	8
	Expected	92,000	8,000
	Pearson Residual	,000	,000

Link function: Logit.

Source: Data management with SPSS 27.0

In table 5 it is known that there are 92 financial statements that do not receive a going concern audit opinion. Out of 92 financial reports, 62 (67%) received negative reactions and 30 (23%) received positive reactions.

This study uses research samples from companies registered in the IDX Special Notation on June 20, 2022, so that the companies studied are companies that are currently under attention. So that when the financial statements do not receive a going concern audit opinion, the financial statements are still likely to receive a negative market reaction. This research is in line with previous research by Pakdaman, (2018) and Silva et al., (2019).

“…that the auditor's opinion contains content information for investors and analysts of the stock exchange while this is not true for modified opinion. The following cases can be mentioned as the main reasons for not paying attention to the financial statements of modified audit reports: investors and users of the auditor's report are not informed in a timely manner, information is not available, users lack sufficient knowledge to analyze the audit report and apply it in investment decisions, and finally, investors are not trained in the stock exchange, (Pakdaman, 2018, p. 115).”

The following is model 3 which is formed from the test results:

$$\textbf{Model 3: Ln}\,\frac{\exp(\mathbf{MR})}{1-\exp(\mathbf{MR})} = -\mathbf{0,726} - \mathbf{1,716\ GCOA} + \boldsymbol{e}$$

So based on the results of this study and previous research which are in line with this study when the financial statements receive a going concern audit opinion, the market will react negatively. The going concern audit opinion given by the auditor is an early warning for investors to re-analyze the financial statements presented. In general, the financial reports that received a going-concern audit opinion were financial reports that reflected that the company was in financial distress during that period which caused the market to react negatively.

Additional discussion regarding the mediation of the going concern audit opinion variable is carried out by conducting a sobel test with the following results:

Tabel 6

Variabel	**a**	**b**	**SE_a**	**SE_b**	***Sobel Test***	***Sobel Test (absolute)***	**Hasil**
LV	0,388	-0,052	0,149	0,076	-0,662	0,662	< 1,96
PF	1,303	-2,461	0,718	1,444	-1,242	1,242	< 1,96
CF	0,002	-0,100	0,001	0,006	-1,986	1,986	> 1,96

Source: processed data

In table 6 the sobel test values on the leverage and profitability variables are respectively 0.662 and 1.242 which are smaller than 1.96 with a significant level of 5%, so the going concern audit opinion has not been able to mediate the relationship between leverage and profitability with market reaction. However, the cash flow variable obtained a Sobel test value of 1.986 which was greater than 1.96 with a significant level of 5%, so the going concern audit opinion was able to mediate the relationship between cash flow and market reaction.

Based on table 6 going concern audit opinion as an intervening variable has not been able to mediate the relationship between leverage and profitability variables on market reaction. However, it is able to mediate the relationship between cash flow variables and market reaction. Based on direct testing, leverage has a positive effect on market reaction and profitability has a negative effect on market reaction, but when using a going concern audit opinion as mediation, leverage and profitability have no effect on market reaction.

Meanwhile, based on direct testing, cash flow has an effect on market reaction and when the Sobel test is carried out, the results of a going concern audit opinion are able to moderate the relationship between cash flow and market reaction. This relationship shows that both mediated and without mediation going concern audit opinion, cash flow is an important part that is considered by investors. Cash flow is a strong signal for investors to make decisions to act conservatively. A bad cash flow ratio can lead to high defaults and can affect the smooth running of the company's operations

CONCLUSION

Based on the results of research conducted to determine the effect of leverage, profitability and cash flow on going concern audit opinions and their implications for market reactions registered on the IDX in 2018-2021 and included in the IDX Special Notation list on June 20, 2022 it is known that (a) Leverage partially positive significant effect on going concern audit opinion. (b) Profitability has no significant effect partially on going concern audit opinion. (c) Cash flow has no significant effect partially on going concern audit opinion. (d) Leverage has a partially positive significant effect on market reaction. (e) Profitability has a partially negative significant effect on market reaction. (f) Cash flow has a partially negative significant effect on market reaction. (g) Going concern audit opinion has partially negative significant implications for market reaction. (h) Going concern audit opinion is able to mediate the relationship between cash flow and market reaction but has not been able to mediate the relationship between leverage and profitability variables on market reaction.

Based on the results of this study, it can be concluded that the leverage, profitability and cash flow variables have a stronger influence on market reaction than their effect on going concern audit opinions. Only the leverage variable has a significant effect on going concern audit opinion. Meanwhile, for market reaction, all variables in this study have a significant effect on market reaction. Including going concern audit opinion which has significant negative implications for market reaction. However, when going concern audit opinion in this study was only able to mediate the relationship between cash flow variables and market reaction.

The conclusion of this study is that information from financial reports that reflects unfavorable performance on financial statements, both in terms of financial ratios or from going-concern audit opinions received by the Company in that period, can trigger a negative reaction on the stock market. And going concern audit opinion strengthens the effect of poor cash flow performance to trigger the market to react negatively, because bad cash flow triggers the risk of default which raises investor concerns and

This concern is reinforced by the existence of a going concern audit opinion received by the Company which is a signal that the Company's ability to substantially doubted in carrying out its business.

RESEARCH LIMITATIONS

This study has limitations that can be taken into consideration for subsequent researchers in order to obtain even better research results. These limitations include:

1. The event date used in the market reaction variable is the date from the deadline for submitting the Company's financial statements to the IDX, so the event date does not reflect the actual date the report was submitted to the IDX. financial reports to IDX at different times.
2. The window period used in this study only refers to the window period from Peterson and Pamela (1989), namely 60 days, 30 days before the event date and 30 days after the event date. So the research is only based on the time span of

the window period and has not considered further whether the window period can be shortened or extended.

3. The calculation of the ratio of leverage, profitability and cash flow in this study uses absolute numbers. So that in interpreting the results it is necessary to analyze the original figures before they are absolute which can lead to different interpretations.

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