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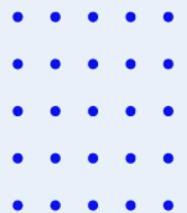
eProceeding



INTERNATIONAL ACCOUNTING COLLOQUIUM

**(FACULTY OF ACCOUNTANCY UiTM CAWANGAN KEDAH &
MINDANAO STATE UNIVERSITY- ILIGAN INSTITUTE OF TECHNOLOGY)**

**Organized by
FACULTY OF ACCOUNTANCY UiTM CAWANGAN KEDAH, MALAYSIA**



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PREFACE

The heartiest congratulation is proffered to the Faculty of Accountancy of UiTM Kedah Branch for the successful organization of the first *International Accounting Colloquium (IAC2023)* in collaboration with Mindanao State University-Iligan Institute of Technology on 31st January 2023. This colloquium marked another milestone for UiTM Kedah Branch as an intellectual hub where stimulating and prolific academic presentations and discussions could always be found.

It is indeed truly encouraging to see UiTM Kedah Branch forging ties with international universities to further strengthen itself in the aspects of research and innovation. This colloquium which covered a wider scope of knowledge had managed to accrue a broad set of perspectives not only in accountancy and business but also in other facets in which those two areas could be applied.

Thus, this colloquium could be viewed as a platform that brought together academicians who were interested in mobilizing innovative and creative global practices in accountancy and business for a sustainable business environment. Hopefully, our valued presenters and participants had not only gained new ideas from others but also managed to share their experiences, ideas and expertise which had been an enriching as well as a fulfilling experience for everyone.

Finally, to all participants and presenters, without your contribution, this colloquium would not have been possible. I would like to take this opportunity to express my immense gratitude and appreciation to you.

Thank you.

PROFESSOR DR. ROSHIMA HJ. SAID
Rector
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08400 Merbok, Kedah, Malaysia.

PREFACE

Alhamdulillah, my utmost gratitude to Allah SWT as with His blessings and mercy, the *International Accounting Colloquium (IAC2023)* could be successfully held on 31 January 2023. I would like to thank the Rector of UiTM Kedah Branch, Deputy Rectors, and esteemed members of the management for their support and encouragement in making IAC2023 a success. I would also like to extend my heartfelt thanks to Ms. Noora'in Omar, the Chairperson of IAC2023, for her dedication and commitment in accomplishing this program. My humble gratitude also goes to IAC2023 Committee Members and Team for their continuous hard work and effort.

The research effort is essential in educational organizations. Hence, the publication of this online eProceeding comprising of 10 (ten) extended abstracts is an effort by the Faculty of Accountancy, Universiti Teknologi MARA Kedah Branch (UiTM Kedah) to encourage accounting academics to be involved in academic writing. The IAC2023 eProceeding provides a platform for accounting academics to share and disseminate their academic knowledge to a larger audience. The experience gained in writing extended abstracts may help them improve their writing skills and be more confident in producing academic materials in the future.

Finally, the Faculty of Accountancy of UiTM Kedah, organizer of IAC2023, is very proud to share this avenue with academics, students, and industry practitioners. Thanks, and congratulations to all involved.

Thank you.

ASSOCIATE PROFESSOR DR. HAJAH INTAN MARZITA SAIDON

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PREFACE

Alhamdulillah, all praises to Allah, by whose grace and blessings made it possible to conduct our first *International Accounting Colloquium (IAC2023)* on 31st January 2023. This colloquium was organised by Faculty of Accountancy of UiTM Kedah Branch. The main participants were lecturers of UiTM Kedah Branch, Malaysia and Mindanao State University-Iligan Institute of Technology, Philippines. Hence, I would like to take this opportunity to thank the Rector of UiTM Kedah Branch, Deputy Rectors, Head of Centre of Studies and esteemed members of the management for their support and encouragement in making IAC2023 a success.

As a result of the colloquium, we are now publishing an online eProceeding IAC2023 comprising of 10 (ten) extended abstracts covering various topics such as money laundering, fraudulent financial reporting, ESG and sustainability. Some of the articles highlight the current issues in accounting, current development of related concept in accounting and its application in Malaysia and the Philippines. It is hope that this effort will encourage more academicians of local and foreign countries from different backgrounds to present and publish their research in their respective fields.

On behalf of the colloquium organiser, I would like to thank all presenters and authors for your participation and contribution. Special thanks to all the committee members of the *International Accounting Colloquium (IAC2023)*, I owed all of you so much and I want you to know that this is the best team ever!!! Last but not least, to all participants, we hope to see you in our next colloquium.

Thank you.

HAJAH NOORA'IN BINTI OMAR

Chief Editor

eProceeding International Accounting Colloquium (IAC2023)

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Factors Influencing Decision To Issue Going Concern Opinion In The Post-Covid-19 Era: Malaysian Evidence

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Abstract

Going concern opinion is vital in providing awareness to shareholders about a company's financial position since it serves as a warning of potential bankruptcy. Yet, assessing and issuing going concern opinions remain the most challenging ambiguous audit tasks in normal circumstances and during a crisis. The post-COVID-19 era, where companies strive to sustain their businesses, created a new problem and further intensified auditors' challenges in deciding whether to issue or not to issue going concern opinion. Acknowledging studies examining the going concern issues are still underrepresented, especially in Malaysia; this study elucidates factors influencing auditors' decision to issue going concern opinions. Applying a qualitative methodology, findings indicate that historical information about the company, industry risk and firm size are the three influencing factors in deciding the issuance of going concern opinions.

Keywords: Going concern; Malaysia; Audit quality; COVID-19; Auditing

1. Introduction

International Standard on Auditing (ISA570 – Going Concern) stipulates the need for auditors to assess the client's ability as a going concern (IFAC, 2016). Going concern opinion is a warning sign to stakeholders about financial difficulties faced by the company (Kausar et al., 2015). As a result, auditors are responsible for finding sufficient and appropriate evidence to justify their opinion as to whether they believe that the company will be operating in its current form for an indefinite future, at least within a minimum timeframe of 12 months. If they think the contrary, an audit opinion with a going concern explanatory paragraph needs to be issued.

However, the willingness of auditors to provide such an opinion remains an issue of concern among researchers in normal economic circumstances (Mulyadi & Budiawan, 2018) and during a crisis (Mareque et al., 2017). A crisis often disrupts the auditing process and complicates the assessment of going concern because it involves making a judgment about the future affairs of companies that may be uncertain. Constructing and assessing audit evidence may challenge most auditors during a crisis. For example, during the previous global financial crisis (GFC), between the middle of 2007 and early 2009, many financial institutions either collapsed or needed to be bailed out within a short duration after getting unqualified audit opinions (Sikka, 2009).

A recent outbreak of the COVID-19 pandemic has created a new crisis in the auditing field. The movement control orders and the global economic turbulences forced businesses to operate beyond norms, consequently impacting most companies' financial health. The pandemic has reportedly caused a decline in businesses' profit and financial performance in various industries (Devi et al., 2020). Acknowledging challenges faced by auditors, this study aims to elucidate factors influencing the propensity to issue going concern opinion during the post-COVID-19 era.

2. Materials And Methods

This study adopted a qualitative method by applying semi-structured interviews for data collection. Warren & Karner (2005) argue that such a methodology is appropriate when a question needs to be described and investigated in depth. The semi-structured interview guide was designed after an

extensive literature review. As for the validity assessment, the guide was reviewed by two experts: an academician from a local public university and an auditor from an audit firm in the northern state of Malaysia. The reviewers were requested to identify any flaws in the interview guide and provide comments on the suitability and clarity of the questions. Feedback from the reviewing process was incorporated into the interview guides. This validity procedure is sufficient to establish the clarity and reliability of the interview.

A total of four interviews were conducted using Google Meet, the platform of a real-time meeting by Google. Online meetings were conducted considering the transmission risk of COVID-19, cost and time inefficiency to travel and conduct personal interviews. The respondents were auditors from the Big Four audit firms in Malaysia. All the interviews were recorded and transcribed for analysis. Thematic analysis based on an interpretive approach was employed (Braun & Clarke, 2006). The analysis involved encoding qualitative data in the search for patterns and themes that help explain social phenomena. To assess validity, the researchers independently made the coding process and compared the findings with the initial results. The researchers collaborated to resolve the anomalies if there were any observed discrepancies.

3. Results And Discussion

Three major factors may influence auditors' decision to issue going concern opinion. The first is historical information or previous performance of a company. In general, all companies face financial difficulties in the post-COVID era. However, the ability of companies to survive during the pandemic and their performances before the pandemic could be used as a point of reference in making a judgment regarding their financial dependency on any funding sources. This argument is aligned with the findings of a previous study that confirm financial distress is not significantly related to the going concern audit opinion (Meiryani et al., 2021). R4 addressed this issue:

"Sometimes we need to investigate their backgrounds...the financial data or cash flow may not be that promising because they lose customers, but other evidence indicates that they are coping well, and they are positive in gaining back customers... we might be ok with the going concern assessment". - R4

Secondly, auditors tend to refer to the industry risk in confirming the management's presentation of the going concern assessment. Industry risk refers to the factors that affect companies' growth, profitability and volatility. A previous study concludes that a low propensity of auditors to issue going concern opinions for charities is due to the lower litigation risk in that sector (Yang et al., 2022). Similarly, companies operating in high-risk industries, such as aviation, are reported to take longer to bounce back on track after being badly hit by the pandemic (Saigol, 2020). As a result, auditors take extra care in assessing such companies' going concerns. R1 responded to this issue: *"the standard state the assessment should cover 12 months, but in some cases, we extend the period. We assess more than 12 months, perhaps 18 months. We have experienced extending the assessment period to 24 months. The additional period is to ensure that we provide an accurate decision regarding the going concern of such companies"*.

Finally, the size of a company may affect the decision whether to issue a going concern opinion. Before deciding on the issuance of a going concern opinion, auditors need to request additional evidence and extensively discuss issues of concern with the management. Usually, big companies have more constructive and convincing ways of responding to the issues raised by auditors than small companies. R2 highlights this fact *"we normally discuss with management, explain to them their current situation and whenever necessary suggest to them what they need to do. But it is common not to get convincing and constructive action plans from the small companies"*. One possible explanation for this scenario is the management in big companies is predicted to be more likely to avoid receiving the going concern opinions. Having a large number of shareholders make the big companies realise that getting going concern opinions may affect a larger group of people if the company ceases its operation. Also, they may need to be proactive in planning the corrective actions because going concern opinions were

claimed to affect management's remuneration negatively (Callaghan et al., 2009). Interestingly, this finding contradicts earlier quantitative findings, which found that firm size did not significantly affect the issuance of going concern opinion (Averio, 2021).

4. Conclusion

This paper aims to elucidate factors that affect auditors' decision to issue going concern opinions in the post-COVID era. The three factors reflect that auditors examine financial data and consider non-financial data in making decisions. They acknowledge the need to remain independent and objective in performing their audit work. To enhance the accuracy of the going concern opinion, they will ensure that they get sufficient appropriate evidence before deciding on the issuance of such an opinion. This study is not without limitations. The respondents of this study are attached to the Big Four audit firms operating in Malaysia and thus limit the generalisation of the findings. Therefore, future research might want to expand this study to include the non-Big Four auditors, and comparative studies between developing countries could be an interesting avenue to explore. Also, future studies could embed the quantitative and qualitative approaches to derive more rigorous findings.

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