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(Non)Going Concern *vs.* Gain or Loss and Influence on Audit Opinion

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Abstract

In today's unstable environment, one of the overarching principles for financial reporting of major importance to users of financial statements is going concern. The management of companies is responsible for disclosing information about whether the entity is a going concern or not. In addition, financial auditors must also obtain sufficient and reliable evidence to support their audit opinion on the appropriateness of management's use of the going concern principle in the preparation of financial statements. This study considers the following directions: it first investigates the extent to which financial auditors confirm management's use of the going concern principle in the preparation of the annual financial statements; it then tests the asymmetric relationship between going concern and earnings reporting and between going concern and loss reporting; finally, it seeks to identify the extent to which going concern issues at company level identified by the auditor, loss reporting and negative equity influence the type of audit opinion issued. The sample is represented by companies listed on the regulated market of the BSE in the period 2016-2021 and highlights that the accuracy of the use of the going concern principle in the preparation of financial statements by management is often refuted by financial auditors, that there are business areas in which there are entities for which going concern problems have been reported in one period, but rather gains are reported in the immediately following period, and for other business areas, there are entities for which no going concern problems have been reported and they report losses in subsequent periods. Also, the processing carried out showed that the type of audit opinion depends mainly on the sign of equity and the existence of going concern issues.

Key words: *(non)going concern; gain; loss; equity; audit opinion;*

JEL Classification*: K22, M41, M42, M48*

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1. Introduction

Going Concern (GCO) is one of the basic generally accepted accounting principles which assumes that a company continues as a going concern without going into liquidation or significant downsizing. When management determines that it intends to cease operations, the annual financial statements will no longer be prepared on a going concern basis. In addition, events occurring after the balance sheet date that may have an impact on going concern are also taken into account for going concern reporting. The entity's management is responsible for disclosing information about whether the company is a going concern or not of the company's activity, and the financial auditors are required to obtain sufficient audit evidence to support their audit opinion on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. The global financial crisis of 2008-2009 is considered to have resulted from misjudgements and misleading opinions by auditors on the going concern and sustainability of companies (Jan, 2021). In other words, both management's and the financial auditor's statement on a company's going concern should be carefully considered by those concerned.

The purpose of the study is focused on answering three questions:

1. *Do financial auditors always confirm management's use of the going concern basis for the preparation of the annual financial statements of companies listed on the BSE regulated market in the period 2016-2021?*
2. *Does the reporting of significant uncertainty issues related to going concern in the financial auditors' reports in one period have the effect of reporting gains or losses in the immediately following periods for companies listed on the BSE regulated market in the period 2016-2021? and*
3. *To what extent does the modified audit opinion issued by the financial auditors depend on the existence of going concern issues, negative equity and losses for BSE-listed companies in the period 2016-2021?*

The study is further structured in sections. Section 2 is intended to review the literature focused, on the one hand, on the analysis of the influence of non-going concern of the activity of companies reported in one period on the result of the next period, and on the other hand, on the analysis of the factors that define the type of audit opinion issued by financial auditors in their reports. Section 3 develops the research methodology, broken down into: the study population and the sample analysed, the variables analysed, the data source and the models proposed for testing. Section 4 deals with the results obtained from the processing and their interpretation. The final part of the study is devoted to conclusions.

2. Literature review

2.1. Accuracy of the application of the going concern in accounting and influence on the quality of financial reporting

Companies' financial statements must be accompanied by a statement on the prospect of continuing in business for the foreseeable future. Most managers who have such an obligation are very optimistic that going concern is assured, even in situations where companies have negative equity (Istrate, 2016). But it is not only the entity's management that is responsible for declaring whether or not the entity's going concern is assured, but also the financial auditors, who must assess the extent to which the audited firm is likely to continue as a going concern. When financial auditors report going concern issues in published audit reports, investors react negatively (Menon and Williams, 2010; Chen et al., 2012). The market interprets the reporting of going concern issues as risk communication, leading to a change in the market valuation of distressed firms (Blay et al., 2011). If entities do not prepare annual financial statements on a going concern basis, accounting policies and estimates will be affected. These include: estimating the useful life of fixed assets for depreciation, estimating impairment adjustments and provisions, reclassification of some receivables and payables from long-term to short-term, etc.

The quality of financial reporting has been judged by some researchers (Timbate and Park, 2018; Gonçalves et al., 2021; Ryu et al., 2021; Song, 2022) in terms of earnings management techniques, corporate social responsibility and time periods. Applied to a sample of 568 publicly listed companies in the European Union between 2010 and 2018, Gonçalves and his collaborators' study found that managers in more socially responsible companies behave more ethically, as few cases of earnings manipulation were identified and therefore have better quality financial reporting. Conversely, in times of crisis or losses, the results obtained in the above-mentioned study showed that the relationship between corporate social responsibility and accounting distortions is positive. This suggests that, in adverse economic conditions, management opportunistically uses sustainable corporate status to manage earnings (Gonçalves et al., 2021).

The literature has shown that International Financial Reporting Standards (IFRS) have had a positive impact on the quality of financial reporting with the transition to IFRS (Istrate et al., 2015; Hwang et al., 2018). However, an analysis of the effects over time on the quality of information reported by companies concluded that there are, however, differences by area due to the social, economic and cultural characteristics of countries (Hwang et al., 2018).

For efficient exchanges in financial markets, trusting relationships are essential. Investor confidence in financial markets is often conditioned by confidence in financial auditors. (Rodgers et al., 2019). Rodgers et al point out that a going concern opinion can have immediate consequences for both the audit profession and users of financial statements. Using the GMM (Generalized Method of Moments) approach, empirical findings by some authors (Truong et al., 2022) indicate that the level of transparency of disclosures by companies has a significant positive effect on firm value.

2.2. Significant uncertainty about going concern – determinant of audit opinion type

After the financial crisis of 2008-2009, there has been a growing call around the world to improve the quality of audit reporting. A new audit report format has been developed through a series of discussions between the European Union and the IAASB – *International Auditing and Assurance Standards Board* (IAASB, 2018). An important change for the new audit reports was the requirement for financial auditors to present KAMs, i.e. risks encountered during the audit process, significant judgements or significant events during the audit period, in language that investors can understand. Financial auditors must act professionally and independently when providing audit services and provide appropriate opinions when there are doubts about going concern (Chi and Chu, 2021). Audit researchers were interested in whether issuing an audit report containing an uncertainty paragraph about a distressed company's going concern protects auditors from litigation (Kaplan and Williams, 2012). They concluded that auditors discourage lawsuits by issuing audit reports that flag going concern problems for their financially distressed clients. In addition, if they are sued, when financial auditors have issued audit reports with paragraphs on going concern uncertainty they still incur lower costs than if they had not reported this issue.

Although some studies have found significant associations between questionable financial reporting quality and the auditor's issuance of modified audit opinions (Grosu et al., 2020), auditing standards do not require the auditor to include in the audit report a paragraph on significant uncertainty regarding going concern when they identify poor reporting quality, but rather, they must include such a paragraph when audited companies are in financial distress (Louwers, 1998; Carson et al., 2012). It is also found that distressed firms that rely more heavily on large clients are more likely to receive audit opinions containing a going concern uncertainty paragraph (Dhaliwal et al., 2020).

In order to test the going concern assumption of the companies listed on the BSE in the period 2008-2010 by the financial auditors, models were proposed that identified the determinants of the risk of non-compliance with the going concern assumption in the preparation of the annual financial statements (Robu et al., 2012), taking into account that the financial auditor has to verify this assumption, since the statement of the responsible persons within the companies on going concern is not always confirmed by the financial auditor (Istrate, 2016). Other authors have focused in their studies on how the information included in the audit report can help anticipate financial distress and have concluded that by identifying the type of audit opinion, the existence of the going concern uncertainty paragraph, and certain key audit issues mentioned, any user can predict a bankruptcy situation as accurately as if they had analyzed the entire report (Muñoz-Izquierdo et al., 2019).

Companies are increasingly using social media to communicate with stakeholders. A recent study (Beka and Pavlatos, 2022), of companies listed on the Athens Stock Exchange analyses the impact of companies' social media posts on accounting and auditing, and concludes that the posts analysed do not influence either going concern or the audit opinion issued. In contrast to the statements of company management and financial auditors on the going concern status of companies, an important tool to inform stakeholders about the sustainability of entities is integrated reporting, but it also came with certain challenges that both companies and auditors had and have to overcome (Goicoechea et al., 2019).

2.3. Development of research hypotheses

There is an asymmetry between going concern and earnings reporting and between non-going concern and loss reporting – over time (Hossain et al., 2020; Kim, 2021). In their study, Hossain et al., conducted on a number of companies between 2000-2014, concluded that there were situations in which the management of the entities did not report going concern problems associated with the companies, and in the following period the entities ended up going bankrupt. At the other end of the spectrum, there were more cautious entities, where their management reported some going concern issues, but without any failures in the subsequent period. In other words, more prudent entities, from an accounting point of view, are more conservative. Studies have shown that accounting conservatism can reduce agency costs by improving corporate governance and audit contracting efficiency (Ramalingegowda and Yu, 2012). However, accounting conservatism favours slower recognition of income compared to expenses, which is seen as biased accounting that causes the market value of assets to exceed the book value (Chen et al., 2013). In other words, conservatism in accounting can be defined as "a tendency of the accounting professional to require a greater degree of verification to recognize good news as gains than to recognize bad news as losses" (Pae et al., 2005). Financial auditors of more conservative clients are found to issue fewer opinions on the existence of going concern issues for audited companies, charge lower fees and resign less often, indicating that for such clients the audit risk assumed by the auditor is lower (DeFond et al., 2015). The same authors and others demonstrate in their studies that auditors of conservative clients are less accountable and caution regulators that some accounting treatments (e.g., fair value measurement) abandon conservatism as an attribute of financial reporting quality (DeFond and Subramanyam, 1998; DeFond et al., 2015). Another strength of conservatism is that other researchers (García Lara et al., 2016), find that it improves investment efficiency, and the empirical results of their study show that more conservative firms invest more. It has been shown that monitoring institutions are more likely to demand conservatism in the reporting practices of the firms in which they have invested and consider it an instrument of good governance (Ramalingegowda and Yu, 2012).

Table no. 1 presents the variables extracted from the literature, their source and the models used by the researchers to test the hypotheses.

Table no. 1. Variables of interest, their source and models applied

Variable	Authors	Model
Going Concern - Company (GCO_C)	(Hossain et al., 2020)	Regression models
	(Kim, 2021)	Regression models based on time series
	(Beka and Pavlatos, 2022)	Regression models
	(Chi and Chu, 2021)	Long Short-Term Memory (LSTM) and Gated Recurrent Unit (GRU)
Going Concern-Auditor (GCO_A)	(Robu et al., 2012)	Regression and Correlation Models and Principal Component Analysis
	(Kaplan and Williams, 2012)	Regression models
	(Blay et al., 2011)	Regression Models and Score Functions
	(Chi and Chu, 2021)	Long Short-Term Memory (LSTM) and Gated Recurrent Unit (GRU)
	(Rodgers et al., 2019)	Throughput Model
Equity (Eq)	(Hossain et al., 2020)	Regression models
Result (Profit or Loss)	(Hossain et al., 2020)	Regression models
Change in Result (increase/ decrease)	(Hossain et al., 2020)	Regression models
	(Chen et al., 2013)	Regression models
	(DeFond et al., 2015)	Regression models
	(García Lara et al., 2016)	Regression models
Type of audit opinion	(Hossain et al., 2020)	Regression models
	(Grosu et al., 2020)	QATRMT Model (Quick Audit Test for Significance Threshold Readjustment)

Source: Own processing

Based on the literature reviewed, the following research hypotheses are formulated:

H1: The significant uncertainty about the going concern status of BSE listed companies reported by the auditor often contradicts management's statement on the adoption of the going concern principle in the preparation of their financial statements.

H2: It is possible to identify a profile of the listed company on the BSE, depending on the field of activity, for which there is an asymmetry between going concern and earnings reporting, respectively between going concern and loss reporting.

H3: The going concern problems at the level of the companies identified by the auditor, the negative equity and the accounting losses recorded have a significant influence on the type of audit opinion issued by the financial auditors for companies listed on the BSE.

3. Research methodology: population, sample, variables, data source, and data analysis methods

In order to test the research hypotheses, a statistical approach is proposed (Jaba, 2002; Robu, 2021) which considers: identification of the population, selection of the sample, choice of variables, establishment of data analysis methods and proposal of econometric models to be analysed, data collection and processing, as well as obtaining the research results and their interpretation in the discussion part. The starting point is Kim's model (Kim, 2021), which shows that there is an asymmetry over time between going concern and earnings reporting and between non-going concern and loss reporting. The model was applied for the period 2000-2013 to a large number of companies, and the results revealed that firms that received opinions with associated going concern issues responded immediately with a greater degree of conservatism, but after moving beyond this stage were more likely to report losses rather than gains in a timely manner.

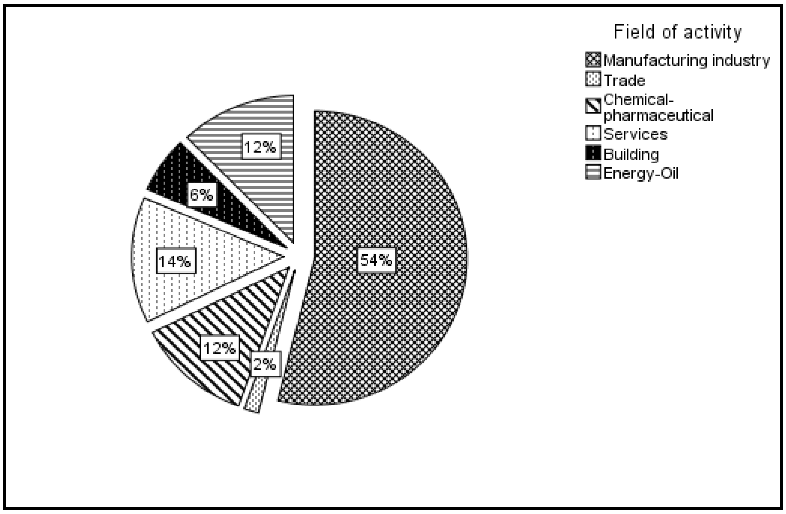
3.1. The study population and sample analyzed

In order to conduct the study, the starting population was represented by all companies listed on the Bucharest Stock Exchange (BSE) subject to statutory financial audit, in accordance with the Law no. 162/2017 on statutory audit of annual financial statements and annual consolidated financial statements and amending certain regulatory acts, published in the Official Gazette of Romania no. 548/12 July 2017, and the sample selected comprises only companies on the regulated market. From the total number of listed firms during the period under review (2016-2021), firms in the financial-banking, insurance and financial intermediation sectors have been excluded as they apply different criteria in their financial reporting and their audit reports are based on the requirements of other reporting frameworks and are not comparable with the audit reports of other firms, as well as delisted or listed firms during this period. This resulted in a balanced *sample* comprising 65 listed firms, for which data was collected from the annual financial statements and audit reports issued for the period 2016-2021, with 390 observations. The year 2016 was chosen as the debut year as from this financial year each financial auditor had to include a separate Key Audit Matters (KAM) section in the audit report (Grosu et al., 2020), and going concern issues are such a key issue.

According to the activity, the sample analysed includes companies operating in the manufacturing industry (54%), service companies (14%), energy-oil companies (12%), chemical-pharmaceutical companies (12%), construction companies (6%) and trade companies (2%).

Figure no. 1 shows the distribution of the sampled companies by business area.

Figure no. 1. Distribution of the sample by field of activity



Source: Own processing

3.2. Variables analysed, data source and models proposed for testing

In order to test and validate the proposed research hypotheses, starting from the literature, the variables of interest are first identified. On the one hand, the existence or not of going concern problems of the sampled entities in one period and the influence on the result (profit or loss) in the next period are considered, depending on the field of activity. In other words, the aim is to identify the profile of the company listed on the BSE, according to the scope of activity, for which there is an asymmetry between going concern and earnings reporting, respectively between non-going concern and loss reporting. On the other hand, the extent to which the type of audit opinion depends on the existence of going concern issues of the sampled entities, the sign of equity and the type of earnings is investigated.

Data were collected manually from the individual financial statements prepared in accordance with IFRS and from the audit reports of the companies included in the sample analysed for the period 2016-2021, and data analysis was performed with SPSS 23.0 software.

To carry out the processing, the variables identified and their description are presented in **Table no. 2**.

Table no. 2. List of identified variables and their description

Variable symbol	Variable description	Value
F_Act	Field of activity	Manufacturing industry
		Trade
		Chemical-pharmaceutical
		Services
		Building
		Energy-Oil
TO	Type of Opinion	Unqualified
		Qualified
GCO_A	Significant uncertainty about going concern (Auditor)	YES
		NO
GCO_C	Going Concern Statement (Company)	Yes
		No

Variable symbol	Variable description	Value
Eq	Equity	Positive
		Negative
TR	Type of Result (2017, 2018, 2019, 2020, 2021)	Profit
		Loss
CR	Change in Result	Profit
		Profit increase
		Profit decrease
		Loss reporting
		Loss
		Loss increase
		Loss decrease
		Loss coverage and profit reporting

Source: Own processing

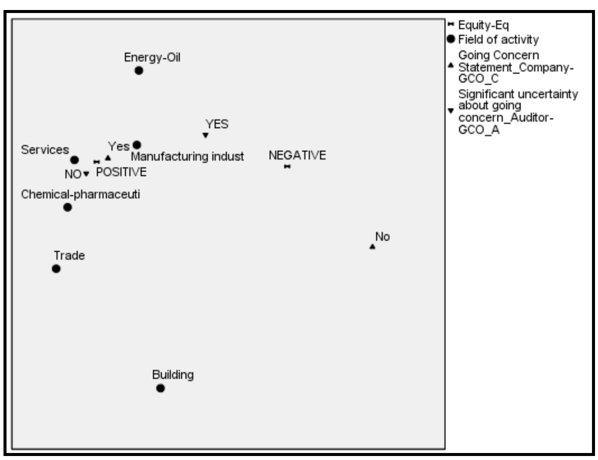
The variables presented in **Table no. 2** are qualitative variables, the attributes associated with the variables: equity, result type and result change were obtained by transforming the quantitative variables into nominal variables, taking into account the signs and meaning of the change in values over time.

To test the accuracy of the financial auditor's use of the going concern principle for the preparation of the annual financial statements, and the asymmetry between significant going concern uncertainty reported by the auditor in one period and reporting the loss in the next period and non-reporting of going concern issues in one period by the auditor and reporting the profit in the next period, Multiple Correspondence Factor Analysis (MCFA) is used as a multivariate data analysis method (Pintilescu, 2007), and a multiple linear regression model is used to test the influence of going concern issues, equity sign and outcome type on the audit opinion (Jaba, 2008).

4. Results and discussions

The first research hypothesis (H1): *The significant uncertainty about the going concern status of BSE listed companies reported by the auditor often contradicts management's statement on the adoption of the going concern principle in the preparation of their financial statements* is tested by applying the MCFA which shows the associations between the existence of going concern problems in a period reported by auditors in audit reports and management's statement on the adoption of the going concern principle in the preparation of financial statements for the sampled entities. ***Figure no. 2*** shows these associations.

Figure no. 2. Combination of GCO_A, GCO_C and Eq, depending on the field of activity

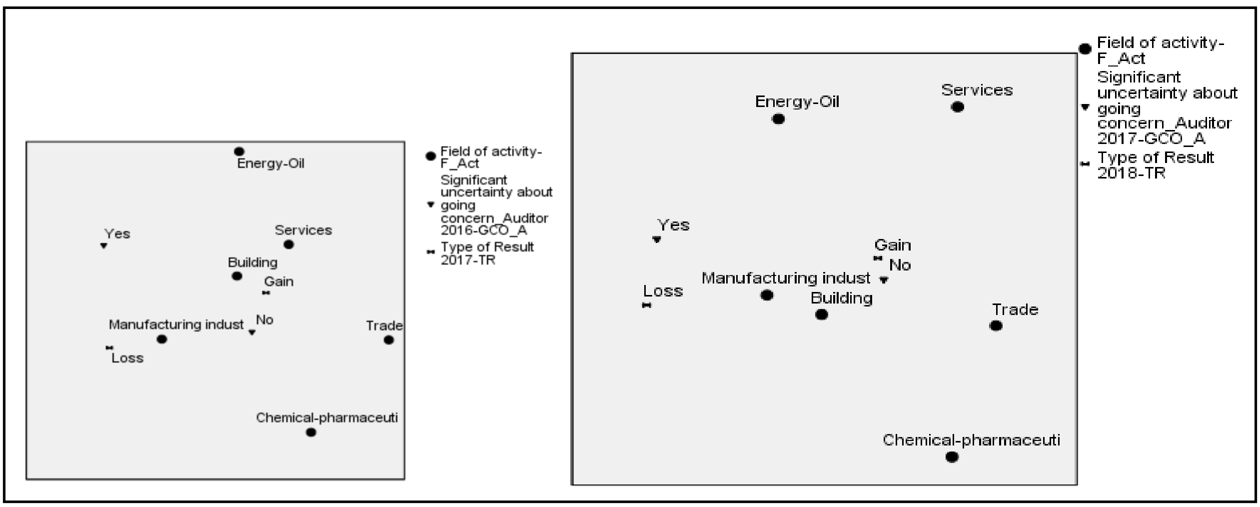


Source: Own processing using MCFA

From ***Figure no. 2*** it can be seen that for very few of the sampled entities, the responsible persons in the entities declare that the entities have problems in terms of going concern (the answer **NO** cannot be linked to a specific area of activity), despite the fact that the period analysed was also affected by the Covid-19 pandemic. In contrast, the auditors of the analysed entities include in their audit reports a section on significant uncertainty related to going concern, especially for the manufacturing industry. The reason why this phenomenon is reported by the auditor is mainly related to negative equity, but also to other causes (the **YES** answer lies between the equity sign: positive/negative). Given the results of the processing, it can be stated that in the sample analysed, the management's statement on the adoption of the going concern principle in the preparation of the financial statements of listed companies on the BSE is often refuted by the auditor by including in the audit report the paragraph on significant uncertainty related to going concern.

The second research hypothesis (H2): *It is possible to identify a profile of the listed company on the BSE, depending on the field of activity, for which there is an asymmetry between going concern and earnings reporting, respectively between going concern and loss reporting* is tested by applying the MCFA that reports the associations between the existence of going concern problems in one period and loss or earnings reporting in the immediately following period. ***Figures 3, 4 and 5*** depict these associations.

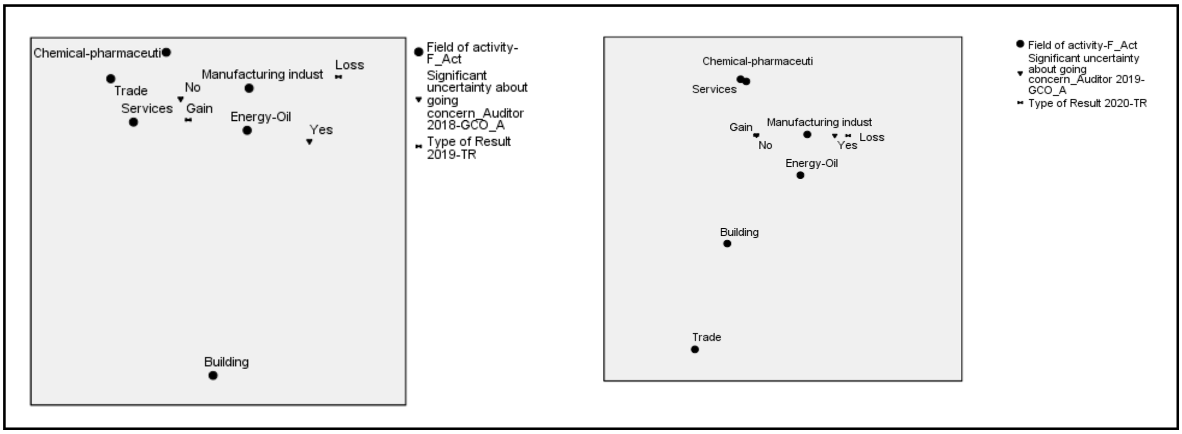
Figure no. 3. GCO_A association for 2016 and 2017 and TR in 2017 and 2018, depending on the area of activity



Source: Own processing using MCFA

From the first diagram of ***Figure no. 3***, it can be seen that, for the first period analysed, the manufacturing industry is the one for which the mentioned asymmetry stands out, by not reporting going concern problems in 2016 and, however, by recording, rather, losses in 2017. The explanation lies in the fact that other factors emerged that could not be anticipated by either the entity's management or the financial auditor. For the second period analysed, as can be seen from the second chart in ***Figure no. 3***, for the manufacturing industry, there is symmetry between not reporting going concern issues and recording gains and reporting going concern issues and recording losses, in the sense that when going concern issues are reported, losses are recorded in the immediately following period (rather accounting conservatism is manifested), and when going concern issues are not reported, gains are recorded in the following period, as expected. For the other areas of activity, no such association can be made, as they are far removed from the existence or otherwise of going concern problems.

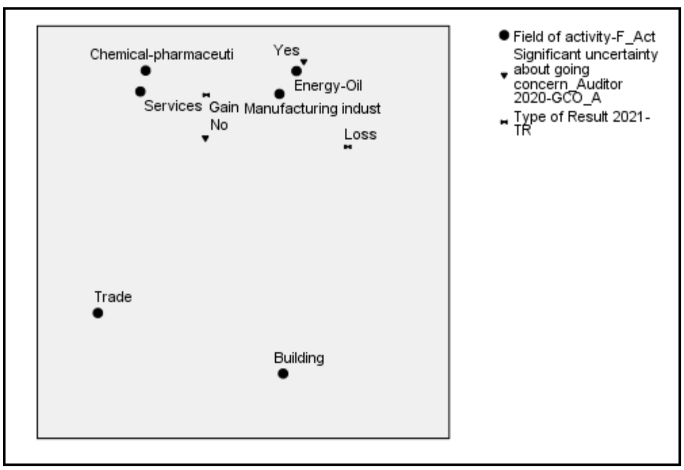
Figure no. 4. GCO_A association for 2018 and 2019 and TR in 2019 and 2020, depending on the area of activity



Source: Own processing using MCFA

For the third period analysed, the first chart in ***Figure no. 4*** highlights that the energy-oil sector is the one for which the mentioned asymmetry stands out, by reporting going concern problems in 2018 and yet registering rather gains in 2019. This finding leads to the conclusion that for companies operating in this sector, accounting conservatism is not manifesting itself (Kim, 2021). In 2019-2020, there is no such asymmetry, but there is accounting conservatism, as shown in the second diagram in ***Figure no. 4***. In this period it should be borne in mind that a new factor that emerged was the Covid-19 pandemic, which certainly had an influence on certain sectors of activity (Apostol, 2020).

Figure no. 5. GCO_A association for 2020 and TR in 2021, depending on the area of activity

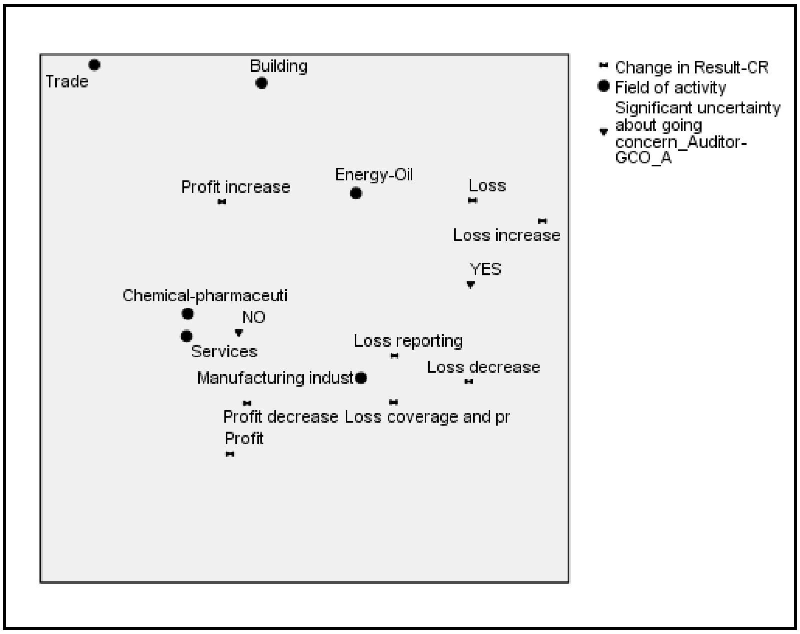


Source: Own processing using MCFA

For the fifth period analysed, the asymmetry is also evident in the energy sector, in the sense that in the audit reports for the financial year 2020, the financial auditors report going concern problems, while in 2021, the result reported by companies operating in this sector is more likely to be a profit. Thus, the asymmetry between the variables mentioned is again apparent, but not accounting conservatism (*Figure no. 5*).

In an analysis of the result over time, the following attributes were identified for the result: profit, loss, increase profit, increase loss, decrease profit, decrease loss, reporting loss (when a profit was recorded in one period and a loss in the next), covering loss and reporting profit. The diagram in *Figure no. 6* shows the associations between the existence or not of going concern problems and the change in the result, by business area.

Figure no. 6. GCO_A association and CR, depending on the area of activity



Source: Own processing using MCFA

From *Figure no. 6*, it can be seen that in the area of the manufacturing industry, during the period under review, no going concern problems are reported by the financial auditors, and at the level of the result, however, it is noted either a decrease in profit or the reporting of losses. At the other end of the spectrum, the energy-oil sector is at the opposite end of the spectrum, where the going concern problems reported by the financial auditors are confronted with losses, from which it can be seen that the manifestation of accounting conservatism is evident, but also with an increase in profit. The summary of the asymmetry between non-going concern – loss reporting / going concern – profit reporting, but also on the manifestation or not of accounting conservatism is presented in **Table no. 3**.

Table no. 3. Synthesis of the asymmetry between non-going concern and loss reporting and going concern and profit reporting and the manifestation of accounting conservatism

Field of activity	Period	Manifesting asymmetries	Manifestation of accounting conservatism
Manufacturing industry	2016-2017	**YES**	NO
Building		NO	
Trade		NO	
Chemical-pharmaceutical		NO	
Energy-Oil		NO	
Services		NO	

Field of activity	Period	Manifesting asymmetries	Manifestation of accounting conservatism
Manufacturing industry *Building* *Trade* *Chemical-pharmaceutical* *Energy-Oil* *Services*	2017-2018	NO NO NO NO NO NO	**YES**
Manufacturing industry *Building* *Trade* *Chemical-pharmaceutical* ***Energy-Oil*** *Services*	2018-2019	NO NO NO NO **YES** NO	NO
Manufacturing industry *Building* *Trade* *Chemical-pharmaceutical* *Energy-Oil* *Services*	2019-2020	NO NO NO NO NO NO	**YES**
Manufacturing industry *Building* *Trade* *Chemical-pharmaceutical* ***Energy-Oil*** *Services*	2020-2021	NO NO NO NO **YES** NO	NO

Source: Own processing

From the situation presented in the **Table no. 3**, the asymmetry analysed is manifest in the case of two areas of activity (manufacturing industry and the energy-oil sector), and accounting conservatism can be brought into question particularly at the level of manufacturing industry.

The third research hypothesis (H3): *The going concern problems at the level of the companies identified by the auditor, the negative equity and the accounting losses recorded have a significant influence on the type of audit opinion issued by the financial auditors for companies listed on the BSE* is tested using the regression model shown in **Equation 1**.

$$TO_i=\beta_0+\beta_1 GCO\_A_i+\beta_2 Eq_i+\beta_3 TR_i+\varepsilon_i \quad (1)$$

where:

- TO_i represents the *Type of opinion* issued for firm *i*, with $i=1,...,65$, which can receive one of the two ratings described in Table 1 (Unmodified-0, Modified-1);
- GCO_A_i, EqC_i, TR_i represents *Significant Uncertainty about Auditor's Reported Going Concern (No-0, Yes-1), Equity (Positive-0, Negative-1) and Result Type (Profit-0, Loss-1)* for firm *i*, with $i=1,...,65$;
- $\beta_{i=0,...,3}$ are the parameters of the regression models;
- ε_i represents the error component, $\varepsilon \sim N(0, 1)$.

For the interpretation of the processing, an extract of the results obtained is presented in **Table no. 4**.

Table no. 4. Parameter estimates for the regression model (TO)

Variables included in the model	β	Stand β	t	Sig
GCO_A	0.166	0.183	3.593	0.000
Eq	**0.497**	**0.399**	**7.484**	**0.000**
TR	*0.064*	*0.068*	*1.361*	*0.174*
Constanta	0.088		4.112	0.000

R^2 is 0,313; N=65

The regression model (TO): $TO_i=\beta_0+\beta_1 GCOA_i+\beta_2 Eq_i+\beta_3 TR_i+\varepsilon_i$

Source: Own processing

From the model described, it can be concluded that the type of audit opinion depends only 31% on the existence or not of going concern issues, the sign of equity and the type of result (profit/loss). The 70% difference is explained by the variables not included in the model, among which the following can be mentioned: limitation of the audit scope by late appointment of the auditor and non-participation of the auditor in the inventory, ineffective internal control, not providing the auditor with the information to collect sufficient and sound evidence, etc. In addition, it can be seen that among the selected independent variables, the greatest influence is on the equity (positive/negative), which reflects the financial position of the entity, and not on the type of result (profit/loss). This finding is justified by the fact that the accounting result is quite volatile and can be affected by earnings management, which means that the key factors to be considered by financial auditors in defining the audit opinion are going concern issues and equity (positive/negative). The results obtained confirm the results obtained in other studies carried out at international level (Hossain et al., 2020; Chi and Chu, 2021; Kim, 2021; Beka and Pavlatos, 2022), and the added knowledge brought by this study consists in the fact that the period analysed is more extensive and the models were applied to companies operating in an emerging economy.

Conclusions

Under the going concern assumption, a company is seen as being able to continue in business for the foreseeable future and annual financial statements are prepared in accordance with this principle. If a company's responsible persons believe that it will cease trading in the foreseeable future, the annual financial statements will no longer be prepared on a going concern basis. In addition to these responsible persons, financial auditors should also obtain sufficient and reasonable evidence to support their audit opinion as to the appropriateness of management's use of the going concern basis for the preparation of the financial statements. In general, many company managers who have such an obligation are very optimistic that going concern is ensured, even in situations where companies have negative equity. This study sought to answer three questions: 1. *Do the financial auditors always confirm the use of the going concern principle by management for the preparation of the annual financial statements of companies listed on the BSE regulated market in the period 2016-2021?*; 2. *Does the reporting of significant uncertainty issues related to going concern in the financial auditors' reports in one period have the effect of reporting gains or losses in the immediately following periods for companies listed on the BSE regulated market in the period 2016-2021?* and 3. *To what extent does the modified audit opinion issued by the financial auditors depend on the existence of going concern issues, negative equity and losses for BSE-listed companies in the period 2016-2021?*

In order to answer the first question, the first hypothesis (H1: The significant uncertainty about the going concern status of BSE listed companies reported by the auditor often contradicts management's statement on the adoption of the going concern principle in the preparation of their financial statements) was tested and the results showed that financial auditors include a section on significant going concern uncertainty in their audit reports more frequently than the audited companies' responsible persons declare this phenomenon in the sample analysed. Negative equity is the main factor underlying the reporting of this phenomenon by financial auditors. Given the results, we believe that the financial auditors' reports are more supportive to those concerned, as the management's statement on the adoption of the going concern principle in the preparation of financial statements of listed companies is often refuted by the auditor.

To answer the second question, the second hypothesis formulated (H2: It is possible to identify a profile of the listed company on the BSE, depending on the field of activity, for which there is an asymmetry between going concern and earnings reporting, respectively between going concern and loss reporting), and the synthesis of the results highlights that the asymmetry analysed (between going concern and earnings reporting, respectively between non-going concern and loss reporting) is more frequently manifested in the case of two fields of activity out of the six analysed, i.e. the manufacturing industry and the energy-oil sector. Thus, for the manufacturing industry, this asymmetry is evidenced by the non-reporting of going concern problems in certain periods and yet recording losses in subsequent periods, while for the energy-oil sector, this asymmetry is evidenced by the reporting of going concern problems in certain periods and yet recording gains in subsequent periods.

The answer to the third question is given after testing hypothesis three (H3: *The going concern problems at the level of the companies identified by the auditor, the negative equity and the accounting losses recorded have a significant influence on the type of audit opinion issued by the financial auditors for companies listed on the BSE*), with the results of the processing showing that, among the selected independent variables, equity capital (positive/negative), a relevant indicator for owners, has the greatest influence and not the existence of going concern issues. Overall, the three variables considered (Significant uncertainty about the auditor's reported going concern, Equity and Type of result) influence the change in audit opinion by more than 30%.

Previous research has shown that reporting going concern problems for companies is expected to be positively associated with firms' subsequent accounting conservatism. The processing shows that every two financial years there is a manifestation of accounting conservatism for some of the business areas related to the companies analysed, in the sense that reporting going concern issues leads to accounting conservatism.

This study contributes to the development of knowledge in that it can support interested users by highlighting the asymmetry that may exist between under-reporting going concern problems for some companies in one period and reporting profit in the next period, and under-reporting going concern problems in one period and under-reporting loss in the next period. In other words, the result reported by companies in their financial statements is more a result of management and for this reason should be interpreted quite cautiously. But, given the current crisis due to the aftermath of the Covid-19 pandemic and the global geopolitical tensions in the context of the war near Romania's borders, the companies' activity remains influenced by certain risks that may have consequences for the going concern of their business.

We believe that our study will have an impact, in particular, on the users of the disclosures in the annual financial statements, as they will be more attentive to management's going concern statement and will corroborate it with the statement of the financial auditor. In addition, the results of the research may also be useful to financial auditors when they have clients in specific industries, and to other researchers interested in this topic. The study certainly has limitations, one of which is the failure to take into account non-financial variables that could have influenced the audit opinion. Thus, the study could be developed in future research.

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