

# Going Concern

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What's next...



# Overview

Many research papers have considered issues surrounding auditor's going concern (GC) opinions

Research has frequently focused on first time reporting of a GC issue by auditors as it is common for companies to receive ongoing GC opinions

The language surrounding GC is fraught

Auditors report on GC issues in different ways

The advent of Key Audit Matters has brought a challenge for auditors



# Current Research

Rebecca Mattocks (AUASB) PhD; Soon-Yeow Phang and Joey Huang (Monash); CPAA funding

- Shareholders given same P/L, B/S, Notes
- Audit report – one clean, for others wording re GC kept as consistent as possible
- MURGC v KAM
- After receiving audit report told that this is the first (fifth) time received this KAM/MURGC



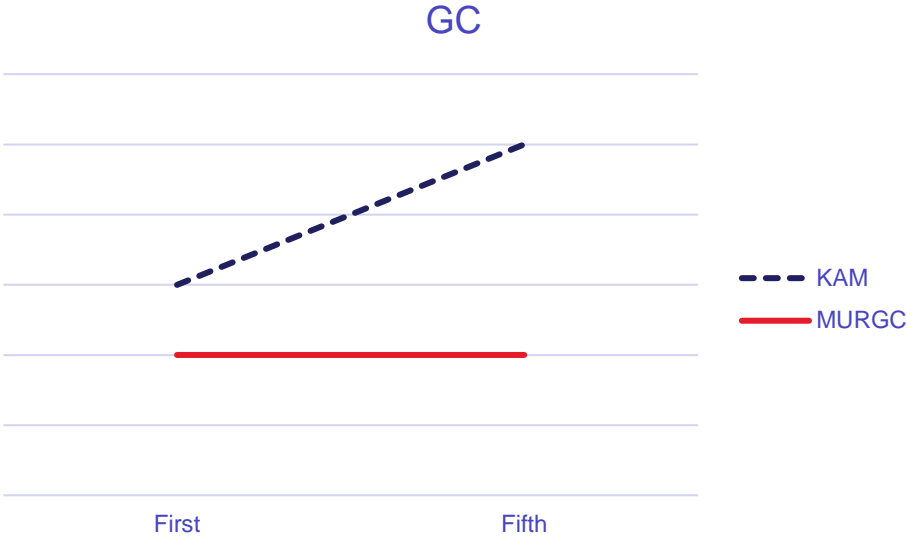
# Current Research

Assessed likelihood of

- remaining a GC/returning to profit/paying off debt
- Riskiness of the investment
- Attractiveness of investment/ retain shares



# Current Research



# Current Research

Then told that the company has failed.

Did they believe they received fair warning?

How likely are they to sue the auditors?



# Current Research

## KAM 1 year v Control (clean audit report)

- GC, return to profit, pay off debts assessed much more likely for control
- Investment assessed as much less risky for control
- Much more likely to retain investment in company for control
- Control assessed as receiving significantly less fair warning

When compare KAM 5 years to control – significance disappears

