
(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;

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