

## **Moderating Effect of Owner's Influence on the Relationship between the Probability of Client Failure and Going Concern Opinion Issuance**

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**Abstract :** The problem that Malaysian auditors do not issue going concern opinion (GC opinion) to seriously financially distressed companies is still a pressing issue. Policy makers, particularly the Financial Statement Review Committee (FSRC) of Malaysian Institute of Accountant, have raised this issue as early as in 2009. Similar problem happened in the US, UK, and many developing countries. It is important for auditors to issue GC opinion properly because such opinion is one signal about the viability of a company much needed by stakeholders. There are at least two unanswered questions or research gaps in the literature on determinants of GC opinion. Firstly, is client's probability of failure associated with GC opinion issuance? Secondly, to what extent influential owners (management, family, and institution) moderate the association between client probability of failure and GC opinion issuance. The objective of this study is, therefore, twofold; (1) To examine the extent of the relationship between the probability of client failure and the issuance of GC opinion and (2) To examine the level of management, family, and institutional ownerships moderate the association between client probability of failure and the issuance of GC opinion. This study is quantitative in nature, and the sources of data are secondary (mainly company's annual reports). A total of four hypotheses have been developed and tested on data accumulated from annual reports of seriously financially distressed Malaysian public listed companies. Data from 2006 to 2012 on a sample of 644 observations have been analyzed using panel logistic regression. It is found that certainty (rather than probability) of client failure affects the issuance of GC opinion. In addition, it is found that only the level of family ownership does positively moderate the relationship between client probability of failure and GC opinion issuance. This study is a contribution to auditing literature as its findings can enhance our understanding about audit quality; particularly on the variables that are associated with the issuance of GC opinion. The findings of this study shed light on the roles family owners in GC opinion issuance process, and this would open ways for the researcher to suggest measures that can be used to tackle the problem of auditors do not want to issue GC opinion to financially distressed clients. The measures to be suggested can be useful to policy makers in formulating future promulgations.

**Keywords :** audit quality, auditing, auditor characteristics, going concern opinion, Malaysia

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