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Accuracy of Auditor`s Going Concern Reporting : The Effect Of Client Firm Attributes - A Case Of Egypt

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A b s t r a c t

The **research aims** to examine the effect of client firm attributes whether financial or non-financial ones on accuracy of auditor going concern reporting in an emerging country, **research methodology:** The applied Study depends on logistic regression, on a sample of non-financial companies listed in the Egyptian stock exchange during the period from 2012 to 2019. **The research originality:** stems from developing a data base of stable and distressed companies of Egyptian listed firms that were not publicly available before, and shedding the light on the most important aspects auditors depends on in their judgments relating to going concern in Egypt. Taking into consideration the aggregate effects of all aspects of the financial attributes and non-financial ones pooled all together beside the traditional incremental approach, to provide a more holistic view on the combined effect these attributes may have. **The research conclusion:** The results show the significant effect of firm financial position especially leverage, liquidity, distress on accuracy of auditors going concern reporting. While non-financial attributes have no effect except for limited effect of firm size.

Keywords: Accuracy of going concern reporting, financial position, Leverage, auditor, client firm, non-financial attributes.

الملخص:

يهدف البحث إلى دراسة , واختبار تأثير سمات منشأة عميل المراجعة سواء كانت مالية أو غير مالية ، على دقة حكم مراقب الحسابات بشأن الاستمرارية في دولة ناشئة مثل مصر . يعتمد البحث في منهجيته على الدراسة التطبيقية، على عينة من الشركات غير المالية المدرجة في البورصة المصرية خلال الفترة من 2012 إلى 2019 مستخدماً نموذج الانحدار اللوجستي لاختبار الفروض. وتتبع إضافة البحث لكونه يدفع في اتجاه تطوير قاعدة بيانات للشركات المستقرة والمتعثرة المدرجة بالبورصة المصرية و التي لم تكن متاحة للجمهور من قبل، بالإضافة إلى إلقاء الضوء على أهم الجوانب التي يعتمد عليها مراقبو الحسابات في أحكامهم المتعلقة بالاستمرارية في مصر .مع الأخذ في الاعتبار الآثار المجتمعة لجميع جوانب السمات المالية وغير المالية معاً بجانب النهج الفردي التقليدي لكل بعد على حده، وذلك لتقديم نظرة أكثر شمولية حول التأثير المشترك الذي قد تحدثه هذه السمات. وأظهرت النتائج التأثير الكبير للوضع المالي للشركة وخاصة مستوى الرفع المالي والسيولة ودرجة التعثر المالي، على دقة حكم مراقب الحسابات بشأن الاستمرارية .في حين أن السمات غير المالية ليس لها أي تأثير باستثناء التأثير المحدود لحجم الشركة.

الكلمات الافتتاحية:

دقة حكم مراقب الحسابات بشأن الاستمرارية، الوضع المالي، الرفع المالي، مراقب الحسابات، منشأة عميل المراجعة، السمات غير المالية.

INTRODUCTION

Auditor professional judgement regarding going concern is one of the most important judgements made by auditors during the audit process (KPMG,2014). and is expressed in his opinion regarding the ability of the client firm to continue as a going concern included in his report. (Abdelrahim,2020 ; Brunelli, 2018 ;Kabajeh et al, 2012) Moreover (Brunelli et al,2021; Mayers et al,2018; Chen et al,2016 ; Guiral et al,2014) there is a strong stock market reaction to the auditor's modified report due to going concern, especially by investors in the form of abnormal negative stock returns, and by creditors in the form of more strict debt covenants, which limit the access to possible financing opportunities and increase possibility bankruptcy compared to other firms with unmodified report. As it is perceived as an early warning sign of the possibility of firms' bankruptcy and inability to continue in operations. Hence (Abdelrahim,2020 ;Brunelli, 2018 ; Carson et al, 2013) the auditor evaluates the appropriateness of management's use of the going concern assumption during his audit of the annual financial statements to form an appropriate opinion.

lot of previous studies (Xu and Kalekar,2021; Elsayed,2018 ; Myers et al. 2013;Carson et al,2013)has linked the level of accuracy of auditor going concern reporting with the level of actual audit quality provided., Consequently many studies (Hardies et al,2018; Budisantoso et al,2017; Gutierrez et al,2015; Myers et al,2013 ;Carson et al,2013 ; Junaidi and Hartono,2010) examined the aspects affecting accuracy of auditor`s going concern reporting related to the clients firms in different firms and business environments. some tested the effect of financial position and operational characteristics of client firm (Xu et al,2018 ; Zarei et al,2020; Simamora and Hendarjatno,2019 ;Mankins, 2018; Desai et al,2017 ;Chen et al,2016a,b ;Gallizo and Sladrigues,2016 ; Tsipouridou and Spathis,2014) others focused on the Meanwhile, some (Che et al, 2020; Chen et al, 2017) have addressed the impact client firm size. Others (Berglund et al, 2018; Mayew et al, 2015) focused on the extent to which firms disclosed going concern issues, and (Mohamed, 2021 Ji and Lee, 2015) addressed the impact of overconfidence on the auditor's judgment on going concern. In addition to others testing (Bava

et al, 2018; Ha et al, 2016) the impact of having a previous of modified auditor reports due to going concern, in addition to the degree of government compliance Hence, these attributes can be divided into either financial aspects or non-financial aspects.

Relating to the Egyptian environment many studies (Abdelrahim,2020 'Elsayed , 2018 'Zatot et al, 2012) over the years addressed the criticisms received by auditors in relation to their accuracy of their judgements related to going concern. ElSayed (2018) called for the need to enhance auditors' competencies by mandating systematic reliance on decision aids as bankruptcy prediction model and data analytics tool to improve their abilities in classifying firms either to financially stable or bankrupt firms and hence increase accuracy of their reporting. While Abdelrahim, (2020) called for the urgency of proper updates and revisions of the existing Egyptian auditing standards to cope with the international auditing standards issued in a way that is compatible with the Egyptian environment in an attempt to increase the level of audit quality provided. Therefore, studying and testing the impact of factors affecting of the accuracy of the auditor's professional judgment on going concern in Egypt is one of the most important priorities, in an attempt to increase the level of accuracy of the professional judgments issued by auditors and raise the level of quality of the audit service they provide to their clients. a few of these studies were concerned by this topic in an emerging economy as of Egypt, especially with the absence of public records of firms that went bankrupt after receiving going concern opinion from the auditor unlike other developed economies.

the research problem can be formulated in determining the aspects affecting auditor going reporting accuracy in an emerging economy on firms listed in the Egyptian stock exchange, from a comprehensive and incremental approach that includes both financial and non-financial attributes of audit client firm, in a developing country as Egypt. and whether they are financial or non, and whether these aspects have special implications in the Egyptian economy or not. In the aim of raising the level of actual audit quality provided,

The research objective aims to study and examine the most influential attributes affecting accuracy of auditor going concern reporting on a sample of non-financial firms listed in the Egyptian stock exchange during the period from 2012 to 2019.

The research importance and motives, stems from its contribution in providing deep understanding to the factors enhancing auditors' accuracy in their judgement regarding going concern and accuracy of their classification of the company status and hence providing the correct opinion regarding going concern, in the attempt to raise level stakeholders' confidence in auditors reporting in general and their reporting regarding going concern in particular.

The research Method depends on applied approach based on actual data of listed firms in the Egyptian stock exchange and by using content analysis of the actual annual reports published to generate the data needed. Also depending on logistic regression to analyze and explain the relationships in questions.

The remainder of the research paper will be continued as follows, the literature review; Methodology, Robustness Tests, Results, Discussion and Conclusions.

LITERATURE REVIEW

Accuracy of auditor's going concern reporting from a professional and academic perspective:

Many studies (Tepalagul & Lin, 2015; Knechel et al, 2012) dealt with the accuracy of professional judgment regarding ability of the client to continue as going concern, and hence accuracy of auditor's going concern reporting as one of the most important indicators of the quality of the audit process. *Hereafter the concept of accuracy of auditor's going concern reporting* according to the related studies and standards (Zarei et al,2020; Hardies,2018; Elsayed,2018; ISA 570; AS 2415) is accuracy of the auditor's judgment on the extent of uncertainty related to events and conditions that, may cast significant doubt on the

entity's ability to continue as a going concern taken together whether individually or taken together . Also, his judgment on the materiality of those events, according to both the possibility of their occurrence and the extent of their impact. In addition to his assessment of the appropriateness of the management's disclosure in that regard, all for the purpose of expressing a sound technical opinion in his report.

Accordingly, the accuracy of the auditor's professional judgment regarding an entity's ability to continue as a going concern (Hardies et al, 2018; Berglund et al, 2018) is represented in the auditor's correct classification of companies according to their financial position, whether for financially stable companies or distressed companies, and to express an opinion that corresponds correctly to this classification. This leads to a reduction in the type II error rate without increasing the type I error rate. The accuracy of the auditor's professional judgment regarding going concern is represented in the correct classification of the company according to the measurement standards required by the professional standards and considering the surrounding and available circumstances and information. Hence, measures of the accuracy of professional judgment are among the most important that some have focused on (Gao and Zhang, 2019; 2018; Montenegro et al,2018; El-Sayed, 2018; Knechel et al, 2012).Therefore, Knechel et al (2012) linked the accuracy of the professional judgments of auditors and the quality of the audit, with other factors remaining unchanged, Various studies have also linked (Ali, 2020; El Sayed, 2018; Tepalagul & Lin, 2015; Myers et al. al,2013; Carson et al,2013) the accuracy of the auditor's going concern reporting in particular and the quality of the audit provided by the auditor in general. Berglud (2020) by decreasing the type II error rate, that would limit the rate financial statements restatements. Especially due to its impact on the client's firm and the industry in which it operates.

All of which explains the importance of auditing standards governing the work of auditors in matters related to going concern, (ISA No. 570; AS No. 2415; ISA-NZ No. 570) various standards indicating the responsibilities of auditor must with respect to going concern.

According to the *International Standard* (ISA No. 570, revised 2015), his role is to evaluate the appropriateness of management's use of the going concern assumption as a basis of accounting. In addition to evaluating the validity of the assumptions relied upon by the management in preparing the financial statements. And assessing the appropriateness and adequacy of the related disclosures. In addition to evaluating management plans to mitigate negative. Finally, his issuance of accurate opinion according to the evidence collected. *The Egyptian Auditing standards* (EAS, 570) applied since 2008, is a direct translation for the (ISA, 570) of the year 2004, without trying to reconcile what it stated with the Egyptian environment. Therefore, it did not provide the auditor with sufficient procedures and instructions that he must follow, in line with the changes in the Egyptian professional practice environment at the present time, All of which justifies the criticism received by Egyptian auditors in this regard (Abdelrahim, 2020; Elsayed, 2018; Zatot et al, 2012)

Accuracy of auditor's going concern reporting and the financial aspects of audit client firm:

With regard to the financial position, especially leverage and liquidity Xu et al. (2018) research on companies listed on SEC during the period from 2004 to 2013, determined that firm financial position and leverage are the most significant aspects, also degree of available liquidity. Also, El-Sayed (2018) believes that the financial health and financial position of the firm is one of the most important attributes affecting the accuracy of the auditor's opinion on going concern. In his study of the impact of the financial position of client firm on a sample of non-financial companies listed on the Egyptian Stock Exchange, Zarei et al. (2020) agrees with the foregoing on companies listed on the Tehran Stock Exchange during the period from 2012 to 2016. Especially the impact of each of; the level of liquidity and financial leverage. Also Che et al (2020) agrees with the above in the effect of several financial attributes of the client firm on the accuracy of the auditor's judgment regarding going concern, that there is a significant effect for each of the level of liquidity, profitability, growth, financial

leverage, and the degree of asset tangibility of the client firm on the accuracy of the auditor's judgment regarding going concern based on sample of firms listed during period from 2012 to 2014 in Norway.

While the results of Utomo et al (2020) study differed from the above, as it did not find any relationship between the level of financial leverage of the firm and the auditor's judgment regarding going concern. It can be noted that the Increase in leverage is a negative sign regarding the firm performance and the increase in its dependence on debts to finance its operations, which is a negative sign regarding the firm's ability to continue as a going concern also as the high liquidity ratios are associated with the stability of the company's financial position and the regularity of its ability to pay its obligations in its maturity date, the previous studies agreed on the importance of both leverage and liquidity as financial attributes influencing auditor's judgements, However, they did not fully agree on the direction and strength of that influence, especially in developing economies. Based on the above, the research hypotheses can be derived s follows

H1a: The level of leverage of the audit client firm has a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

H1b: The level of firm liquidity of the audit client firm has a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

About the impact of firm growth rate Holiawati et al (2016) when measured by increase in sales ratio. It concluded that the higher the growth rate of the establishment, the lower the probability of obtaining a modified opinion due to its going concern in companies listed on the Indonesia Stock Exchange during the period from 2010 to 2014. However, Utomo et al (2020) did not find any significant relationship in a similar environment. Which indicates the need for examining this aspect in another emerging economy. The growth rates reflect an upsurge in business volume and stability, that could enhance auditor ability to classify to stable or distressed ones. Based on the above, the research hypothesis can be derived s follows

H1c: The level of growth the audit client firm have a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

Regarding the effect of the level of firm profitability and Financial Distress, results were contradictory. On one hand, some (Xu et al, 2018; Simindarti et al, 2019) found no influence for firm profitability on auditors' judgments related to going concern. While Maffei et al (2020) supports examining the impact of profitability as one of the combined attributes of the client firm financial position affecting the accuracy of the auditor's judgment on going concern on listed companies in Italy. companies with high levels of profitability are usually financially stable and then the auditor's judgment on them is clear and accurate. Moreover, financial distress was a point of focus for most of the studies (Puspaningsih & Analia, 2020; Laksmi and Sukirman, 2020; Desai et al, 2017) unanimously agreed on the positive impact of client's firm financial distress on increasing the likelihood of receiving a modified audit report related to going concern , and then an increase in The accuracy of auditor's judgment, particularly with respect to a type II error. Desai et al. (2017) confirmed these results on a sample of Companies listed on SEC during the period from 1994 to 2015, El-Sayed (2018) agrees with the above on sample of 106 Egyptian listed firm. Hence, past studies agreed that firm profitability and financial distress are of the firm attributes widely used in classifying firm financial status. However, they did not fully agree on the direction and strength of that influence, especially in developing economies. Based on the above, the research hypotheses can be derived s follows

H1d: The level pf profitability of the audit client firm has a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

H1e: The level of financial distress of the audit client firm has a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

Concerning the impact of the client's firm achievement of previous losses Ji and Lee (2015) showed that previous year loss is not an important indicator of the accuracy of the auditor's judgment in the current year. On the other hand, Berglund et al. (2018) found a significant correlation between the company's realization of losses in the previous year and the accuracy of the auditor's professional judgment regarding going concern. Previous years' losses provide clear signals to efficiency of the client's firm in managing its resources and provide signals to market about the future of firm in question. However, past studies did not agree on the direction and strength of that influence, especially in developing economies. Based on the above, the research hypotheses can be derived s follows

H1f: the previous year loss of the audit client firm has a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

Relating to the impact of cash flow Che et al, (2020) found no effect for this factor on a sample of companies listed on the Norwegian Stock Exchange, also agrees with Ozcan (2016) study on a sample of companies listed on the Istanbul Stock Exchange as an emerging economy. While (Mankins, 2018; Xu et al, 2018; Desai et al, 2017) shows negative relationship between operating cash flows and the accuracy of the auditor's judgment regarding going concern, decrease in operating cash flows indicates a defect in managing the basic operations of the client firm. Desai et al. (2017) adds that the negative impact increases when cash flows result from operations. Which shows the need to further test the influence of such attribute on auditor professional judgment in an emerging economy as that of Egypt. Based on the above, the research hypotheses can be derived s follows

H1g: The level of cash flow from operations of the audit client firm has a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

By analyzing the methodologies used in previous studies, most of these studies were conducted (Mohamed, 2021 Averio et al, 2020; Che

et al, 2020; El-Sayed, 2018; Xu et al,2018) as empirical applied studies on financial reports of listed companies using Content analysis methodology as a research tool. Which supports the methodology that the researcher will follow in testing the hypotheses of this research. Also, the studies varied in choosing the duration of the study, Junaidi et al (2012) tended to test the relationship from 2005 to 2009 before and after the global financial crisis. Ha et al (2016) examined the relationship during the period from 2011 to 2014. Ozcan (2016) tested the relationship from 2005 to 2014, while Desai et al (2020) tested the relationship during the period from 1999 to 2015. Puspaningsih and Analia (2020) also extended to test it from 2011 to 2015. Zarei et al (2020) dealt with the period from 2012 to 2016. Maffei et al (2020) also dealt with the period from 2007 to 2016. Wich explains the logical Selection of the researcher for the study period from 2012 to 2019.

Most of the studies were conducted in developed countries such as Italy, Norway, Belgium, and America (Hardies, 2020; Berglund et al, 2018; Xu et al, 2018; Hardies et al, 2018; Mankins, 2017). Others (Zarei et al, 2020; Utomo et al, 2020; Laksmi and Sukirman, 2020; Osman et al, 2018) were in emerging countries, especially Asian countries. And East Asia, such as Indonesia, Vietnam, Iran, and Turkey. Only few of studies (Mohamed, 2021; Ali, 2020; El sayed, 2018) dealt with the relationship in some Arab developing countries, especially Egypt. But All of which focused on studying the effect of each financial variable alone not focusing on studying the conglomerate effects of the combined variables together. Which is the main concern in this study. Also, most of the mentioned researches explore the topic from an incremental approach, forgoing the combined effect of financial aspects all together. The researcher concludes, by analyzing previous studies, that they agree on the impact of the financial attributes of the client's firms on the accuracy of auditor's professional judgement showed in accuracy of their going concern reporting. The financial attributes of the client firm have effective role in providing indicators of the firm's financial position and its ability to fulfill its obligations and level of its efficiency in managing its resources. It is shown in the effect of firm financial position, leverage, liquidity, growth, profitability, previous

year losses, financial distress, and cash flow from operations. Thus, enable the auditor to correctly classify the firm as either financially stable or distressed and hence provide the accurate corresponding opinion and report. which is perceived by stakeholders as a higher quality audit service. Especially with the effect of these variables combined. Hence the research hypothesis can be formed as follows.

H1: The financial Aspect of the audit client firm combined have significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

Accuracy of auditors going concern reporting and the non-financial aspects of audit client firm:

Meanwhile, some (Che et al, 2020; Funckee,2014) have addressed the impact of client firm size. Others (Berglund et al, 2018; Mayew et al, 2015) focused on the extent to which firms disclosed going concern issues, and (Mohamed, 2021 Ji and Lee, 2015) addressed the impact of overconfidence on the auditor's judgment on going concern. Others (Bava et al, 2018; Ha et al, 2016) focused on the impact of having a previous of modified auditor reports due to going concern, in addition to the degree of government compliance,

Given the size of the client's firm, Firm Size was thought to be an effective factor,where (Che et al., 2020 ; Funckee, 2014) agreed that there was a significant relationship in this regard. Funckee (2014) justified this result by the fact that large size firms are more able to borrow and obtain financing, and then avoid bankruptcy compared to small firms. Che et al, (2020) which was conducted on a large sample of listed Norwegian companies, agrees with the above, but the effect of firm size was found to be negative When the as measured in terms of the assets of the client firm, and positive when measured in terms of the number of employees. While some (Moalla and Baili, 2019; Junaidi and Hartono, 2010) concluded that there was no relationship between them at all. Studies agreed on the firm size as financial attributes influencing auditor's judgements, However, they did not fully agree on the direction and strength of that influence, especially in developing economies. Based on the above, the research hypotheses can be derived as follows

H2a: Audit client firm size has a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

About *The management Disclosures* Bochkay et al (2018) showed that the management's disclosure of going concern related problems in its report negatively affects stock prices during the initial offerings in companies listed on the SEC. Hossain et al (2020) found a significant effect of the management abnormal tone of disclosure and the rate of error in the auditor's professional judgment regarding going concern, companies listed during the period from 2009 to 2014. Based on the above, the research hypotheses can be derived as follows

H2b: Management going concern disclosures of audit client firm has a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

Also *Considering Managerial overconfidence* was proved to be an influential factor in developed economies Berglund et al (2018), which is reflected in their choice of accounting policies, and then in the financial statements and reports issued. While in emerging economies, Mohamed (2021) tested a sample of 64 non-financial firms listed on the Egyptian Stock Exchange over the years 2015 to 2019, there was no considerable impact of managerial overconfidence on the auditor's professional judgment regarding going concern. Based on the above, the research hypotheses can be derived as follows.

H2c: The level of managerial overconfidence of audit client firm has a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

About *the auditor's issuance of previous modified report* regarding going concern in previous years, (Utomo et al, 2020; Bava et al, 2018; Berglund et al, 2018) that there is a significant relationship between them in this regard. Bava et al (2018) confirm these results when conducted on firms listed on the Italian Stock Exchange, during the period from 2008 to 2012. While (Ha et al, 2016; Junaidi et al, 2012)

did not find a significant effect this regard. Ha et al (2016) agrees with the foregoing when examined on listed Vietnamese companies. Past studies did not agree on the direction or strength of that influence, especially in developing economies. Based on the above, the research hypotheses can be derived as follows.

H2d: last year modified auditor report due to going concern matters of the audit client firm has a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

Moreover, about the degree of corporate governance compliance the results of previous studies were conflicting (Mohamad et al, 2021; Sawani, 2021; Zureigat, 2015; Chang et al, 2011). Mohamad et al (2021) study confirmed absence of corporate governance mechanisms effects, as financial experiences of audit committee members, on auditor professional judgment, in Malaysian Listed firms during the period from 2007 to 2018. On the contrary Sawani (2021) agrees with the presence of a significant effect of the characteristics and experiences of the chairman of the audit committee in the listed USA companies during the period from 2008 to 2016. Past studies did not agree on the direction and strength of that influence, especially in developing economies. Based on the above, the research hypotheses can be derived as follows.

H2e: The level of corporate governance compliance of the audit client firm has a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

By analyzing the methodologies used in previous studies, most of these studies were conducted (Utomo et al,2020 ‘Bava et al,2018 ‘Hardies,2018 ‘Berglund et al,2018) as empirical applied studies on financial reports of listed companies using Content analysis as a research tool. Most of them are in developed countries such as the United States of America, which predominantly dealt with non-financial attributes (Bochkay et al, 2018; Berglund et al, 2018; Chen et al, 2017; Mayew et al, 2015) others examined this relationship in

emerging countries in Asia and East Asian countries such as Malaysia and Indonesia (Averio et al, 2021; Laksmi and Sukirman, 2020; Utomo et al, 2020; Osman et al, 2018; Ha et al, 2016), Iran (Zarei et al, 2020; Foroghi and Shahshahani, 2012) and Turkey, such as the study of Ozcan (2016). In addition to some attempts in Arab countries as Jordan and Egypt (Zureigat, 2015; Mohamad, 2021). But all of which focused on studying the effect of each variable alone ignoring the conglomerate of the combined effects of all variables together. Where of this research explored the topic from an incremental approach taking forgoing the combined effect of occurrence of multiple aspects simultaneously.

Regarding the sample used, the studies varied in their reliance on a sample of listed companies. Some (Mayew et al, 2018; Berglund et al, 2018; Funckee, 2014) restricted it to a sample of troubled distressed companies only, especially in advanced economies. While most of the studies that dealt with testing the relationship in developing and emerging countries resorted to testing it on a representative sample of distressed and stable companies together (Muhammad, 2021; Ali, 2020; Zarei et al, 2020; Laksmi and Sukirman, 2020), which justifies the researcher's reliance on a sample consisting of troubled and stable companies together.

The researcher concludes, by analyzing previous studies, that they agree on the impact of the non- financial aspects because of its effective role in providing indicators of the operations and managerial tendencies of the firm and its ability to mitigate negative events as they happen. Thus, help the auditor to the auditor to correctly classify the firm as either financially stable or distressed and hence provide the accurate corresponding opinion and report. which is perceived by stakeholders as a higher quality audit service. But most of this research explored the topic from an incremental approach taking into consideration the effect of each aspect alone, disregarding the combined effect of variables collectively, Hence the research hypothesis can be developed as follows.

H2: The nonfinancial Aspects of the audit client firm have a significant impact on the accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

Accuracy of auditors going concern reporting and the financial and non-financial attributes of the audit client firm:

Many studies (Mankins, 2018; Xu et al, 2018; Bochkay et al, 2018; El-Sayed, 2018; Chen et al. 2016a; Maffei et al,2020) focused on the attributes of the client's firm on the accuracy of the auditor professional judgment on going concern, regardless their nature, whether financial or non. However, most of the earlier research tended to approach the relationship under investigation from a partial incremental approach and assess the effect of each of these attributes-whether financial or non-financial- separately. It is anticipated that the combined influence of the two groups of variables on the accuracy of this judgment will be stronger if each group of these attributes has its own effect on accuracy of auditor judgment regarding going concern. Hence the research hypothesis can be formulated as follows.

H3: financial and non-financial attributes of the audit client's firm together have significant effect on accuracy of the auditor's judgment regarding going concern of companies listed on the Egyptian Stock Exchange.

Concerning the age of the firm, previous studies agree (Kieschnick and Moussawi, 2018; Funckee, 2014) on the effect of the age of the client firm on the accuracy of the auditor's professional judgment regarding going concern. The importance of this dimension is due to what the age of the audit client's firm represents in the market in terms of the accumulation of experiences, attitudes and competencies of management and employees that are reflected in its actual operational performance and market perception of the firm, which is reflected in the accuracy of the auditor's professional judgment regarding continuity. However, most of the previous studies were concerned with testing the effect of the age of the establishment on the accuracy of the auditor's judgment regarding going concern as a control variable in the

context of the influence relationship under study. However, the researcher expects that the age of the firm may interact with the financial and non-financial attributes of the audit client's firm producing new interactive variables that affect the relationship between the attributes of the audit client's firm and the accuracy of the auditor's judgment regarding going concern in companies listed on the Egyptian Stock Exchange. Hence, the second sub-hypothesis (H4) can be derived as follows:

H4: The significant effect of the financial and non-financial attributes of the audit client's firm on the accuracy of the auditor's judgment regarding the going concern of companies listed on the Egyptian Stock Exchange differs according to the difference in age of client's firm.

Research Methodology

Population, sample and Sample period :

The applied study aims, in the first place, to test the main and secondary research hypotheses in the Egyptian business and professional practice environments **The population** includes all companies listed on the Egyptian Stock Exchange during the period from 2012 to 2019, after excluding financial institutions due to the different nature of their business and their application of their own standards, rules, frameworks and control systems. *Purposive random sample* was selected from this population, which will take into account several considerations, That the financial statements, complementary clarifications and annual reports be available during the study period, as well as the exclusion of companies that are delisted, as well as companies whose financial statements are prepared in a foreign currency.

Studies varied in selecting a sample of companies during different periods. Junaidi et al (2012) went to test the relationship from 2005 to 2009 before and after the global financial crisis. While Ozcan (2016) tested the relationship during the period from 2005 to 2014. Su (2019) tested the relationship from 2014 to 2016. Laksmi and Sukirman (2020) also tested it from 2015 to 2018. Zarei et al (2020) dealt with the

period from 2012 to 2016. Mohamed (2021) also dealt with the relationship during the period from 2015 to 2019. As previous studies extended time span for at least three years.

About the Sample period , the study period was chosen to start from 2008 since the application of international standards and the issuance of Egyptian Standard 570 on continuity, but data before 2010 was excluded due to the difficulty of obtaining such data, and the year 2011 was excluded in order to avoid the impact of fluctuations and political turmoil during that period on companies, especially the events of 2011 and their consequences, and 2012 is considered a reference year with regard to the establishment obtaining a previous modified report due to going concern, and the year 20 was excluded 20 Due to the time limits of the search,. This prompted the researcher to extend the study period from 2013 to 2019.

Regarding Sample Size, and Precision, Table (1) presents the number of companies listed on the Egyptian Stock Exchange during the study years, each separately. according to annual report of Central Bank of Egypt (CBE,2019)

Table (1): Number of firms listed in the Egyptian stock exchange

Year	2012	2013	2014	2015	2016	2017	2018	2019	Total
Number	212	210	213	221	222	222	220	224	1744

A random sample was drawn using the formula for estimating the sample size of a known population.

$$n = \frac{(N * P (1 - P))}{(N * d^2 / z^2 + P (1 - P))}$$

Where n represents the estimated sample size, N: the size of the population, the number of companies listed on the Egyptian Stock Exchange 224 companies, d: the percentage of permissible error in estimation equal to 5%, Z: the standard score corresponding to the confidence level of 95% and equal to 1.96, P: the percentage of the presence of the phenomenon in question.

The equation was applied to the fiscal year ending 2019, as it is the largest study period in terms of the number of observations (224) observations. The actual number of observations of the final sample under study for the year 2019 was (164) observations, which is greater than the estimated sample size according to the previous equation, which is (141) observations. Then by multiplying the number of observations by the number of study years (7) years, it appears that the optimal sample size is (987) observations. It is less than the actual sample number (1299), knowing that the calculation of the sample size relied on the size of the population, including financial and non-financial companies, due to the difficulty of reaching an accurate number of financial institutions, which means that the optimal sample size is much less than the number that was originally calculated.

The researcher also follows the Firm-Year Observations approach by similarity with (Ali, 2020; Moalla and Baili, 2019; Funckee, 2014). The final sample size is 1299 observation, representing the industrial sectors, according to the Egyptian Stock Exchange. This is after excluding the 110 views with incomplete data and those whose statements are in foreign currency. Observations with a lot of missing data were excluded. Table (2) shows the distribution of the size of the sample's observations on the industrial sectors, according to the latest sectoral division of the companies listed on the Egyptian Stock Exchange.

Table (2):sample distribution across different sectors In Egyptian stock exchange

<i>Sectors</i>	<i>Number of Observation</i>	<i>%</i>	<i>Sectors</i>	<i>Number of Observation</i>	<i>%</i>
<i>Basic resources</i>	<i>153</i>	<i>11.78%</i>	<i>Textiles and durable goods</i>	<i>63</i>	<i>4.85%</i>
<i>Engineering contracts and construction</i>	<i>63</i>	<i>4.85%</i>	<i>Shipping and transportation services</i>	<i>35</i>	<i>2.69%</i>
<i>Food and beverages and tobacco</i>	<i>251</i>	<i>19.32%</i>	<i>Energy, gas and supporting services</i>	<i>14</i>	<i>1.08%</i>
<i>Health care and pharmaceuticals</i>	<i>102</i>	<i>7.85%</i>	<i>Trade and distribution</i>	<i>19</i>	<i>1.46%</i>

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<i>Tourism and leisure</i>	112	8.62%	<i>Educational services</i>	7	0.54%
<i>Services, cars and industrial products</i>	38	2.93%	<i>Utilities</i>	14	1.08%
<i>Paper packaging materials</i>	35	2.69%	<i>Real estate</i>	225	17.32%
<i>Total</i>	1299	%100	<i>Media and telecommunications</i>	54	4.16%

Variables Definitions and Measurements:

The main variables of the study are two main groups of independent variables: Financial attributes and non-financial attributes. The dependent variable is the accuracy of the auditor's professional judgment regarding going concern. In addition to a moderating variable, firm age.

The dependent variable, Accuracy auditor professional judgement regrading going concern, (*GCO Acc*) means That the auditor's opinion on going concern is based on a sound judgment that was reached in light of full compliance with the relevant auditing standards and the Code of Ethics and Conduct of the Profession (EL-Sayed, 2018). It means the extent to which the professional judgments issued by the auditor are compatible with the evidence and measurement standards used, it is measured by accuracy of auditor going concern reporting, In terms of the appropriateness of auditor's assessment of his client ability to continue as a going concern. As a dummy variable, it has the value (1) if the auditor's judgment regarding going concern is proven accurate (in situations of correct acceptance and rejection) and the value (0) otherwise (in cases of faulty acceptance and rejection). That is, the amount to which it agrees or disagrees with the various financial default prediction models (the combined variable will be discussed later in details). (Montenegro et al,2018 ‘ Budisantoso et al,2017 ‘Junaidi et al,2016)

The Independent variables, Firstly financial position (*Fin.Pos*), it is measured through seven proxies index, Leverage (*Lev*) **The** ratio of total liabilities to total assets at the end of the fiscal year (Funckee,2014), Liquidity (*Liq*) by The ratio of total current assets (minus inventory) to total current liabilities. Growth rate (*GR*) by percentage of change in sales revenue, Profitability (*Prof*) by ratio of earnings before interest and tax to total assets at the year end. (Gallizo and Saladriguez,2016 ‘ Funckee2014). Financial Distress (*Fin Dis*) as a dummy variable, it takes the value (1) if one of the following conditions is met (the presence of negative working capital - the presence of carried forward losses - the realization of a loss for the current year) and the value (0) otherwise (Hardies et al,2018), previous year’s loss (*Pre year*)as a dummy variable, it takes the value (1) if the company realized losses in the previous year and (0) otherwise (Gallizo &Saladrigues,2016). Cash flow from operations (*CFO*) by the ratio of cash flows from operating activities to total liabilities. (Mankins,2018)

Secondly non-financial Variables(*FirmNonFinVar*), it is measured through 5 proxies index , firm size |(*Firm.size*)by natural logarithm of total assets at year end, management disclosure regarding going concern (*Disc*) as a dummy variable, it takes the value (1) if the firm disclosed any information related to its ability to continue a s a going concern in any if it`s financial reports and (0) otherwise (Mayew et al,2015), Managerial overconfidence (*Man.ov*), It indicates that management has inflated and overestimated the predicted future revenues from new initiatives. Measured by ratio of capital expenditures to total assets (Murwaningsari & Rachmawati, 2017), Modified auditor going concern report (*Pre.Gco*) as a dummy variable, it takes the value (1) if the firm received a modified report related to going concern matters and (0) otherwise (Ha et al,2016). Corporate governance compliance (*Cor.Gov*) measured Using a six-dimensional index that assesses how closely organizations adhere to the most significant governance practices (Kabir and Rahman,2016). The index value varies from 0 to 6 based on the extent to which the following procedures are followed: board of directors’ independence,

the audit committee members independence, financial expertise of the audit committee, number of meetings of audit committee, size of the external audit firm, the CEO duality. (the combined variable will be discussed later in details).

Control variables, Diversity of client firm operations (*Div*), by number of business lines of the firm, governmental ownership(*GovOw*) by percentage of shares owned by governmental bodies , audit report lag (*Lag*)As a dummy variable, it takes the value (1) if the audit report is delayed for more than 90 days from the date of the balance sheet, and the value (0) otherwise.

Moderating variable, firm age measured (*AGE*) by the natural logarithm of the number of years between the firm establishment and the current year (Fuckee,2014)

Research tools:

Secondary data in the financial statements of the sample companies were relied upon. In addition to the reports of the Board of Directors, the minutes of the General Assembly, the structure of shareholders, and the annual governance report. This is through several sources, the most important of which are Misr Information Publishing Company, Mubasher Misr website, in addition to the information contained in the companies' websites, the Egyptian Stock Exchange website, and the annual disclosure book issued by the Egyptian Stock Exchange. In addition to relying on some mathematical and statistical models based on (Hardies et al, 2018; Berglund et al, 2018; Budisantoso et al, 2017; Mayew et al, 2015).

Research procedures:

Study procedures consists of five steps, first two dedicated for measuring the dependent variable,

Firstly, by estimating the degree of financial stability of companies by applying Altman's traditional model

$$Z = 1.2 * X1 + 1.4 * X2 + 3.3 * X3 + 0.6 * X4 + 1.0 * X5$$

X1 = working capital / total assets

X2 = retained earnings / total assets

X3 = earnings before interest and tax / total assets

X4 = market value of equity / total liabilities

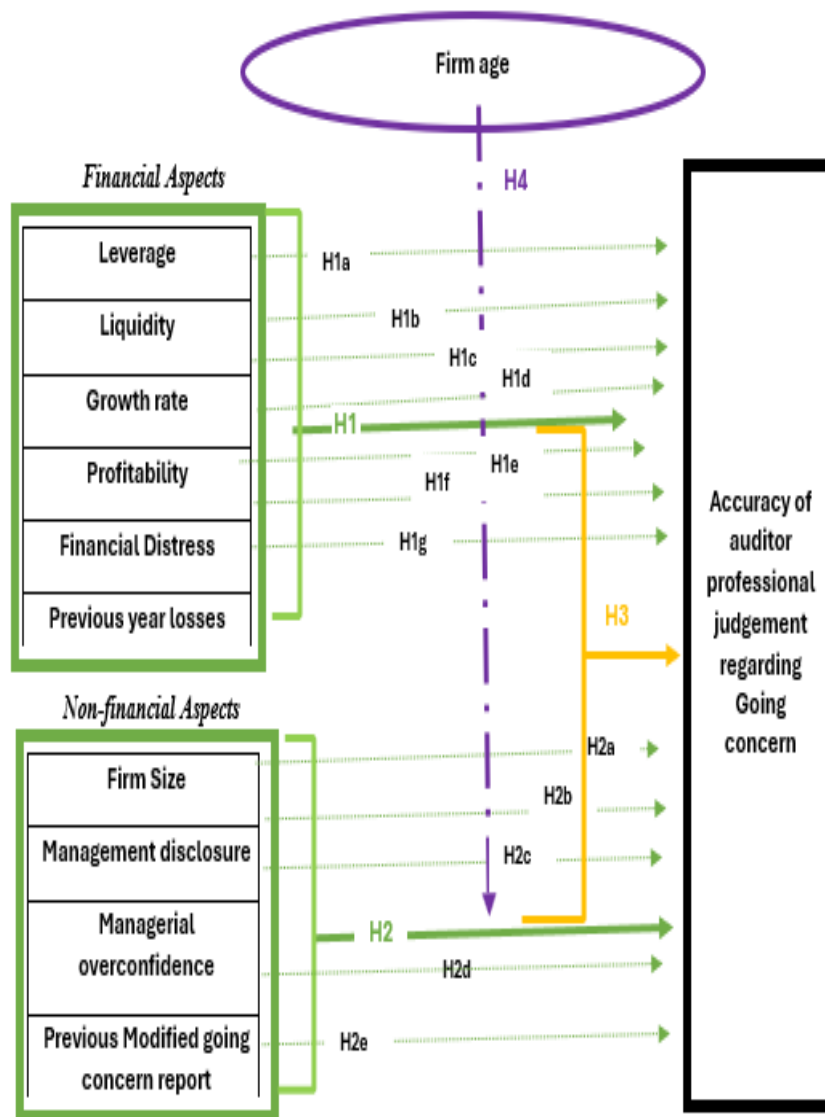
X5= sales / total assets

If Z value calculated is lower than or equal to 1.81, indicating the company's exposure to financial distress. If it is more than 1.81, it indicates that the company is financially stable, (Tahinakis & Samarinas, 2016). Accordingly dividing the sample into two groups.

- One includes companies that are not likely to be in financial distress,
- while the other includes companies that are likely to suffer from financial distress.

The researcher relied on that approach due to the lack of an accurate database of companies that have already went bankrupt in the Egyptian business environment, which limits the ability to assess the accuracy of the professional judgment regarding going concern of the client's firm depending on its subsequent bankruptcy in the year following its obtaining an actual modified report due to going concern matters for the current year.

Secondly, estimating the accuracy of the auditor's professional judgment by examining the actual opinion audit report and comparing it with Z-score result, companies with accurate professional judgment take the value (1) and the value (0) otherwise. Errors in auditor professional judgment is represented in one of the following two cases, (Budisantoso et al, 2017; Junaidi et al, 2016; Tahinakis & Samarinas, 2016) Observations of financially stable companies that obtained a modified report due to going concern in accordance with the International Standard on Auditing (706 or 705), leads to inaccurate auditor professional judgment. It is a Type 1 Error (false rejection). Observations of financially distressed companies that did not obtain a modified report due to going concern, leads to inaccurate auditor professional judgment. And it is Type 2 Error (False acceptance). Otherwise, are accurate judgments.

Research Model

Third, measuring the first independent variable (Financial position) index from a holistic approach, The researcher turned to study the financial aspects altogether through forming a combined index of

financial performance, based on (Maffei et al, 2020; Suhadak et al, 2019; Sohn et al, 2007) representing the extent to which the financial attributes expressing the true financial position of the firm. seven attributes have been used in this study reflecting variables proven most effective in the Egyptian literature. For: profitability ratios, liquidity, leverage, growth rate, and operating cash flows. an industry average ratio is calculated for each ssector.and compared to each firm ratio, based on Tahinakis & Samarinas (2016). It takes the value (1) if any of these ratios is greater than the average, and the financial leverage ratio is lower than the sample average, and the value is (0) otherwise. While In case of, achieving previous losses and financial distress, observation will take the value (1) if the firm did not achieve losses for the previous year and the had No default indicators, and the value (0) otherwise. Therefore, the index values range from (0) to (7), where the value (0) represents the worst financial position of the establishment, and the value (7) the best financial position. The researcher adopted of the direction of influence, which was unanimously approved by most of the previous studies, and which is in line with the environment of professional practice in Egypt. The researcher also relied on equal relative weights for the variables due to the lack of previous studies that determine the relative weight of each dimension in the different industrial sectors, so it was assumed that the relative weights of the variables would be equal.

The fourth step: to measure the second independent variable (non-financial aspects) from a holistic approach, covering all the effects of firm financial position, the researcher collected the individual indicators into collective measures, which are divided into five attributes, compiled by converting them to dummy variables, which take the value (1) or the value (0). as follows the size of the client firm takes the value (1) if it is greater than the average of the sample and the value (0) otherwise, the management's disclosure related to going concern, it takes the value (1) if the management discloses what is related to going concern and the value (0) otherwise. Management overconfidence and the value (0) otherwise. If the firm obtains a previously modified report due to going concern, it takes the value (1)

and the value (0) otherwise. The degree of corporate governance compliance takes the value (1) in the case of a high degree of governance compliance and the value (0) otherwise. The researcher adopted of the direction of influence, which was unanimously approved by most of the previous studies, and which is in line with the environment of professional practice in Egypt. The degree of degree of corporate governance compliance will be measured according to an indicator consisting of six sub-attributes (as shown in the table of description and measurement of variables). The observation will take the value (1) if the total score is more 0.5 and the value (0) if it is less than or equal to 0.5. The researcher also relied on equal relative weights for the variables due to the lack of previous studies that determine the relative weight of each dimension in the different industrial sectors, so it was assumed that the relative weights of the variables would be equal.

The Fifth step: content analysis by analyzing numbers and information in the financial statements and annual reports, for collecting data then statistically analyze this data using Stata 15.

Statistical tools:

The researcher relied on the on descriptive multiple logistic regression model to test hypotheses (Hardies et al, 2018; Berglund et al, 2018; Xu et al, 2018) and answer the research questions the following models were used:

For testing H1, the folowing Model is applied.

$$GCO\ Acc = \beta_0 + \beta_1\ Fin.Pos + \beta_2\ Lev + \beta_3\ Liq + \beta_4\ Gr. + \beta_5\ Prof + \beta_6\ Fin.Dis + \beta_7\ Pre.Year + \beta_8\ CFO + \beta_9\ Div + \beta_{10}\ GovOw + \beta_{11}\ Lag + \varepsilon \quad (1)$$

For testing H2, the following Model is applied

$$GCO\ Acc = \beta_0 + \beta_1\ Fin.Pos + \beta_2\ Lev + \beta_3\ Liq + \beta_4\ Gr. + \beta_5\ Prof + \beta_6\ Fin.Dis + \beta_7\ Pre.Year + \beta_8\ CFO + \beta_9\ FirmNonFinVar + \beta_{10}\ Firm.size + \beta_{11}\ Disc + \beta_{12}\ Man.ov + \beta_{13}\ Pre.Gco + \beta_{14}\ Cor.Gov + \beta_{15}\ Div + \beta_{16}\ GovOw + \beta_{17}\ Lag + \varepsilon \quad (2)$$

For testing H3, the following Model is applied.

$$GCO\ Acc = \beta_0 + \beta_1 Fin.Pos + \beta_2 FirmNonFinVar + \beta_3 Div + \beta_4 Lag + \beta_5 GovOw + \varepsilon \quad (3)$$

For testing H4, the following Model is applied.

$$GCO\ Acc = \beta_0 + \beta_1 Fin.Pos + \beta_2 FirmNonFinVar + \beta_3 Div + \beta_4 Lag + \beta_5 GovOw + \beta_6 AGE + \beta_7 AGE * Fin. Pos + \beta_8 AGE * FirmNonFinVar + \varepsilon \quad (4)$$

RESULTS

Descriptive statistics

Percentage of Accuracy of auditor going concern reporting:

Results in table (3), shows frequency of auditors errors on professional judgements related to going concern across the sample., it results, shows a high percentage of error in the auditor's professional judgment, especially for financially distressed companies as the error rate reached 26.1% of his total judgments, with 25.25% of errors of type 2 ,which justify the importance of focusing on attributes affecting the level of accuracy of auditor going concern reporting in Egypt.

Table (3) Accuracy of Going concern reporting.

		<u>Freq</u>	<u>Per</u>	<u>Cum</u>	<u>N</u>
Acc	<u>Accurate GC opinion</u>	<u>960</u>	<u>73.9</u>	<u>73.9</u>	1299
GCO	Stable firm with clean audit report	878	67.59	67.59	
	Distressed firm with Modified audit report due to going concern.	82	6.31	6.31	
	<u>Inaccurate GC opinion</u>	<u>339</u>	<u>26.1</u>	<u>26.1</u>	1299
	Error type1: Stable firm with Modified audit report due to going concern	11	0.85	0.85	
	Error type2: Distressed firm with clean audit report due to going concern	328	25.25	26.1	

Percentage of Managerial Disclosure related to going concern and

Previous modified audit reports related to going concern:

Results in table (4), shows frequency of Managerial disclosures related to going concern and frequency of previous modified audit reports, these results is consistent with high rate of errors in Auditors going concern reporting, especially in distressed firms where management is disinclined to disclose relevant information related to going concern which is one of the main sources of auditor`s reluctance to issue modified reports related to going concern.

Table (4) Managerial Disclosures and modified auditors report related to going concern.

Full Sample		Freq	Per	Cum	N
Disc	Managerial Disclosure Regarding Going Concern	97	7.47	7.47	1299
	No Disclosure Regarding going concern	1202	95.53	100	
Per_ Gco	Modified report due to going concern in previous years	84	6.5	6.5	1292
	Clean report	1209	93.5	100	
Distressed Sample					
Disc	Managerial Disclosure Regarding Going Concern	83	14.6	14.61	568
	No Disclosure Regarding going concern	489	85.4	100	
Per_ Gco	Modified report due to going concern in previous years	79	13.9	13.91	568
	Clean report	489	86.1	100	

Spearman correlation:

According to table (5) Spearman's correlation matrix was used to analyze the association between the variables, where the correlation coefficients and their significance were calculated at (1%, 5%, 10%). Pairwise Correlation was used to test the association between each of the two variables, especially considering the qualitative variables with nominal measurement. The correlation coefficient did not exceed 0.8 between any two variables including the control variables, which is the level that raises the alarm due to the existence of a multiple linear correlation, which means that there is a complete correlation between two of the study variables. VIF was also calculated and reached 3.5 and not more than 10 for all variables, which indicates the absence of the

problem of multiple linear correlation between the variables of the study (Moalla and Baili, 2019).

According to table (4) Spearman's correlation matrix was used to analyze the association between the variables, where the correlation coefficients and their significance were calculated at (1%, 5%, 10%). Pairwise Correlation was used to test the association between each of the two variables, considering the qualitative variables with nominal measurement. Results showed significant correlation between accuracy of auditor going concern reporting and each of, combined financial position, the combined non-financial aspects, the degree of corporate governance compliance, age,. While there is no significant effect to each of the non-financial attributes separately. However significant correlation exist between management disclosures related to going concern and previous modified auditor report related to going concern, which is consistent with high rate of errors in auditor's judgements.

Table (5) Spearman Correlation:

	Gco Acc	Fin Pos	Firm Size	Cor Gov*	Ma Over*	Age	Div	Gov Ow	Firm Non Fin Var	Di sc
Fin.Pos	**0.340	1								
Firm.Size	**-.0.333	-0.041	1							
Cor.Gov	**-.0.112	0.019	**0.380	1						
Ma Over*	**0.067	**0.21 7	**0.173	*** 0.0803	1					
Age	**0.100	**0.10 1	-0.0503	-0.0411	*** 0.056	1				
Div	-0.0607	0.0394	**0.205	**0.172	0.0527	*** 0.056 1	1			
Gov.Ow	0.0038	** 0.0594	**0.183 9	**0.176 2	-0.045	**0.1 819	** 0.1979	1		
Firm Non Fin Var	**-.0.1947	-0.038	**0.603	**0.427	**0.324 9	** 0.111 9	**0.182 6	**0.0 772	1	
Disc	-0.0312	** 0.248	-0.0246	0.0096	*** 0.0522	*** 0.056	0.051	- 0.039 9	0.279	1

Per.Gco	-0.0337	-	-0.0204	-0.0567	**0.121	0.037	-0.041	0.026	**0.2	0.3
		0.0293							179	25

Hypothesis Testing (The Fundamental analysis):

Since the data of the study is based on a group of firms traced during the period from 2012 to 2019, the data for the research is Panel Data. So logistic regression for panel data is used Hence to make sure which type of regression is better: Fixed effect Logistic regression, Random logistic regression or Pooled data Logistic regression significance of Likelihood ratio test of rho is tested , if (p-value < 5%) random logistic regression is used otherwise pooled logistic regression. And for all research hypothesis (p-value < 5%) so pooled regression was excluded. And to choose the best among random or fixed logistic regressions, Hausman test was applied, and results show that random effect logistic regression is better.

Table (6) shows, Model (1) for the first hypothesis (H1), value of the calculated Chi2 (14.5) increased from its tabular value at the level of significance (0.05). The probability value of the Chi2 statistic for Wald's test was (0.000), is less than the level of significance (0.05). This indicates the significance of the regression model, this supports the validity of the model to test the relationship under study, pseudo R² (0.361) indicates the ability of the financial position and it's aspects to explain 31.6 % of the total changes in the accuracy of the auditor's professional judgment regarding going concern. The results indicate that there is a significant positive effect for the financial position of the firm on the accuracy of the auditor's professional judgment regarding going concern, where the P-Value for this variable was (0.000).

Moreover, the results indicate that there is a positive significant effect, for all the following, financial position, level of financial leverage, degree of liquidity, except for financial default has negative significant effect on the accuracy of the auditor's professional judgment regarding continuity, as the P-Value of these variables reached (0.000, 0.048, 0.000, 0.000, 0.045). While there is no significant effect for each of; (the level of profitability and the growth rate of, the of previous loss

Table (5) Hypothesis Testing

DepVariable: GCO.ACC	H1		H2		H3		H4	
	(1)		(2)		(3)		(4)	
Ind Variables	Coeff	p-value	Coeff	p-value	Coeff	p-value	Coeff	p-value
Fin.Pos	2.6	*0.000	2.5947	*0.000	5.318	*0.000	5.115	*0.000
Prof	-0.18531	0.451	-0.0214	0.506				
Lev	0.0519	**0.048	0.0619	**0.040				
Liq	0.263	*0.000	0.2422	*0.000				
Gr	0.0023	0.538	0.0025	0.408				
Pre.Loss	0.303	0.167	0.3757	***0.053				
Fin.Dis	-1.29	*0.000	-1.242	*0.000				
opCashfl	0.0225	0.538	0.0279	0.509				
FirmNonFinVar			0.2889	0.7	-0.126	0.406	0.673	**0.022
Firm.Size			-0.4307	***0.051				
Disc			-0.1736	0.601				
Per.Gco			-0.1721	0.614				
Cor.Gov			0.1852	0.488				
Ma.Over			-0.277	0.364				
Control Var								
Div	-0.14	0.611	-0.1286	0.577	-0.502	0.665	-0.686	0.32
Gov.Ow	-0.00482	0.139	-0.0036	0.139	-0.004	*0.0070	-0.0075	0.328
Lag	0.0771	0.704	0.0028	0.987	0.409	0.267	0.416	0.122
Moderating variable								
Age							0.144	0.555
Age*FinPos							0.0145	0.684
Age*Non Fin Var							0.017	**0.03
Observations	1031		1260		1269		1269	
Pseudo-R²	0.3715		0.2225		0.094		0.094	
Wald X2	145.3		183.17		65.31		65.31	
Prob>X2	0		0		0.000		0	

* Indicates the 1% level of significance, ** indicates the 5% level of significance and *** indicates the 10% level of significance

and the level of operating cash flows) as the P-Value for all these variables exceeded (0.05). hence **H1 is accepted also, H1a, H1b and H1e while H1c, H1d,H1f,H1g are rejected**

Table (6) shows, Model (2) for the first hypothesis (H2), value of the calculated Chi2 (183.17) increased from its tabular value at the level of significance (0.05). The probability value of the Chi2 statistic for Wald's test was (0.000), is less than the level of significance (0.05). This indicates the significance of the regression model. This supports the validity of the model to test the relationship under study, pseudo R² (0.222) indicates the ability of the model to explain 22.2 % of the total changes in the accuracy of the auditor's professional judgment regarding going concern. However, only firm size is found to be of significant negative effect but only at significance level 10%. While the Combined non-financial aspects have no significant effect on accuracy of auditor's professional judgement regarding going concern. **Hence H2 is rejected along with all sub hypotheses.**

Table (6) shows Model (3) for the first hypothesis (H3), value of the calculated Chi2 (60.96) increased from its tabular value at the level of significance (0.05). The probability value of the Chi2 statistic for Wald's test was (0.0003), is less than the level of significance (0.05). This indicates the significance of the regression model, this supports the validity of the model to test the relationship under study, pseudo R² (0.0884) indicates the ability of the model to explain 8.88 % of the total changes in the accuracy of the auditor's professional judgment regarding going concern. However, only combined financial aspects combined found to be of positively significant with P-Value (0.000) less than (0.005), While the Combined non-financial aspects have no significant effect on accuracy of auditor's professional judgement regarding going concern. Even after including non-financial ones with P-Value (0.46) more than (0.005). **Hence H3 is rejected.**

Table (6) shows Model (4) for the first hypothesis (H3), value of the calculated Chi2 (70.75) increased from its tabular value at the level of significance (0.05). The probability value of the Chi2 statistic for Wald's test was (0.000), is less than the level of significance (0.05). This indicates the significance of the regression model. This supports the validity of the model to test the relationship under study, pseudo R²

(0.11 %) indicates the ability of the model to explain 11. % of the total changes in the accuracy of the auditor's professional judgment regarding going concern. Where Age was proved to have a moderating influence on the relationship between non-financial variables and auditor's going concern judgement, Where the interacting variable (Age*Non-Fin Var) is positively significant at p-value (0.030) less than (0.005) while having no effect on the financial position where (Age*Fin Pos) is insignificant. **Hence H4 is partially accepted.**

Sensitivity Analysis

Sub-dividing the sample:

The relationships in between combined financial and non-financial attributes together (H3), was expected to have further implications in the Egyptian environment unlike that in the results of the fundamental analysis, it was applied on the full sample whether financially stable or distressed, to be expressive of the Egyptian stock market. However, to determine whether these results would change across stable and distressed sample. The researcher divided the full sample into two groups, and retested H4, the regression model was applied on each individual sample, the results were compared to determine if they varied across these subsamples (Hardies et al,2018; Xu et al,2018; Berglund et al,2018) and the significance of change in R² of each model according to (Mohammed et al,2018).

According to table (6), both regression models are significant with P-value (0.000) lower than (0.05). This indicates the significance of the regression model; this supports the validity of the model to test the relationship under study. While pseudo R² (0.19 and 0.11) for distressed versus stable firms respectively, indicating the ability of the model to explain 19% and 11. % of the total changes in the accuracy of the auditor's professional judgment regarding going concern correspondingly.

For bankrupt companies the results were similar to that of the fundamental analysis, while for the stable firms the results showed some discrepancies, Where the combined non-financial attributes has significant effect on accuracy of auditor going concern reporting with P-Value (0.008) , The researcher thinks that the auditor's initial reliance

on the financial , followed by his completion of his evaluation by focusing on the non-financial dimensions, accounts for the lack of a relationship between the non-financial attributes of the client's firm and the accuracy of the auditor's professional judgment regarding going concern in the sample of distressed firms. While in the case of stable companies, the auditor broadens his analysis of the non-financial dimensions to reach a more complete and accurate view in his assessment of appropriateness of management's use of the going concern assumption, and in this case, his interest in non-financial attributes is greater.

Also, Cramer's Z test was applied, to determine whether the change in the R^2 is significant across the 2 models, by applying Z equation, and comparing Tabulated Z value with the Calculated value. If the tabulated value was bigger than the calculated one. Then the null hypothesis is accepted while the alternative hypothesis is rejected meaning that there is no significant difference between the values of R^2 for the 2 models. Where N represents the sample size, q represents number of independent variables. Results show that this difference is insignificant which justifies the dependence on the full sample.

Table (6) H3 regression results on distressed versus stable firms

DepVariable: GCO.ACC	Distress sample		Stable sample	
Ind Variables	Coeff	p-value	Coeff	p-value
Fin.Pos	6.571	*0.000	3.95	*0.000
FirmNonFinVar	-0.902	0.465	1.13	*0.008
Control Var				
Div	-0.185	0.152	-0.1913	0.374
Gov.Ow	-0.036	0.143	-0.23	0.283
Lag	0.2579	0.616	0.8043	0.636
Observations	550		719	
Pseudo-R2	0.1904		0.1111	
LR X2	28.96		144.56	
Prob>X2	0.000		0.000	

* Indicates the 1% level of significance, ** indicates the 5% level of significance and *** indicates the 10% level of significance

Additional Analysis

Converting Moderating Variable to Control one:

When it comes to (H4) according to table (7) the effect of firm age as a moderating variable was measured by the number of years from the date of the firm establishment to the current year. And was found to have a moderating effect on the relationship in question, while results showed that it only works as a moderating variable to the effect of financial attributes on auditor going concern accuracy while having no significant effect on the non-financial ones. So the research question emerges, What would be the effect of treating firm age as a control instead of moderating variable ?

$$GCO\ Acc = \beta_0 + \beta_1\ Fin.Pos + \beta_2\ FirmNonFinVar + \beta_3\ AGE + \beta_4\ Gov\ own + \beta_6\ Div + \beta_7\ Lag + \varepsilon$$

Table (7) H4 regression results with age as control variable

DepVariable: GCO.ACC	Converting Moderator to control variables H4	
Ind Variables	Coeff	p-value
Fin.Pos	4.1459	*0.000
FirmNonFinVar	1.037	*0.010
New Control var		
Age	0.7459	*0.004
Old CoVar		
Div	-0.15384	0.48
Lag	-0.085	*0.072**
Observations	1268	
Pseudo-R²	0.1634	
LR X2	237.22	
Prob>X2	0.0000	

Firm age has a significant positive impact on accuracy of auditor going concern reporting with P-Value (0.004) which is less than (0.05) this is in line with (Ozcan,2016, Funckee,2014) while contradictory with Che et al (2020). However, the researcher believes that using the

moderating variables technique is more thorough and precise than using control variables. Because it considers the interaction between the aforementioned factors and the independent variables, it is better equipped to explain variations in the accuracy of the auditor's professional judgment regarding going concern.

DISCUSSION

As noted, the most influential variables in the Egyptian professional practice environment are; The financial position of the client firm, the level of financial leverage, the degree of liquidity, and financial distress, hence H1 is accepted also, H1a,H1b and H1e while H1c,H1d,H1f,H1g are rejected. These results are consistent with the findings of some studies (Mohamed, 2021; El-Sayed, 2018; Chen et al, 2016a,b; Tsipouridou and Spathis, 2014) regarding the impact of the financial attributes of the client's firm on the accuracy of the auditor's professional judgment regarding going concern, while these results are in contrast to the findings of the study (2020) Puspaningsih & Analia that financial position has no effect on accuracy of auditor going concern reporting.

The researcher believes that the positive impact of the firm's financial position on the accuracy of the auditor's professional judgment is due to the importance of these attributes as they reflect the real conditions and the effect of its actual operations. Especially since the combined indicator of the financial position reflects the reality of the client firm in several attributes, including its financial and operational status, profitability, and financial stability. This provides the auditor with an important initial indicator, especially with regard to his assessment of the appropriateness of the management's use of the going concern assumption, especially in light of the ease of its evaluation by the auditor and thus increasing his reliance on it, Also as a result of the standards being oriented toward delivering more guidance for auditors on financial clues than non-financial ones. Especially leverage and liquidity ratios that provide proper guidance on ability of company to repay its obligations as they come due which is the essence of going

concern in addition to firm`s financial distress which is one of the main reasons behind firms liquidation especially in the Egyptian environment, unlike profitability and growth ratio which are more indicative to the firm efficiency in managing their resources than their financial stability.

Results showed that only firm size has little influence on auditor`s professional judgement in the Egyptian environment, Hence H2 and all its sub hypothesis are rejected. This results is similar to (Puspaningsih& Analia,2020 ;Simamora and Hendarjatno,2019) which found no effect of non-financial variables on auditor going concern reporting accuracy while contradicts with most of the literature (Sanoran, 2018; Berglund et al, 2018; Mankins, 2017) whose environments were characterized by the presence of strong the legal system, with effective control over the work of auditors. All of which drives auditors to increase the level of accuracy of their judgments by taking into account all attributes, whether financial or non-financial, when evaluating the appropriateness of management's use of the going concern assumption. The researcher believes that the absence of influential effect of the non-financial variables is mainly, because their effect can appear only in relatively financially stable companies and disappears in troubled companies in which the auditors overlooks any attributes other than the financial ones. This is because the standards provide guidance regarding the financial attributes at the expense of any other attributes, besides being easier and clearer in shedding light on the risk aspects related to going concern. Especially considering the low extent of continuing professional education for auditors in the Egyptian professional practice environment, which suffers from a lack of proper professional regulating bodies with sound penalties for unprofessional auditors whose judgements is deemed inappropriate.

Also, this result is mainly due to the weakness of the infrastructure of the Egyptian professional practice, and the lack of proper stimulation of continuous learning for auditors to qualify them to deal with modern evaluation methods for non-financial attributes. In addition to the lack of effective control mechanisms to ensure that the

auditors considered all attributes that must be considered when judging the appropriateness of management's use of the going concern assumption and ensuring that they obtain sufficient understanding regarding these attributes. In addition to the low awareness of the users of the financial statements regarding the non-financial attributes in general, and those of the firm in particular. From this point of view, the impact of non-financial attributes in general decreases due to the weakness of the legal system regarding the determinants and methods of prosecuting auditors if they do not adhere to the minimum required level of quality, especially in the absence of effective and decisive control methods similar to those in environments of similar studies in developed countries.

Results shows that only the combined effect of both financial and non-financial attributes of client firm together, has amplified the current financial attributes effects on accuracy auditor going concern reporting while has no impact on the effect of combined non-financial variables Hence H3 is rejected. This result agrees with the results of (Mohamed, 2021 Simamora and Handarjatno,2019) that non-financial attributes have weak effect on accuracy of auditors going concern reporting in Egyptian listed firm. While contradict (Xu et al,2018) where accuracy auditors going concern reporting was affected by both financial and non-financial attributes of the client firm. This is more justified by the results in the additional analysis. That auditors only consider the non-financial attributes of the client firm when the financial position of that firm is stable, while in case of financial turbulences, auditors only rely on financial cues and financial information for more comprehensive evaluation of the firm. Meaning that financial attributes are only complementary to auditors which is consistent with Egyptian standards focus and orientation on financial information more than non-financial information.

Results showed the effect of firm age as one of the most influential variables on the relationship between financial variables and auditor's professional judgement in the Egyptian environment, while having no moderating effect on the relationship between non-financial

variables and auditor's professional judgement, Hence H4 is only partially accepted. These findings are consistent with the findings of some studies (Kieschnick and Moussawi 2018; Funckee, 2014) while contrasting with the findings of others (Che et al, 2020; Ji and Lee, 2015). The researcher believes that the absence of the effect of the age of the client firm on the relationship between the financial attributes of the client's firm and the accuracy of the auditor's professional judgment regarding going concern is mainly due to the auditor's reliance on that dimension in his evaluation, regardless of the age of the firm itself, whether large or small. Because the age of the audit client firm does not directly affect its financial attributes and financial position. However, the effect stems from the long period of its existence, which is reflected in the its strong and solid relationship with banks, financial institutions and other sources of financing, which improves its ability to obtain the financing necessary for its operations unlike new firms that have been in the market for short time. however, the impact of the age of the firm on non-financial attributes, is direct.

The greater the age of the client firm, the greater the experience of its employees, and management enhancing their ability to direct and manage the firm, it's policies and strategies in a better direction. Leading to a more realistic perception of the market conditions, decreasing the level managerial overconfidence, they will also be able to improve the extent of the firm's corporate governance compliance and benefit from it to the maximum degree. These results are aligned with that of the additional analysis showing the effect of firm age as a variable of high significance.

Finally, this study determined the most dominant attributes affecting accuracy of auditors going concern reporting in the Egyptian environment, which are financial position, leverage, liquidity, financial distress, firm size. While non-financial attributes have no apparent effect on the Egyptian auditors. This is thoroughly justifiable for the need for an organized professional body that has both the authority to update and provide proper standards while monitoring and overseeing auditors' actual work. For proper revision of the standards that reflects the actual needs and deficiencies in professional auditor's procedures,

especially that related to the non-financial attributes and the great inference that can be deducted about the firm under audit from this kind of information, beside the financial ones where auditors focus is completely tilting. Also, the study provides a database of critically financially distressed firms based on financial statements showing severe signs of default, auditor opinion if present, management disclosures related and mainly default models. And provide a proposed framework for future studies in terms of the important variables of interest in the Egyptian context.

Furthermore, non-financial aspects of firms need to be articulated and further discussed as the results in this sector have many contradictions with the previous literature, especially those tackled in an emerging economy. Where different and more non-financial variables can have elevated importance as gender of the Chairman or the political power of the board of directors' members, so the effect of other non-financial attributes needs to be undertaken to determine the ones that uniquely affect the Egyptian environment.

CONCLUSIONS

The goal of this study is to investigate the impact of client business aspects, whether financial or non-financial, on the accuracy of auditor going concern reporting in a developing country where auditing norms are more geared toward financial cues than others. To improve the accuracy of auditors' professional judgment and the quality of audit services supplied to clients. The study is based on logistic regression on a sample of non-financial companies listed on the Egyptian stock exchange between 2012 and 2019. casting the light on the most essential issues auditors depends on in their judgments relating to going concern in Egypt. Considering the aggregate effects of all financial and non-financial attributes pooled together, in addition to the usual incremental aspect, to provide a more holistic view of the cumulative influence these attributes may have.

The findings reveal that firms' financial position, particularly leverage, liquidity, and distress, has a considerable impact on the veracity of going concern reporting. This is because they are attributes that are easier to measure and evaluate, beside they do not require special expertise and qualifications to judge. Unlike non-financial attributes, which are difficult to infer and evaluate with traditional auditor experiences. While Non-financial variables have no effect, apart from a minimal effect of firm size. This is due to the weak infrastructure of the Egyptian professional practice environment and the absence of efficient audit monitoring procedures. Also, as it does not provide direct evidence, it require expertise and different evaluation methods to infer the suitability of the management's assessment of the going concern assumption and the implication on firm financial position., which is reflected over several successive periods, which is what causes auditors to focus on the financial dimension without the rest of the attributes as it can be directly observed unlike the non-financial ones.

The study has several limitations, it must be noted that the research focuses only on examining and testing some of the aspects of client firm attributes that is believed to be of great importance in the Egyptian environment, overlooking other aspects that may have some effect in the same environment whether those aspects related to the audit firm itself or aspects related to professional environment as the type of the standards followed or the laws and regulations applied . Also, the sample is limited to non-financial firms excluding financial institutions because of its unique and different nature. The period limited to the years from 2012 to 2019, prior years were excluded because of the political disturbances the country suffered earlier. Also, some variables of interest were overlooked because of the difficulty of obtaining proper correct data about them in the Egyptian environment as instances of material weakness in the internal control structure, which is nonobligatory disclosure according to the Egyptian standards, hence no enough data was available for proper testing also generalization of the study results are limited to the constrictions applied on sample selection.

The study suggests several recommendations for enhancing auditors work in this regard, first updating the current Egyptian auditing standards, which control the quantity and quality of the work performed by auditors in Egypt, to reflect all the attributes that they must take into consideration when carrying out their duties. Also suggesting areas of proper revisions that reflects the actual needs and deficiencies in professional environment, especially that related to the non-financial attributes and the great inference that can be deducted about the firm under audit from this kind of information, Also the Egyptian Stock Exchange needs to offer a database of defaulting firms that have previously filed for bankruptcy, organized according to the causes of bankruptcy, as well as firms whose registration has been revoked with the cause of deletion specified. Also, a database of delisted firms with timing and reasons for this action and whether it was obligatory for specific violations or voluntarily chosen by the firm itself.

Several Future research ideas arise from this study, since the research focuses only on examining and testing some of the aspects of client firm attributes that is believed to be of great importance in the Egyptian environment, overlooking other aspects that may have some effect whether those related to the audit firm itself as size of audit firm and it's rotation or aspects related to professional environment as the type of the standards followed or the laws and regulations applied. Examining this variable in the Egyptian environment needs to be considered. Moreover, accuracy of auditors going concern reporting in Egypt depends on bankruptcy prediction models, hence the different sectors can benefit from models specially tailored for them as Altman model for service company and Altman model for manufacturing company, this research can be reapplied by changing the type of default model used in measurement, also more non-financial variables need to be explored as the Effect of CEO narcissistic behavior and the level of CEO power on accuracy of going concern reporting. Effect of cybersecurity risk on going concern judgement accuracy.

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