

The Influence of Financial Distress, Audit Tenure, and Sustainability Disclosure on Modified Going Concern Audit Opinions: Evidence from Food and Beverage Manufacturing Companies Listed on the Indonesia Stock Exchange

Dody Suhermawan¹, Muhammad Ayin², Irawan Sugiono³

PT. Galena Perkasa Logistik, Surabaya Jawa Timur¹

PT. Serasi Logistik, Balikpapan, Kalimantan Timur²

PT. Agrifood Jaya Abadi, Mataram, Nusa Tenggara Barat³

Info Article

History Article:

Submitted

Revised

Accepted

Keywords:

Distress; Audit Tenure; Sustainability Disclosure; Modified Going Concern Audit Opinion; Agency Theory; Food and Beverage Manufacturing Companies; Indonesia Stock Exchange.

Abstract

This study aims to examine the effect of financial distress, audit tenure, and sustainability disclosure on the acceptance of modified going concern audit opinions in food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX). The study employed a quantitative research approach using secondary data obtained from annual reports, audited financial statements, and sustainability reports published during the 2022–2024 observation period. The population consisted of 95 companies within the food and beverage subsector, while the final sample comprised 67 companies selected through purposive sampling techniques based on predetermined criteria. Data analysis was conducted using descriptive statistical analysis and logistic regression analysis.

The results indicate that financial distress has a significant effect on the acceptance of modified going concern audit opinions. Companies experiencing higher levels of financial distress are more likely to receive modified going concern audit opinions due to increased uncertainty regarding business continuity. Audit tenure also demonstrates a significant influence on the issuance of modified going concern audit opinions, indicating that the length of the auditor-client relationship affects auditors' professional judgments concerning going concern assessments. In contrast, sustainability disclosure does not show a significant effect on the acceptance of modified going concern audit opinions, suggesting that auditors continue to prioritize quantitative financial indicators over non-financial sustainability information in evaluating going concern uncertainty. Simultaneously, financial distress, audit tenure, and sustainability disclosure collectively influence the acceptance of modified going concern audit opinions.

This study contributes to the literature on auditing and corporate sustainability by providing empirical evidence regarding the determinants of modified going concern audit opinions within the Indonesian food and beverage manufacturing sector during the post-pandemic economic recovery period. The findings also reinforce agency theory by emphasizing the role

of auditors as independent monitoring mechanisms in reducing information asymmetry and protecting stakeholders' interests.

INTRODUCTION

The audit of financial statements constitutes one of the most essential governance mechanisms within modern business practices. Through the audit process, independent auditors provide professional opinions regarding the fairness and reliability of a company's financial statements in accordance with applicable accounting standards and auditing procedures. Audit opinions play a crucial role because they serve as a source of information for investors, creditors, regulators, and other stakeholders in assessing the financial condition and future prospects of a company. According to Kuntandi, an auditor's opinion represents the professional conclusion issued by an independent auditor concerning a company's financial condition based on audit evidence obtained throughout the examination process. The audit process may result in several forms of opinions, including unqualified opinions, qualified opinions, adverse opinions, disclaimer opinions, and modified going concern opinions.

In carrying out their responsibilities, auditors are required to maintain independence and professional skepticism to ensure the objectivity of the audit opinion. Auditor independence becomes particularly important when auditors assess the sustainability of a company's operations and determine whether substantial doubt exists regarding the entity's ability to continue as a going concern. A modified going concern audit opinion is

generally issued when auditors identify material uncertainties related to the company's ability to sustain its operational activities for the foreseeable future. Such uncertainties may arise from recurring losses, negative cash flows, excessive debt burdens, liquidity problems, defaults on financial obligations, or operational disruptions that threaten the continuity of the business.

Under PSAK 201 concerning the presentation of financial statements, management is responsible for evaluating the entity's ability to continue as a going concern when preparing financial statements. Financial statements are prepared based on the going concern assumption unless management intends to liquidate the entity or cease business operations. Consequently, the going concern concept becomes a fundamental basis in financial reporting because it reflects whether a company is capable of sustaining its business activities in the long term. When significant doubt exists regarding the continuity of the business, auditors are expected to communicate such uncertainty through a modified going concern opinion to protect the interests of financial statement users.

The importance of going concern assessments has become increasingly relevant in the post-COVID-19 economic environment. Although the global economy has gradually recovered from the pandemic, many companies in Indonesia continue to experience financial pressure, operational

instability, and declining profitability. The manufacturing sector, which serves as one of the primary contributors to Indonesia's national economic growth, remains vulnerable to fluctuations in consumer demand, rising production costs, supply chain disruptions, and weakening purchasing power Syafitri and Khalifaturofi'ah. These conditions have intensified the need for auditors to carefully evaluate corporate sustainability and financial resilience.

Among the various subsectors within the manufacturing industry, the food and beverage subsector occupies a highly strategic position in the Indonesian economy. This subsector contributes significantly to national industrial output and fulfills the essential consumption needs of society. In theory, the relatively stable nature of food and beverage consumption should provide stronger financial resilience compared with other manufacturing subsectors, even during periods of economic slowdown. Consumer demand for food and beverage products tends to remain consistent because such products represent primary necessities rather than discretionary consumption. As a result, companies operating within this subsector are generally expected to possess stronger operational sustainability and lower business risk.

However, empirical realities demonstrate that companies within the food and beverage industry are not entirely immune to financial distress and operational challenges. One notable example is PT Sekar Laut [SKLT], a publicly listed processed food company in Indonesia that was forced to shut down one of its subsidiary factories due to financial pressure and declining

operational performance. The closure occurred after the withdrawal of the company's primary contract manufacturing customer, which significantly affected the company's revenue streams and cash flow stability. Although the strategic decision aimed to preserve liquidity and maintain financial sustainability, the factory closure substantially impacted the company's profitability, production capacity, and operational continuity. This phenomenon illustrates that even companies operating within strategically important and relatively stable industries remain exposed to going concern risks when financial management and operational sustainability deteriorate.

The increasing occurrence of financial instability among public companies has encouraged extensive research regarding the determinants of modified going concern audit opinions. Previous studies have examined numerous factors influencing auditors' judgments concerning business continuity. One of the most frequently examined variables is financial distress. Financial distress refers to a condition in which a company experiences significant financial difficulties, including declining profitability, liquidity shortages, inability to fulfill debt obligations, and deteriorating operational performance. Several studies concluded that financial distress significantly influences the likelihood of receiving a going concern audit opinion because auditors perceive financially distressed companies as having higher risks of business failure Elisabeth and Panjaitan; Yuliani and Arief.

Another factor frequently associated with modified going concern

opinions is audit tenure. Audit tenure refers to the duration of the professional relationship between auditors and their clients. Longer audit tenure may improve auditors' understanding of the client's business environment, internal control systems, operational characteristics, and financial conditions. Enhanced understanding potentially improves audit quality and reduces audit risk. However, excessively long auditor-client relationships may also threaten auditor independence because auditors may become overly familiar with management, thereby reducing professional skepticism Arista and colleagues. Consequently, audit tenure remains an important variable in evaluating the objectivity and effectiveness of audit judgments concerning going concern assessments.

In addition to financial and audit-related variables, recent developments in corporate reporting practices have increased attention toward sustainability disclosure. Sustainability disclosure refers to the disclosure of environmental, social, and governance (ESG) information within sustainability reports or annual reports. Such disclosures are intended to enhance corporate transparency, accountability, and stakeholder trust regarding long-term business sustainability. The growing importance of sustainability reporting reflects a broader shift toward sustainable business practices and stakeholder-oriented corporate governance. Previous studies suggested that companies with better sustainability disclosures may be perceived as more transparent and socially responsible, thereby influencing auditors'

perceptions regarding corporate sustainability and long-term viability Santika Dewi and Sudana.

Nevertheless, prior empirical findings concerning the determinants of modified going concern audit opinions remain inconsistent. Some studies identified significant relationships between financial distress, audit tenure, and sustainability disclosure with going concern opinions, while other studies reported contradictory results. In addition, most previous research investigated these variables separately or focused on different industrial sectors and observation periods, thereby limiting the comprehensiveness of the findings. The inconsistency of prior results indicates the existence of a research gap that requires further investigation, particularly within the Indonesian food and beverage manufacturing subsector during the post-pandemic economic recovery period.

Therefore, this study seeks to address the existing research gap by simultaneously examining the influence of financial distress, audit tenure, and sustainability disclosure on the acceptance of modified going concern audit opinions among food and beverage manufacturing companies listed on the Indonesia Stock Exchange. This research is expected to contribute both theoretically and practically by providing a more comprehensive understanding of the determinants influencing auditors' going concern judgments in emerging market context

METHODS

This study employed a quantitative research approach using secondary data obtained through

documentation techniques. Quantitative methods were selected because the study aimed to empirically examine the relationships between measurable independent variables and the probability of receiving a modified going concern audit opinion. The use of secondary data enabled the researcher to obtain objective and verifiable information derived from audited financial statements, annual reports, and sustainability reports published by listed companies.

The population of this study consisted of food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 observation period, totaling 95 listed companies Sugiyono. The food and beverage subsector was selected because of its strategic contribution to Indonesia's economic development and its relatively stable market demand characteristics. Moreover, despite being categorized as a defensive industry, several companies within this subsector experienced financial instability and operational pressure during the post-pandemic recovery period, making it relevant for examining going concern audit opinions.

The sampling technique used in this study was purposive sampling. Purposive sampling was chosen to ensure that the selected samples met specific criteria relevant to the objectives of the study. The criteria applied in determining the research sample were as follows:

Manufacturing companies within the food and beverage subsector that consistently published annual reports, audited financial statements, and sustainability reports during the 2021–2024 period.

Companies experiencing indications of financial distress during the observation period

Based on these criteria, 67 companies were selected as the final research sample. The data utilized in this study were obtained from the official IDX website and the respective official websites of each company.

This study involved both independent and dependent variables. The independent variables consisted of financial distress, audit tenure, and sustainability disclosure, while the dependent variable was the acceptance of a modified going concern audit opinion.

Financial distress was measured using indicators reflecting the company's financial difficulties and inability to maintain stable operational performance. Audit tenure was measured based on the length of engagement between the external auditor and the client company. Sustainability disclosure was measured using the extent of sustainability-related information disclosed within corporate sustainability reports and annual reports. Meanwhile, the dependent variable was measured dichotomously based on whether the company received a modified going concern audit opinion.

Data analysis was conducted using statistical software through several analytical stages. The first stage involved descriptive statistical analysis to provide an overview of the characteristics and distribution of the research variables. The second stage involved logistic regression analysis to examine the influence of each independent variable on the probability of receiving a modified going concern

audit opinion. Logistic regression was selected because the dependent variable was categorical in nature and measured using binary classification.

RESULTS AND DISCUSSION

The Effect of Financial Distress on Modified Going Concern Audit Opinions

The results presented in Table 11 indicate a significance value of $0.001 < 0.05$, demonstrating that financial distress significantly affects the acceptance of modified going concern audit opinions. Therefore, the first hypothesis is accepted. The findings imply that the better the company's financial condition, or the lower the level of financial distress experienced by the company, the lower the probability that the company will receive a modified going concern audit opinion.

These findings are consistent with agency theory proposed by Jensen and Meckling (1976), which explains that financial pressure tends to intensify conflicts of interest between management and shareholders. Under financial distress conditions, management as the agent may attempt to conceal unfavorable financial conditions to maintain investor confidence and protect managerial interests. Such circumstances increase information asymmetry between management and stakeholders, thereby strengthening the role of auditors as independent monitoring mechanisms.

Financial distress serves as one of the primary indicators considered by auditors when assessing the sustainability of corporate operations. Companies experiencing severe financial difficulties often encounter declining liquidity, reduced profitability,

mounting debt obligations, and operational instability, all of which increase uncertainty regarding the entity's ability to continue operating. Consequently, auditors are more likely to issue modified going concern opinions as an early warning signal to financial statement users regarding potential business continuity risks.

The findings of this study support prior research conducted by Fitriana Fina (2025) and Liani (2021), both of which concluded that financial distress significantly influences the likelihood of receiving a going concern audit opinion. This result further confirms that financial performance remains a dominant factor in auditors' professional judgments concerning going concern evaluations.

The Effect of Audit Tenure on Modified Going Concern Audit Opinions

The statistical test results demonstrate a significance value of $0.016 > 0.05$, indicating that audit tenure affects the acceptance of modified going concern audit opinions. The findings suggest that longer audit tenure may enhance auditors' understanding of the company's financial conditions, business characteristics, internal controls, and operational environment, thereby reducing uncertainty in going concern assessments.

From the perspective of agency theory, a longer auditor-client relationship strengthens the monitoring function performed by auditors because auditors become more familiar with the company's risk profile and business operations. Increased familiarity may improve audit efficiency and reduce the likelihood of material misstatements

due to improved knowledge of the client's financial reporting system.

Furthermore, longer audit tenure enables auditors to accumulate institutional knowledge concerning the company's operational patterns and historical financial performance. As a result, auditors may become more capable of identifying irregularities, financial anomalies, and potential risks affecting business continuity. Enhanced understanding may reduce audit risk and improve audit quality.

However, prolonged auditor-client relationships may also create potential threats to auditor independence. Excessive familiarity between auditors and management may reduce professional skepticism and create tolerance toward managerial explanations regarding financial difficulties. In such situations, auditors may become less objective in evaluating going concern risks, thereby decreasing the likelihood of issuing modified going concern opinions even when substantial uncertainty exists.

The findings of this study are consistent with previous research conducted by Rafi and colleagues (2024), as well as Saraswati and Parasetya (2022), which concluded that audit tenure significantly influences the issuance of going concern audit opinions.

The Effect of Sustainability Disclosure on Modified Going Concern Audit Opinions

The empirical findings indicate that sustainability disclosure does not significantly influence the acceptance of modified going concern audit opinions. Therefore, the third hypothesis (H3) is rejected.

Although sustainability disclosure is theoretically expected to reduce information asymmetry in accordance with agency theory, the findings suggest that auditors continue to prioritize quantitative financial indicators over non-financial disclosures when evaluating going concern uncertainty. Auditors tend to focus more heavily on measurable financial evidence such as liquidity ratios, profitability performance, solvency conditions, and cash flow adequacy because such indicators directly reflect the company's operational sustainability and ability to fulfill financial obligations.

The insignificant effect of sustainability disclosure may also be attributed to the voluntary nature of sustainability reporting practices in Indonesia. Since sustainability disclosures are not yet fully standardized across companies, variations in reporting quality, disclosure depth, and reporting consistency remain relatively high. Consequently, auditors may perceive sustainability disclosures as supplementary information rather than primary evidence in assessing business continuity risks.

Additionally, some companies may disclose sustainability-related information primarily for reputational purposes without fully integrating sustainability practices into their operational and financial strategies. As a result, sustainability disclosures alone may not sufficiently influence auditors' professional judgments regarding going concern uncertainty.

The findings of this study support the research conducted by Siska Aida (2025), which concluded that

sustainability disclosure does not significantly affect going concern audit opinions. However, these findings contradict the results reported by Nurbaiti and Vania (2023).

The Simultaneous Effect of Financial Distress, Audit Tenure, and Sustainability Disclosure on Modified Going Concern Audit Opinions

Overall, the results of this study support agency theory, which emphasizes the role of auditors as independent monitoring mechanisms aimed at reducing agency conflicts and information asymmetry between management and stakeholders. Financial distress and audit tenure were proven to be relevant factors influencing auditors' judgments concerning business continuity, whereas sustainability disclosure has not yet been optimally utilized within the process of issuing modified going concern audit opinions.

The findings indicate that auditors continue to prioritize financial conditions and in-depth client understanding over non-financial information when evaluating going concern risks. Financial indicators remain the dominant basis for assessing corporate sustainability because they directly reflect the company's ability to maintain operational continuity and fulfill financial obligations.

Therefore, the decision to issue a modified going concern audit opinion can be interpreted as a professional judgment made by auditors in accordance with the primary objective of auditing, namely protecting the interests of financial statement users through the provision of reliable and relevant information.

The results of the common size analysis reveal several important trends in PT. Bank Jatim's financial performance between 2018 and 2020.

CONCLUSION

Based on the results of this study, companies are expected to improve financial performance and manage financial distress risks more effectively in order to minimize the likelihood of receiving modified going concern audit opinions. Effective financial management, stronger liquidity control, improved profitability, and sustainable operational strategies are essential for maintaining business continuity and enhancing stakeholder confidence.

Auditors are also expected to maintain independence, professional skepticism, and objectivity throughout the audit process while comprehensively considering various risk indicators in evaluating corporate going concern conditions. In addition to financial indicators, auditors should continue developing more comprehensive approaches that integrate both financial and non-financial information into audit judgments.

For investors and external stakeholders, modified going concern audit opinions may serve as important considerations in economic decision-making processes because such opinions reflect the existence of uncertainty regarding the sustainability of corporate operations.

Future research is recommended to incorporate additional variables such as company size, leverage, profitability, audit quality, and corporate governance mechanisms.

Further studies are also encouraged to expand the observation period and include broader industrial sectors to generate more comprehensive and generalizable findings regarding the determinants of modified going concern audit opinions.

REFERENCES

- Arista, et al. (2023). The Effect of Audit Tenure on Going Concern Audit Opinion. *Journal of Accounting and Auditing Research*.
- Elisabeth, & Panjaitan. (2019). Financial Distress and Going Concern Audit Opinion. *International Journal of Accounting Studies*, 7(2), 45–56.
- Fitriana Fina. (2025). Financial Distress as a Determinant of Going Concern Audit Opinion. *Journal of Contemporary Accounting Research*, 12(1), 88–101.
- Info Ekonomi. (2024). PT Tri Banyan Tirta Tbk Closes Subsidiary Factory Due to Financial Pressure. *Economic Business News Portal*.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3(4), 305–360.
- Kuntandi. (2020). *Auditing and Professional Audit Opinion*. Jakarta: Accounting Publishing Center.
- Liani. (2021). The Influence of Financial Distress on Going Concern Audit Opinion. *Journal of Financial Accounting Research*, 9(3), 67–79.
- Ikatan Akuntan Indonesia. (2021). *PSAK 201: Presentation of Financial Statements*. Jakarta: Ikatan Akuntan Indonesia.
- Nurbaiti, & Vania. (2023). Sustainability Disclosure and Going Concern Audit Opinion. *Sustainability and Accounting Journal*, 5(1), 20–34.
- Pham. (2022). Audit Opinion and Going Concern Assessment in Corporate Financial Reporting. *International Journal of Auditing and Financial Studies*, 14(2), 112–128.
- Rafi, et al. (2024). Audit Tenure and Auditor Judgment on Going Concern Opinion. *Asian Journal of Accounting Research*, 11(1), 55–70.
- Santika Dewi, & Sudana. (2024). Sustainability Disclosure and Corporate Transparency in Audit Assessment. *Journal of Sustainability Accounting*, 8(2), 91–108.
- Saraswati, & Parasetya. (2022). The Relationship Between Audit Tenure and Going Concern Audit Opinion. *Journal of Accounting Governance*, 10(4), 130–144.
- Siska Aida. (2025). The Role of Sustainability Reporting in Auditor Decision-Making. *Indonesian Journal of Accounting and Sustainability*, 6(1), 40–53.
- Sugiyono. (2023). *Quantitative, Qualitative, and R&D Research Methods*. Bandung: Alfabeta.
- Syafitri, & Khalifaturofi'ah. (2023). The Contribution of the Manufacturing Sector to Indonesia's Economic Growth. *Journal of Indonesian Economic Development*, 15(2), 75–89.
- Yuliani, & Arief. (2023). Financial Distress and the Likelihood of Receiving Going Concern Audit Opinions. *Journal of Business and Financial Accounting*, 13(1), 98–115.