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FACTORS INFLUENCING AUDITORS' GOING CONCERN OPINION

Hasnah Haron, Bambang Hartadi, Mahfooz Ansari and Ishak Ismail*
Graduate School of Business, Universiti Sains Malaysia
11800 USM Pulau Pinang, Malaysia
*e-mail: hhasnah@usm.my

ABSTRACT

The main purpose of our study is to provide evidence the practically consideration of auditor judgement on going concern opinion. By using quasi experimental, we found strong evidence that auditors' judgement is affected by financial indicators, evidence, and disclosure. We have another finding that consensus among auditors' judgement and the interaction effects between the three independent variables is significant.

Keywords: going concern opinion, financial indicators, evidence and disclosure, consensus

INTRODUCTION

In Indonesia, issues concerning audit reports and their relationship to going concern problems have emerged since 1995. The issue emerged with the collapse of the Summa Bank, though the bank had been issued a clean audit report in the preceding year. In 1997, with the economic crisis coming into being, the going concern issue became important in Indonesia. Evidence has shown that, in 1997, 14 companies had been issued a clean audit report in the previous year, but collapsed in the subsequent year. In 1998, 15 companies previously issued a clean report collapsed in the next year (http://www.bapepam.go.id).

An audit opinion on the financial statements of a company became an important issue, attracting much public attention. Some argue that auditors are to blame for not being able to issue the appropriate going concern opinion report. They insist that the collapses of these companies may have been avoided if appropriate reports were issued. To give the public a clear signal, the minister of state PPN/Head of National Planning Board revealed that an accounting firm made an attempt to manipulate the data in *Badan Penyehatan Perbankan Nasional* (BPPN) (Edo, 2002) so as to avoid issuing a going concern opinion.

Other evidence includes an action taken by *Majelis Kehormatan Ikatan Akuntan Indonesia* (IAI) against ten accounting firms that showed noncompliance with acceptable auditing standards and procedures. Noncompliance with the auditing

standards of the ten largest accounting firms in Indonesia is either intentional or unintentional. Companies are audited in order to get a better sense for their liquidity. There is evidence that, in 1998, these ten accounting firms were not able to issue appropriate opinions to the banks on the verge of liquidation.

Evidence seems to indicate that auditors tend to avoid issuing a going concern opinion, even when companies face liquidity problems. This may be caused by difficulty in judging the ability of the companies to continue their operations.

Piawai Professional Akuntan Awam (SPAP) No. 340 (1994) (IAI), states that auditors must consider three factors before issuing an opinion on the ability of the company to continue future operations: (1) the financial strength of the company; (2) the type of evidence given; and (3) the disclosure of management efforts in overcoming liquidity problems. These three factors may help auditors assess whether a company has problems of going concern.

However, today's phenomena show that an auditor's accuracy falls short of expectations (McKeown, Mutchler, & Hopwood, 1991). Auditors pay less attention to these three factors. There are several potential reasons: (1) auditors do not think that these three factors are important; (2) auditors are inexperienced; and (3) auditors have not agreed on criteria that must be observed in deciding whether a company has a going concern problem (Bazerman, Loewenstein, Tanlu, & Moore, 2002).

SPAP, No. 340 (1994) states that the three factors are not considered "all at once" or "simultaneously" in evaluating whether the company has a going concern problem. Previous studies have only examined the influence of each factor individually (Altman, 1968; Mutchler, Hoopwood & McKeon, 1997; Kida, 1980; Chen & Church, 1992).

Thus, this study aims to determine: (a) the influence of the company's financial strength on the auditor's going concern opinion; (b) the influence of the type of evidence disclosed on the auditors' going concern opinion; (c) the influence of management effort disclosed on the auditor's going concern opinion; and (d) whether there is consensus among the auditors on their going concern opinions.

This study will provide evidence as to whether auditors consider the three factors stated in the Auditing Standards: financial strength, the type of audit evidence disclosed, and management effort when issuing a going concern opinion. The study will provide an important contribution to the setting of standards in Indonesia. At the same time, this study will provide further provide evidence as

to whether there is consensus among the auditors regarding the influence of the three factors on their going concern opinions.

LITERATURE REVIEW

A company's financial strength influences the auditors' going concern opinions. The financial strength can be measured by financial ratios (SA 341; SAS 59; ISA 570; Beaver, 1996; Altman, 1968; Ohlson, 1980; Mutchler, 1985; Boritz, 1991; Citron & Tafler, 1992). The type of evidence available, whether "positive" or "negative" must be considered by the auditor before issuing his going concern opinion (SA 341; SAS 59; ISA 570; Charmechael & Pany, 1993; Behn, Kaplan & Krunwiede, 2001; Chen & Church, 1992; Frost, 1997; Goldstein, 1998; Reynolds & Francis, 2000; DeFond, Raghunandan & Subramanyam, 2002). For example, consider a company that faces a liquidity problem with evidence that the company may obtain a bank loan. This fact would influence the auditor to issue unqualified emphasis as a matter opinion, rather than a going concern opinion.

In addition, the management effort to solve the financial problem must be considered by the auditor before issuing his/her going concern opinion (SA 341; SAS 59; ISA 570; Wolk et al., 1997; Dye, 1991).

Financial Indicator

Beaver (1996) in his study using a model of univariate, discriminant analysis, succeeded in predicting financial distress using financial ratios.

Thirty financial ratios were used to evaluate 79 pairs of failed and non-failed companies. Beaver argued that ratio of current assets to total assets and ratio of net benefits to total assets are able to differentiate between companies that will be bankrupt and those that will not. His model was able to predict 90% and 88% of cases, respectively.

Altman (1968) used multivariate linear, discriminant analysis (MDA) and determined a cut-off value that enabled him to decide upon the criteria indicating which companies were in financial distress or vice versa. He was able to predict with 95% accuracy.

This study uses five of Altman's ratios to calculate the Z score.

$$\text{Z score} = 1.2\ \text{WC/TA} + 1.4\ \text{RE/TA} + 3.3\ \text{EBIT/TA} + 0.6\ \text{MV /BV} + 1.0\ \text{Sales/TA}$$

where

Z score	=	financial condition of the company (strong, moderate and weak)
WC/TA	=	working capital/total asset
RE/TA	=	retained earnings/total asset
EBIT/TA	=	earnings before interest and tax /total asset
MV/TA	=	market value of share/book value of debt
Sales/TA	=	sales/total asset

Based on the Z score, Altman categorizes companies as strong, moderate and weak. Z score values for strong, moderate and weak are as follows:

- Strong when Z score is > 2.99
- Moderate when Z score is 1.811–2.98
- Weak when Z score is < 1.811

Ohlson (1980) used logistic regression (logic analysis) to predict financially distressed companies. Logic analysis is one of the best alternatives to overcome the limitations of the MDA technique. In his study, Ohlson used 105 financially distressed companies and 2,058 non-distressed companies. He found that seven financial ratios are able to predict financially distressed companies with the same level of accuracy as Altman's selection.

Mutchler et al. (1997) analyzed 16 auditors' responses on the factors that would indicate whether a company has a financial problem. From the 16 auditors' responses, he found that the important indicators were as follows:

1. There is an indication that the company will become a *takeover* target
2. There is an indication that the company will be bankrupt
3. There is an indication that the company will restructure
4. Net value of organization is negative
5. The company is unable to pay loan
6. Cash flow is negative
7. Has received going concern opinion in the previous year
8. Suffer a financial loss from operation
9. Current assets are insufficient
10. Suffer financial losses
11. Have problems obtaining loans and funds

In his study conducted in Canada, Boritz (1991) found that auditing firms consider the following factors to be important when evaluating a company's ability to continue its future operations:

1. Suffer financial losses for two years
2. Ratio of debts/asset
3. Default on debt payments
4. Ratio of return on assets is negative
5. Increasing debt ratio/equity ratio
6. Increasing equity ratio/asset for asset sale ratio
7. Decrease in stock market value
8. Deception
9. Negative assets or negative current asset/current ratio

Citron and Tafler (1992) found that a company's poor financial position is the most important reason for an auditor to issue a going concern opinion.

Previous studies have indicated that statistical models based on financial ratios have stronger explanatory power than the auditor's judgment (Altman & McGough, 1974; Altman, 1968; Koh & Killough, 1990) on the issue of a going concern opinion. However, another study found that a statistical model of financial ratios has the same predictive ability as the auditor's judgement (Hopwood, McKeown & Mutchler, 1994).

Type of Evidence

Charmechael and Pany (1993), state the importance of considering evidence that will alleviate a company's problems of going concern. Mutchler *et al.* (1997) states that two kinds of evidence will influence an auditor's decision: mitigating evidence or positive evidence, and contrary evidence or negative evidence. Positive evidence will influence the judgement of auditors in the direction of issuing a going concern opinion, whereas negative evidence will influence the judgement of auditors in the direction of not issuing a going concern opinion.

SAS 34 (AICPA, 1981) and SAS 59 (AICPA, 1988) explicitly mention the importance of negative information (contrary information) and positive information (mitigating information) when issuing a going concern opinion by auditors. One example of negative information is management effort to overcome problems of going concern. Behn *et al.* (2001), Chen and Church (1992) and Bell (1991) found that companies that can obtain additional funding or loans (positive evidence) do not tend to receive a going concern opinion. On the other hand, companies that show evidence that they cannot pay their debts and where management does not have a plan to overcome the problem of going concern (negative evidence) will be issued a going concern opinion. This is also supported by Reynolds and Francis (2000) and DeFond *et al.* (2002).

Management plans to mitigate the going concern problem can also affect the auditor's judgement as to whether to issue a going concern opinion (Frost, 1997). The top management of companies with financial problems that will be taken over or structurally rearranged will usually choose not to report this negative information (Frost, 1997). Auditors will need to be able to assess the situation by looking at the level of risk of the company through risk reports prepared by management.

Disclosure

SAS 160 suggests that auditors should check the consistency of information disclosed with the company's financial indicators, as indicated by the financial ratios.

The disclosure of information includes the fact that the company is facing financial difficulty and that the management is trying to solve the problem.

Dye (1991) states that the disclosure of such information can assist in giving a clearer picture of the company's activities and thus reduce the conflict between investors and management.

Consensus

Hasnah (1996) and Libby and Lewis (1982) state that certain criteria are needed to measure the accuracy of the judgement of auditors. However, those criteria do not tend to exist in auditing. Since the auditors have the required qualifications and have undergone similar training in the auditing field, they are expected to have similar opinions on certain matters. Thus, the consensus is often used a measurement of accuracy of audit opinion (Pincus, 1990). Consensus can be measured by correlating the mean ratings of a pair of subjects at the same point in time. A high level of consensus may be used as a surrogate to the accuracy of a decision (Keasey & Watson, 1989). If the level of consensus among auditors is low, we can conclude that the decisions of the auditors are less accurate (Libby & Lewis, 1982).

Control Variables

Our study controls for experience and professional membership, as previous research has shown that these two factors do affect judgement.

Experience

Libby and Frederick (1990) and Abdolmohammadi and Wright (1987) found that an auditor's experience and knowledge tends to affect one's judgment. For this reason, the study has determined that the respondent auditors of this study should have at least three years of experience.

Professional membership

Professional accountants in Indonesia must be members of the Indonesia Accountants Association (IAI) before they can practice as public accountants. Bonner (1990) states that the measure of an auditor's professionalism is whether they have the skill set of professionalism to carry out their duties.

From the explanation above, professional membership is an important factor influencing an auditor's judgment of going concern. For this reason, respondents of this study are members of the IAI.

THEORETICAL FRAMEWORK AND HYPOTHESES

The theoretical framework is depicted in Figure 1.

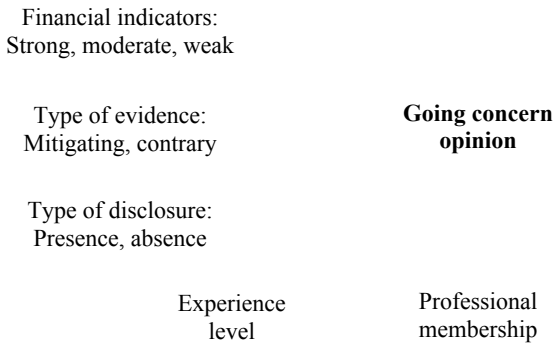

Figure 1. The factors that affect going-concern opinion.

Hypotheses

This study investigates the following five hypotheses:

H_1: A company's strong financial condition (as opposed to poor or moderate) will have the greatest influence on the issuance of a going concern opinion.

H_2: Positive evidence (as opposed to negative) will lead to a lesser probability of the issuance of a going concern opinion.

H_3: Disclosure of information (as opposed to nondisclosure) has a lower likelihood of issuance of a going concern opinion.

H_4: Two- and three-way interactions between financial strength, evidence and disclosure will have a greater effect on the probability of issuance of a going concern opinion (compared to the main effect).

H_5: There is consensus among auditors on the issuance of a going concern opinion among auditors.

METHODOLOGY

Description of Variable

The independent variables in this study are the financial strength of the company, the types of evidence, and disclosure.

Financial Strength

The financial indicators used in this study are Altman's five ratios, which indicate three levels of financial strength: strong, moderate, and weak.

Types of Evidence

There are two kinds of evidence: positive and negative. Positive evidence relates to the fact that the company is able to obtain claims from an insurance company, whereas negative evidence indicates otherwise.

Disclosure

Disclosure is adequate if the condition of uncertainty of going concern is disclosed in the financial statements. Disclosure relates to management effort to overcome the problems it faces.

Case and Procedure

This study uses the case of a real company listed on the Jakarta Stock Exchange. The company had been issued a going concern opinion by the auditors. This study has made the following modifications to the case:

- The name of the company has been omitted.
- The study uses the financial statement of a real company, categorized by the Altman Z score as weak, as a starting point. The figures in the financial statement were changed to obtain moderate and strong financial conditions. Altman's Z score was used to categorise the moderate and strong financial conditions of the company.
- Negative evidence was obtained from the same annual report of the company used for weak financial strength. The negative evidence showed that there was poor likelihood of the company obtaining the losses claimed from the insurance company and positive evidence stating otherwise.
- The presence of disclosure was taken from the original case, while changes were made for the absence of disclosure. The presence of disclosure relates to management effort and opinions regarding the probability of getting the claims from the insurance company. The absence of disclosure meant omitting the statement (nondisclosure).

Experimental Design

This study used a 3 × 2 × 2 factorial design between subjects. The study used a 'between subject' factorial design where an auditor is required to answer only one case. The combination of 3 factors of independent variables resulted in a 12-case combination, where each case was different. The design is shown in Table 1.

Table 1
Factorial design

Independent variables		
A (Financial indicator)	B (Evidence)	C (Disclosure)
3	2	2

The indicators of the independent variables are shown in Table 2.

Table 2
Detail on indicators of the independent variables

No.	Financial strength	Evidence	Disclosure
1	Strong	Positive	Yes
2	Moderate	Negative	No
3	Weak		

The combinations of the 12 cases are shown in Table 3.

Table 3
Case combination

No.	Financial indicator	Evidence	Disclosure
1	Strong	Positive	Yes
2	Strong	Positive	No
3	Strong	Negative	Yes
4	Strong	Negative	No
5	Moderate	Positive	Yes
6	Moderate	Positive	No
7	Moderate	Negative	Yes
8	Moderate	Negative	No
9	Weak	Positive	Yes
10	Weak	Positive	No
11	Weak	Negative	Yes
12	Weak	Negative	No

Assignment of Cases to Subjects

The subjects were each given one case, chosen at random. There were 1,048 auditors in Indonesia in 2004. Based on the research design, the study required 360 subjects. The subjects of the study were those who attended seminars or conferences sponsored by the IAI. The researcher sought the permission of the IAI, the Department of Public Accountants, the BAPEPAM, and other parties involved in the organization of the seminar before approaching the participants.

Analysis

Based on the factorial design of the study, the statistical model of the study can be stated as follows:

$$P = \alpha + b_1F + b_2E + b_3D$$

where

P = An auditor's judgment about problem of going concern (5 scale Likert)
F = Financial indicators (strong: 3, moderate: 2, weak: 1)
E = Type of evidence (dummy→positive: 1 or negative: 0)
D= Disclosure (dummy→yes: 1 or no: 0)

General Linear Model Univariate Analysis of Variance (GLM UNIANOVA) was used to test hypotheses 1, 2, 3 and 4. Hypothesis 4 was tested using correlation statistics.

Definition of Variables

The dependent variable in this study is the auditor's judgment concerning going concern. The non-independent variables are the financial indicators and the types of evidence. This study controlled for the IAI membership and the level of auditor experience.

P = Opinion representing the dependent variable measured by the five point Likert scale ranging from strongly disagree up to strongly agree. Value is between 1–5.

F = Financial indicator representing the independent variable measured by Altman's Z score. This variable takes the values of: 1 = weak, 2 = moderate and 3 = strong.

E = Type of evidence measured by the binary number where 1 = positive evidence and 0 = negative evidence.

D = Disclosure. This variable is also measured by the binary number where 1 = presence and 0 = absence.

RESULTS

As indicated in Table 4, the majority of firms that participated in the study are smaller firms and have three to six years of working experience. All respondents are members of accounting professional bodies in Indonesia.

Table 4
Profile of subjects

	Total	Percentage
Type of audit firms		
Big	77	21.4
Non-big	283	78.6
Experience of auditors		
3–6 years	184	51.11
7–10 years	112	31.11
> 10 years	64	17.78
Membership		
Members	360	100.00

The Effect of Financial Indicator Ongoing Concern Opinion

The study relied on GLM univariate analysis to test the first four hypotheses. Table 5 shows that financial strength of a company (FIN) has a significant (0.00 at alpha = 0.05) effect on an auditor's judgement regarding the issuance of a going concern opinion.

This result is consistent with the findings of Beaver (1996), Altman (1968) and Ohlson (1980). Beaver (1996) found that SAS 59 implicitly states that the ability of the going concern opinion is inversely correlated with a firm's financial condition.

The Effect of the Type of Evidence to Going Concern Opinion

Table 5 shows that the type of evidence (EVD) has a significant effect (0.00 at alpha = 0.05) on the issuance of a going concern opinion. This finding is consistent with previous research conducted by Charmechael and Pany (1993), Chen and Church (1992), and Tucker and Matsumura (1996).

The Effect of the Type of Disclosure to Going Concern Opinion

Table 5 shows that disclosure (DISC) has a significant effect (0.027 at alpha = 0.05) on the issuance of a going concern opinion. Thus, hypotheses 1 through 3 are accepted.

Interaction between Factors

There are several important findings in this study. As seen in Table 5, all interactions (DIN*EVD; FIN*DISC; EVD*DISC; FIN*EVD*DISC) have a significant effect (0.00 lest than alpha = 0.05) on auditor's decision to issue a going concern opinion. These results show that auditors examined the factors simultaneously. Thus, H_4 is accepted.

Table 5
GLM univariate test: Tests of between subject effects

Source	Type III sum of squares	Df	Mean square	F	Sig.
Corrected model	700.891[a]	11	63.717	151.212	.000
Intercept	4861.553	1	4861.553	11537.252	.000
FIN	612.788	2	306.394	727.122	.000
EVD	14.438	1	14.438	34.263	.000
DISC	2.088	1	2.088	4.955	.027
FIN*EVD	40.586	2	20.293	48.158	.000
EVD*DISC	17.829	2	8.915	21.156	.000
FIN*DISC	8.925	1	8.925	21.181	.000
FIN*EVD*DISC	9.249	2	4.625	10.975	.000
Error	146.640	348	0.421		
Total	5739.000	360			
Corrected total	847.531	359			

Note: [a] R squared = .827 (adjusted R squared = .822)

Group Consensus

Spearman correlation was used to determine the consensus of auditors.

As can be seen from Table 6, the correlation of answers by the auditors for each case is quite high. The correlation is above 0.90 for all the cases and is significant. This demonstrates that there is consensus among auditors. This analysis has been used by previous researchers (Hasnah, 1996; Campisi & Trotman, 1985; Pincus, 1990; Meixner & Welker, 1988).

Table 6
Correlation of answers of subjects

Subject	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9	Case 10	Case 11	Case 12
1	3.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	2.00	1.00
2	5.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	3.00	1.00
3	5.00	5.00	5.00	3.00	3.00	4.00	4.00	2.00	4.00	3.00	5.00	1.00
4	5.00	5.00	5.00	4.00	5.00	4.00	4.00	2.00	5.00	3.00	3.00	1.00
5	4.00	5.00	5.00	4.00	5.00	4.00	4.00	2.00	2.00	3.00	3.00	2.00
6	5.00	5.00	5.00	3.00	4.00	4.00	4.00	2.00	5.00	3.00	4.00	1.00
7	5.00	5.00	5.00	3.00	5.00	4.00	4.00	4.00	5.00	3.00	3.00	1.00
8	5.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	1.00	1.00
9	5.00	4.00	4.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	3.00	1.00
10	5.00	4.00	4.00	3.00	2.00	4.00	4.00	4.00	5.00	2.00	3.00	1.00
11	5.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	2.00	2.00	1.00
12	5.00	5.00	5.00	3.00	5.00	4.00	4.00	3.00	5.00	3.00	3.00	1.00
13	3.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	2.00	1.00
14	5.00	5.00	5.00	3.00	2.00	4.00	4.00	2.00	5.00	3.00	3.00	5.00
15	5.00	5.00	4.00	3.00	5.00	4.00	4.00	3.00	5.00	3.00	3.00	1.00
16	5.00	3.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	5.00	1.00
17	5.00	5.00	5.00	3.00	3.00	4.00	4.00	2.00	3.00	3.00	3.00	4.00
18	3.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	3.00	2.00
19	5.00	5.00	5.00	3.00	5.00	4.00	4.00	3.00	5.00	3.00	5.00	1.00
20	5.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	3.00	1.00
21	5.00	5.00	5.00	3.00	4.00	4.00	4.00	2.00	3.00	3.00	3.00	2.00
22	5.00	5.00	3.00	3.00	3.00	4.00	4.00	2.00	5.00	3.00	3.00	1.00
23	5.00	4.00	5.00	3.00	.	4.00	4.00	2.00	5.00	1.00	4.00	2.00
24	5.00	5.00	5.00	3.00	.	4.00	4.00	1.00	5.00	3.00	3.00	1.00
25	5.00	5.00	5.00	4.00	.	4.00	4.00	1.00	5.00	3.00	4.00	1.00
26	5.00	5.00	5.00	3.00	.	.	4.00	.	5.00	2.00	3.00	1.00
27	5.00	5.00	5.00	3.00	.	.	.	.	5.00	3.00	3.00	.
28	5.00	5.00	5.00	4.00	.	.	.	.	5.00	3.00	3.00	.
29	.	2.00	5.00	.	.	.	.	.	.	2.00	3.00	.
30	.	.	5.00	.	.	.	.	.	.	3.00	2.00	.
Correlation	0.999	0.989	0.997	0.996	0.992	1.000	1.000	0.951	0.993	0.977	0.954	0.954
Significance	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Overall mean correlation	0.98											

However, some researchers are of the opinion that the correlation method is not an appropriate method of determining consensus (James, Demaree, & Wolf, 1984). They are of the opinion that correlation can only be used to measure consensus for a single group of judges and for a single case. For multiple groups and cases, they suggest that this method is not accurate, as it fails to allocate the non-error variance proportionately. They recommended the use of the following formula to measure consensus:

$$r_{WG} = 1 - (\sigma^2_{xj}/\sigma^2_{EU})$$

where

r_{WG} = Within-group inter-rater reliability for a group of K depends on a single item *xj*.

σ^2_{EU} = Variance of *xj* that would be expected if all judgements were due exclusively to random measurement error = $(A^2 - 1)/n$.

A = The number of alternatives in the response scale for *xj*, which is presumed to vary from 1 to A.

N = Number of cases.

EU = An expected error (*E*) variance based on a uniform (*U*) distribution.

From Table 7, it can be seen that the mean of r_{WG} is 0.71, which is greater than 50%. Thus, there is consensus among the auditors and hypothesis 5 is accepted.

Table 7
Within-group inter-rater reliability

Subject	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9	Case 10	Case 11	Case 12
1	3.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	2.00	1.00
2	5.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	3.00	1.00
3	5.00	5.00	5.00	3.00	3.00	4.00	4.00	2.00	4.00	3.00	5.00	1.00
4	5.00	5.00	5.00	4.00	5.00	4.00	4.00	2.00	5.00	3.00	3.00	1.00
5	4.00	5.00	5.00	4.00	5.00	4.00	4.00	2.00	2.00	3.00	3.00	2.00
6	5.00	5.00	5.00	3.00	4.00	4.00	4.00	2.00	5.00	3.00	4.00	1.00
7	5.00	5.00	5.00	3.00	5.00	4.00	4.00	4.00	5.00	3.00	3.00	1.00
8	5.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	1.00	1.00
9	5.00	4.00	4.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	3.00	1.00
10	5.00	4.00	4.00	3.00	2.00	4.00	4.00	4.00	5.00	2.00	3.00	1.00
11	5.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	2.00	2.00	1.00
12	5.00	5.00	5.00	3.00	5.00	4.00	4.00	3.00	5.00	3.00	3.00	1.00
13	3.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	2.00	1.00
14	5.00	5.00	5.00	3.00	2.00	4.00	4.00	2.00	5.00	3.00	3.00	5.00
15	5.00	5.00	4.00	3.00	5.00	4.00	4.00	3.00	5.00	3.00	3.00	1.00
16	5.00	3.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	5.00	1.00
17	5.00	5.00	5.00	3.00	3.00	4.00	4.00	2.00	3.00	3.00	3.00	4.00
18	3.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	3.00	2.00
19	5.00	5.00	5.00	3.00	5.00	4.00	4.00	3.00	5.00	3.00	5.00	1.00
20	5.00	5.00	5.00	3.00	5.00	4.00	4.00	2.00	5.00	3.00	3.00	1.00
21	5.00	5.00	5.00	3.00	4.00	4.00	4.00	2.00	3.00	3.00	3.00	2.00
22	5.00	5.00	3.00	3.00	3.00	4.00	4.00	2.00	5.00	3.00	3.00	1.00
23	5.00	4.00	5.00	3.00	.	4.00	4.00	2.00	5.00	1.00	4.00	2.00
24	5.00	5.00	5.00	3.00	.	4.00	4.00	1.00	5.00	3.00	3.00	1.00
25	5.00	5.00	5.00	4.00	.	4.00	4.00	1.00	5.00	3.00	4.00	1.00
26	5.00	5.00	5.00	3.00	.	.	4.00	.	5.00	2.00	3.00	1.00

(continued on next page)

Table 7 *(continued)*

Subject	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9	Case 10	Case 11	Case 12
27	5.00	5.00	5.00	3.00	.	.	.	.	5.00	3.00	3.00	.
28	5.00	5.00	5.00	4.00	.	.	.	.	5.00	3.00	3.00	.
29	.	2.00	5.00	.	.	.	.	.	.	2.00	3.00	.
30	.	.	5.00	.	.	.	.	.	.	3.00	2.00	.
μ	4.75	4.72	4.83	3.14	4.36	4.00	4.00	2.20	4.71	2.80	3.10	1.37
$\delta^2 xj$	0.65	0.70	0.47	0.36	1.05	0.00	0.00	0.71	0.76	0.49	0.88	0.99
$\delta^2 EU$	2	2	2	2	2	2	2	2	2	2	2	2
r_{WG}	0.68	0.65	0.77	0.82	0.48	1.00	1.00	0.65	0.62	0.75	0.56	0.51
Mean (r_{WG})	0.71											

CONCLUSIONS

Auditors are required to issue a going concern opinion if they doubt the company's ability to continue its operations in the next accounting period. This is a requirement of SAS 59, AS 341, and SA 341. This study indicated that auditors' judgement is affected by three factors, in particular: financial indicators, evidence, and disclosure. There is strong consensus among auditors' judgement and the interaction effects between the three independent variables is significant. This means that, in practice, auditors consider the three factors simultaneously.

Like any other, this study has its limitations. Even though it controlled for experience and professional membership, other factors discussed in previous literature, such as the personality of the auditor, the type of work performed and pressure from superiors, were not considered. These factors could be taken into consideration in future studies.

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