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The Impact of Working Capital, Fixed Asset, Leverage & Profitability Toward Audit Opinion for Manufactirung Firms

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Abstract
Fixed asset turnover and leverage to profitability to audit opinion, this study is using more manufacturing firm in consumer goods sub-sector and has been listed in Indonesia Stock Exchange (IDX) for 2011 to 2015 period and found 140 firms, the determination of selected sample using a purposive sampling, the tests have conducted to determine the effect of working capital turnover, fixed asset turnover and leverage and profitability to audit opinion as a moderating variable. The results indicate were 99 firms meet the population target, multiple linear analysis test with 5% significance level, the result concludes that: (1) working capital turnover has an effect to profitability, (2) fixed asset turnover has an effect to profitability, (3) leverage has no effect to profitability, (4) going concern cannot moderate the working capital turnover to profitability, (5) audit opinion may moderate the influence of fixed asset turn over to profitability and (6) audit opinion cannot moderate leverage influence to profitability.
Keywords: working capital turnover, fixed asset turnover, leverage, profitability, audit opinion

BACKGROUND

The increasing of developed economies and the increasingly tight competition between businesses, make the firm is required to always adjust to the existing competitive conditions, where an establishment of a firm has an important role to improve the economy of a country, on the other side has a goal to maximize profits so that the firm meet the survival and maintained well, to create a maximum profit, the firm must require sufficient funds to support the operational activities, in carrying out its business to finance the additional investment, managers should consider whether the funding decision is using a foreign capital (long-term debt & short-term debt) or use its own capital, where both options are risky respectively (Dewi, 2015).

Indicators in good working capital with a fully support for capital efficiency, can be seen from working capital turnover, asset turnover, receivable turnover and leverage. The turnover starts from when cash has been invested in the working capital component until it becomes cash again. The shorter or the faster period of turnover will affect the velocity of working capital, such as becoming higher and being efficient in the end of process on creating and making income increase. The turnover of working capital shows how many times the funds are embedded in working capital and spin in one period. The faster turnover of working capital indicates the more effective use of working capital that impact on increasing profitability of the firm.

In addition to support working capital turnover, asset turnover becomes one of the elements in working capital management (Munawir, 2014), Husnan & Pudjiastuti (2008), cash is a liquid asset, which can be meet the financial obligations. Riyanto (2012: 254), the higher the cash flow will be better, this explains the higher the efficiency of the use of cash and profits will be greatened. In affecting profitability factors is leverage (debt ratio) and be used to measure the extent to which the ability to cover liabilities. The concept of leverage is very important to show the financial analysis in looking at the tradeoff between risk and profit levels from the best decision angles. It is the duty of financial managers to make a planning, analysis and control activities and have a high level of financial leverage in financial difficulties to be able to settle their debt obligations.

High profitability indicates the more efficient in running its operations and show that have a great ability in generating profits. Profitability ratios used in this study is Return on Equity (ROE) is a part of profitability ratios in analyzing financial statements on firm performance reports. The notion of ROE by Brigham & Houston (2011: 149) is the return in an ordinary equity that is the ratio of net income or measures the return on ordinary shareholders investment. Then it can be concluded that the return on equity is the firm's ability to generate profits as measured by the number of shareholders investees. The continuing business is the viability of a business entity and is an assumption in financial reporting of a business entity, so that if a business entity cannot maintain its viability for a period or one year, the firm's going concern is doubtful and the business entity is in trouble (Petronela, 2004). The role of the auditor is necessary to prevent the publication of misleading financial statements, so that by using audited financial statements the users of the financial statements are expected to make decisions correctly.

Kumara & Saputra (2014) examine the effect of current asset turnover, asset turnover, total asset turnover and working capital turnover on profitability. This study found that partially rotation of current assets has a significant negative effect on profitability, total asset turnover has a significant positive effect on profitability and turnover of working capital has a significant negative effect on profitability. Rini (2013) examined the effect of working capital turnover, cash turnover, receivable turnover and inventory turnover on profitability in the consumer goods industry listed on the Indonesia Stock Exchange and concluding the partial contribution of the effect of working capital turnover; cash turnover and inventory turnover have a significant positive effect on profitability and receivable turnover negatively significant to profitability.

Rahman & Siregar (2011) entitled factors that are affecting the growth trends of explanatory paragraph of going concern in audit opinion for manufacturing firms found that the previous year's audit opinion, corporate growth and leverage have a significant effect in business concern, while audit quality, firm's financial condition and firm size are not significant to accept an audit opinion. The novelty of this research, where we focused research studies in working capital turnover, fixed asset turnover, leverage and an audit opinion as a moderating variable in manufacturing firms at Indonesia Stock Exchange for 2011-2015 period.

REVIEW of LITERATURE and HYPOTHESES

Signaling Theory

Brigham & Houston (2011) argue that signaling is an action taken by the firm's management to provide the guidance for investors about how management views the prospects of the firm. Firms with lucrative prospects will try to avoid the sale of shares and seek new capital in other ways such as by using debt. Signaling theory explains why firms have an incentive to provide financial statement information to external parties. Encouragement of the firm to provide information because there is information asymmetry between the firm and outsiders because the firm knows more about the firm and prospects that will come than the outsiders (investors & creditors). Lack of information for outsiders about the firm causes them to protect themselves by providing low prices and may increase firm value by reducing asymmetric information.

Value Relevance Theory

The term relevance of the value of accounting information is derived from the theory of clean surplus theory which states that firm value is reflected in the accounting data contained in the financial statements (Feltham & Ohlson, 1995; Ohlson, 1995). This theory assumes that investors have homogeneous beliefs and preferences. The next assumption is that there is a net surplus relationship between equity and profit. This net surplus relationship means that all changes in equity other than those derived from capital transactions, in the form of dividend payments or additional capital, also come from corporate earnings. The next explanation is that the accounting information of capabilities (especially profit & book value) to explain the value of the firm are known by the relevance of the value of accounting information (Scott, 2003).

Information Relevance Theory

It has been mentioned that financial statement objectives analysis is to estimate the firm value. Some empirical accounting studies have succeeded in finding the relevance of accounting information value in order to improve financial statements analysis (Shamki & Rahman, 2012; Al-Hares, Abu Ghazaleh, & Haddad, 2012; Chandrapala, 2013). Beaver (Puspitaningtyas, 2012) defines the relevance of accounting information value as the ability of accounting information in explaining (explanatory power) firm value. Value relevance is useful for investigating the empirical relationship between stock market values with accounting information intended to assess the effect of these accounting figures in a firm's fundamental assessment.

Financial management

Martono & Agus (2010) financial management is all firms activities related to how to obtain funds, manage assets in accordance with the objectives of the firm as a whole. Financial management is the overall activity concerned with the effort to obtain funds and usage or allocate funds (Riyanto, 2013). Meanwhile, Horne and Wachowicz (2012), financial management relates to the acquisition of assets, financing and asset management based on several general goals and conclusions so that it can be concluded that the definition of financial management is all corporate activities related to assets acquisition, funding and asset management with the basis of some general objectives in accordance with firm objectives as a whole. The purpose of financial management by Irawati (2006) is to maximize profit or minimize expenses in order to get a maximum decision back in running firms towards the development, run or survive and expansion. Efficient financial management requires the goals or objectives used as a standard in providing an assessment of the efficiency of financial decisions.

Profitability

Harahap (2013: 304) profitability is the ability of firms to earn profits through all the capabilities and existing sources such as; sales activities, cash, capital, number of employees, number of branches, and so on. Profitability can be interpreted as a firm's ability to generate profits. Profitability of a firm shows the ability of firms to earn profits in relation to sales, total assets, and own capital (Sugiyarso & Winarni 2005: 118). Profitability ratios are not only aim to determine the firm's ability to generate profits during a certain period, but also to measure the level of management effectiveness in running the firm's operational activities. One of the financial ratios used in analyzing a firm's finances is return on equity (ROE); this ratio measures the rate of return of the business or all available capital. The return on equity formula is as follows:

$$ROE = \frac{Net\ Income}{Total\ Equity}$$

Working Capital

Firms with working capital is one of the most important asset elements because without working capital the firm cannot meet the need to run its activities (Sutrisno, 2009). Munawir (2014), working capital is the excess value of assets owned by firms against all its debts, working capital turnover by Cashmir (2014) is one of the ratios to measure or assess the effectiveness of working capital for a given period. That is, how much working capital spins over a period?. To measure this ratio is to compare between sales with average working capital and the formula used to determine the working capital turnover is;

$$\text{Working Capital Turnover} = \frac{\text{Net Sales}}{\text{Net Working Capital (Current Assets)}}$$

Fixed Asset Turnover

Brigham & Houston (2011), fixed asset turnover ratios measure how effectively firms use factories and equipment, the fixed assets turnover is an ability to generate sales based on fixed assets owned by firms. The higher the turnover of fixed assets means the more effective use of these assets and vice versa, if the rotation of fixed assets decreases the fixed assets used less effective or are unemployed. The fixed asset turnover ratio can be used to determine whether the level of fixed assets owned is appropriate in an effort to generate sales. The turnover of fixed assets can be calculated by dividing sales by the average fixed assets and interpreted as the amount of money in sales generated from each unit of currency invested in fixed assets (Stice et al., 2005). The fixed asset turnover unit is times per year (accounting period). Fahmi (2014) fixed asset turnover formula is;

$$\text{Fixed Assets Turnover} = \frac{\text{Sales}}{\text{Fixed Assets}}$$

Leverage

Harahap (2013) leverage is a ratio that describes the relationship between corporate debt to capital, this ratio can see how far the firm financed by debt or outsiders of firms capabilities described by the capital, leverage ratio using debt and capital to measure the size of the intended debt ratio. This ratio can see how far the firm is financed by debt or outside parties with firms capability described by the capital.

Audit Opinion

Unquailed opinion concern is the survival of a business entity; an audit opinion in the business entity is considered able to maintain its business activities in the long term and will not be liquidated in the short term. Firms whose auditors are in doubt to the firm ability in maintain its viability will obtain an unqualified audit opinion with an explanatory paragraph on the ability of a business to maintain its viability. An audit opinion is issued by the auditor to ascertain whether the firm can maintain its viability (Febry, Qolillah et al., 2015). An audit report with a modification of going concern paragraph is an indication that there is an audited risk that can not last long (Febry, Qolillah et al., 2015), the decision involves several stages of analysis and may be considered the operations results, the economic conditions affecting the firm, the ability to repay the debt and future liquidity requirements. (Setyarno et al., 2006).

Prior Research

Yuliani, Zulkifli, Bokiu & Usman (2012) using variable working capital turnover and profitability by using sample of food and beverage firms which listed in Indonesia Stock Exchange for 2006-2011 period and found that capital turning have a positive and significant influence. Yan Andari, Rina Arifati & Rita Andini (2016) research to use a variable of Inventory turnover, cash turnover, receivable turnover and profitability in retail firms in Indonesia Stock Exchange 2009-2014 period and concluded that turnover receivables, inventory turnover and turnover cash has a positive effect in profitability. Fixed asset turnover negatively affects in profitability. Jihan Salim (2015) research using leverage and profitability variables with sample research firm property and real estate listed in Indonesia Stock Exchange in 2010-2014 period, concludes that leverage with proxy debt to equity ratio and time interested earned ratio has a positive effect in profitability, while leverage with debt to asset ratio proxy has no influence in profitability of Endah Adityaningrum (2012) research use a current ratio variable, gross profit margin, net profit margin, debt equity, leverage ratio, operating profit margin, return on investment, return on equity, total asset turnover, inventory turnover, price earnings ratio, price book value and audit opinion in manufacturing firms which has been listed in Indonesia Stock Exchange in 2007-2009 period, concluding that current ratio, gross profit margin, net profit margin, debt equity, leverage ratio and operating profit margin significantly influence acceptance of going concern audit opinion, whereas return on investment, return on equity, total asset turnover, inventory turnover, price earnings ratio, price book value have no significant effect on acceptance of audit opinion.

The framework of thought in this paper is;

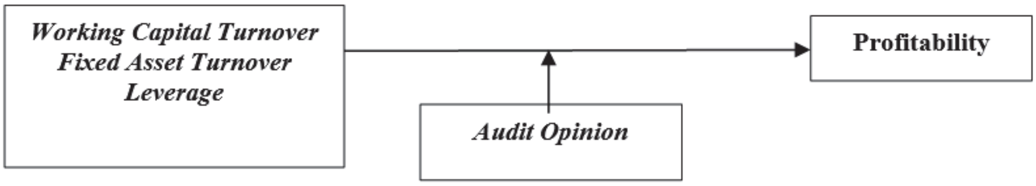

Figure 1
Framework - Development of Hypotheses

Relationship of Work Capital Turnover and Audit Opinion in Profitability

Working capital turnover by Cashmir (2014) is one of the ratios to measure the effectiveness of working capital for a given period, how much working capital spins over a period? Working Capital Turnover (WCT) is a ratio that shows the effectiveness of working capital in sales achieving. An audit opinion is issued by the external auditor to ascertain whether the firm may maintain its survival (Febry, 2012). The audit report with the modification of audit opinion is an indication that there is an audited risk cannot last long (Febry, 2012). Azhar & Ramesh (2011) show the working capital turnover ratio has a high positive correlation level to profitability. Yuliani et al., (2012) found that the turnover of working capital has a positive effect on profitability. An audit opinions given by the auditor are very influential on the reputation of the firm and show that the lack of effective turnover of working capital that will affect the profitability and indicate that the poor performance.

H1: Suspected Working Capital Turnover against Profitability

H4: Suspected Audit Opinion to Moderate Effect of Work Capital Turnover in Profitability.

Relationship of Fixed Asset Turnover and Going Concern Explanatory Paragraph in Profitability

The fixed assets rotation is used to measure the efficiency assets in supporting the sales activities, improper management of fixed assets can result in losses of opportunities that are so large that cannot optimize the performance and assets benefits, the proper management of fixed assets can be a great advantage as it optimizes the performance and asset benefits. Thus, asset turnover will affect the level of firm profitability, Arystya (2011) concluding that said fixed asset turnover has an influence on ROE. Andari et al., (2016) concluding that in fixed asset turnover negatively affect to profitability. The unqualified opinion with explanatory paragraph of going concern given by the auditor will be bad for the firm; the opinion shows the firms poor performance viewed by investors, the continuing business may also indicate that the ineffectiveness of the use of the firm's fixed assets to generate the firm's profits. This will affect the firm profitability because the rotation of fixed assets owned by the firm that is less effective so as to reduce the profits to be obtained by the firm resulting in the emergence of going concern paragraph of the auditor and can affect the firm profitability.

H2: Suspected Fixed Asset Turnover Affects Profitability

H5: Suspected Audience of Audit Opinion is able to moderate the Influence of Fixed Asset Turnover to Profitability

Leverage Relations and Audit Opinion against Profitability

Harahap (2013) leverage is a ratio that describes the relationship between corporate debt to capital, this ratio can see how far the firm financed by debt or outsiders capabilities described by capital. DER is used to find out each unit of capital itself used to guarantee debt. For creditors, the greater ratio is more detrimental because it means higher risks borne. Conversely, this ratio is getting better because low DER signifies the funding provided by the owner as a higher security (Cashmere, 2014). The higher the leverage ratio, the more it shows the poor corporate financial performance and can cause uncertainty about the firm survival. This causes the firm more likely to get explanatory paragraph of going concern. Adityaningrum (2012) found that leverage has a significant effect on going concern. Increased corporate leverage will indicate that the firm lacks the ability to manage its debts and result in corporate profits so as to generate a going concern explanatory paragraph will affect the firm's profitability.

H3: Suspected of Influential Leverage against Profitability

H6: Suspected Audit Opinion is able to moderate the Effect of Leverage in Profitability

RESEARCH METHODS

This research design is causality using multiple linear regression, data taken from *www.idx.co.id* and used a quantitative data or secondary data for information obtained, data is done by purposive sampling method, sampling based on certain characteristics that are considered to have a close relationship with the known population properties. The population engaged are manufacturing industry amounted to 183 firms. The sample selection using purposive sampling method so that the sample taken is 30 (thirty) firms by the conditions as follows;

a.) The manufacturing industry of the consumer goods sub-sector and is consistently listed in the Indonesia Stock Exchange (IDX) from 2011-2015.

b.) The financial statements are expressed in rupiah and treated consistently from 2011-2015.

c.) A manufacturing of the consumer goods industry sub-sector having the complete data required.

Data Analysis Model

Statistical model used is a multiple linear regression analysis, a classical assumption test was performed to find out that the model used was normal and did not contained symptoms of multicollinearity, autocorrelation, heteroscedasticity, normality, linearity and tested to determine the effect of independent variables in the dependent variable and moderating variables.

Multiple regression equations are formulated as follows;

ROE = α + β1 WCT + β2 FAT + β3 LEV + β4 WCT_AO + β5 FAT_AO + β6 LEV_AO + e

Where;
ROE = Profitability
α = Constants
β1, β2, β3, β4 = regression coefficients
WCT = Working Capital Turnover
FAT = Fixed Asset Turnover
LEV = Leverage
AO = Audit Opinion
e = *error*

RESEARCH RESULT

Data Description

The sample in this research is manufacturing firm sub sector of consumer goods industry listed in Indonesia Stock Exchange in 2011 to 2015 period. Descriptive sample is presented below;

Table 1 Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
WCT	99	.92	9.09	3.5608	1.90623
FAT	99	1.07	19.37	5.7458	3.74752
DER	99	.10	1.72	.5839	.40000
AO	99	.00	1.00	.4747	.50190
ROE	99	.00	.47	.1699	.10879
Valid N (list wise)	99				

Note; SPSS 20

Working capital turnover has the lowest value is 0.92 its explain that the funds invested in working capital rotate by 0.92 times in one year and the highest value of 9.09 and its explains that the funds invested in working capital spins 9.09 times in a year with an average value is 3.5608, meaning that the average value of working capital turnover of consumer goods industry is 3.5608 or 3 times and shows that every Rp1,00, working capital can generate sales of Rp3,00. Fixed asset turnover has the lowest value 1.07 is Gudang Garam in 2011, meaning that funds invested in fixed assets rotate 1.07 times in one year and the highest value is 19.37 is Merck Indonesia 2013, which means the funds invested in fixed assets rotate as much as 19.37 times in one year. With an average value is 5.7458, it shows that the average fixed asset turnover of the consumer goods industry is 5.7458 or 5 times and shows that every Rp.1,00, fixed assets can generate sales of Rp5,00.

Leverage has the lowest value 0.10 is Tiga Pilar Sejahtera Food 2011, it means own capital of 10% owned by the firm can pay off debt and the highest value is 1.72 i.e. Mayora Indah 2011, alone by 172% owned by the firm can pay off debt, an average value is 0.5839, meaning that the average own capital of 58.39% owned by the firms under study can pay off debt and the standard deviation is 0.40000, audit opinion has the lowest value of 0 which means the firm gets a non-going concern explanatory paragraph and the highest score 1 which means the firm gets audit opinion, with an average value is 0.4747, it means that the average firm studied got a non-going concern explanatory paragraph and a standard deviation is 0.50190.

Profitability as measured by return on equity has the lowest value is 0.00 which means that there are firms that do not have the return rate (earnings) obtained by the owner of the firm on invested capital and the highest value is 0.47 i.e. Merck Indonesia 2011, meaning the rate of return (income) earned by the firm shareholders in invested capital is 47%, an average value is 0.1699, meaning the average rate of return obtained by the firms shareholders under study of invested capital amounted to 16.99% and the standard deviation is 0.10879.

Table 2 Frequency of Audit Opinion with or without going concern in explanatory

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	AO without Going Concern Explanatory	53	53.5	53.5	53.5
	AO with Going Concern Explanatory	46	46.5	46.5	100.0
	Total	99	100.0	100.0	

Based on table 4.2 above, there are 53 firms (53.5%) of the total firms get non-going concern explanatory paragraph and the rest is 46 firms (46.5%) get going concern explanatory paragraph.

Table 3 - Partial Test Result I
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.180	.031		5.862	.000		
	WCT	-.014	.006	-.246	-2.243	.027	.716	1.397
	FAT	.008	.003	.277	2.864	.005	.919	1.088
	DER	-.011	.030	-.039	-.353	.725	.690	1.450

a. Dependent Variable: ROE

Regression Model

Y = 0,180 – 0,014 WCT + 0,008 FAT – 0,011 DER + e

First Hypothesis

Hypothesis one is working capital turnover effect in profitability, the result in table 4.7 above shows significant value less than 0, 05 (0,027 <0, 05) with regression coefficient equal to -0,014 and indicate that working capital turnover has a negative effect on return on equity.

Second Hypothesis

Hypothesis two is fixed asset turnover effect in profitability and the analysis results in table 4.7 above shows significant value smaller than 0.05 (0.005 <0.05) with a regression coefficient of 0.008 and indicate that fixed asset turnover has a positive effect on return on equity.

Third Hypothesis

Hypothesis three is leverage have no effect in profitability and the results in table 4.7 above shows significant value greater than 0.05 (0.725> 0.05) with a regression coefficient of -0.011. However, the significant value of leverage variables greater than 0.05 which explains that the leverage variable is not significant to return on equity so that the rise and fall of leverage does not affect return on equity.

Table 4 - Partial Test Result II
Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.166	.014		12.295	.000		
	wct_z	-.011	.010	-.222	-1.201	.233	.264	3.782
	fat_z	.011	.003	.384	3.640	.000	.812	1.232
	der_z	-.032	.052	-.110	-.611	.542	.280	3.577

a. Dependent Variable: ROE

Regression Model

Y = 0,166 – 0,011 WCT + 0,011 FAT – 0,032 DER + e

Fourth Hypothesis

Fourth hypothesis is audit opinion with a going concern explanatory paragraph cannot strengthen or to be reeked in working capital turnover relationship to profitability. Table 4.8 above shows significant value greater than 0.05 (0.233> 0.05) with a regression coefficient is -0.011. However, the significant value of working capital turnover variables moderated by audit opinion is greater than 0.05 which explains that the working capital turnover variable moderated by audit opinion with going concern explanatory paragraph is not significant to return on equity so that does not strengthen or weaken the influence of working capital turnover on return on equity.

The Fifth Hypothesis

Hypothesis five is an audit opinion with going concern explanatory paragraph can strengthen influence fixed asset turnover to profitability. Table 4.8 above shows significant value smaller than 0.05 (0,000 <0.05) with regression coefficient is 0.011, meaning that audit opinion with going concern explanatory paragraph can strengthen the effect of fixed asset turnover on return on equity.

The Sixth Hypothesis

Hypothesis six is audit opinion with going concern explanatory paragraph cannot strengthen or weaken influence of leverage to profitability. Table 4.8 above shows significant value greater than 0, 05 (0,542> 0, 05) with regression coefficient equal to -0,032, meaning that audit opinion with going concern explanatory paragraph weaken leverage influence to return on equity. However, the significant value of leverage variables moderated by audit opinion is greater than 0.05 which explains that leverage variables moderated by audit opinion are not significant to return on equity so that the audit opinion does not strengthen or weaken the leverage effect on return on equity.

Discussion

Working Capital Turnover Affects Profitability

This result of working capital turnover effect in profitability and in line with Saravanan & Ramganesh (2013) conducted show that working capital turnover ratio has a significant effect in profitability. This was happened because the velocity of working capital itself starts from cash is invested in working capital until the moment back into cash. The shorter the period of turnover of working capital the faster the rotation, so that working capital is higher and more efficient which in turn increase rent ability?

Fixed Asset Turnover Affects Profitability

This results of fixed asset turnover effect in profitability and is in line with Andari et al., (2016) concludes that fixed asset turnover negatively affect profitability, regression coefficient value is equal to 0,008; increasing fixed asset turnover hence will increase profitability equal to 0,008 and clear that the proper management of fixed assets can bring huge profits because can optimize the performance and benefits of these assets and asset turnover will affect the level of profitability.

Leverage Not Affecting Profitability

This result is a leverage does not affect profitability and not in line with Salim (2015) found that leverage which proxies with debt to equity ratio have positive effect to profitability and its explained that the efficiency of debt use does not affect profitability, so the use of debt is not able to improve the profitability. Leverage is not one of the main variables that can affect profitability and may be occurred when debt policy does not show improvement of performance and also means that the magnitude of the leverage value will not affect the size of profitability.

Audit Opinion does not moderate the Effect of Working Capital Turnover on Profitability

This results found that audit opinion with going concern explanatory paragraph cannot strengthen or weaken the influence of working capital turnover in profitability and it explains that giving of an audit opinion with an on-going concern explanatory paragraph cannot strengthen or weaken influence of working capital turnover to profitability, because an audit opinion that is given by external auditor as a recommendation will not give an impact to working capital that is owned by firm, to improve the profitability and may increase its working capital, either get an audit opinion with an on-going concern or non-going concern explanatory paragraph in order to increase profit.

Audit Opinion Can Moderate the Effect of Fixed Asset Turnover to Profitability

This results found that audit opinion with an on-going concern explanatory paragraph can strengthen the effect of fixed asset turnover in profitability, coefficient value is 0.011 explains that audit opinion with an on-going concern explanatory can strengthen the effect of fixed asset turnover in profitability and its explained that the provision of audit opinion can strengthen the effect of fixed asset turnover in profitability; the acceptance of audit opinion indicates that becoming one of the main factors to improve its performance and to increase profit.

Audit Opinion Cannot Moderate the Effect of Leverage on Profitability

This results found that audit opinion with going concern explanatory paragraph cannot strengthen or weaken the influence of leverage on profitability and its explained that the provision of audit opinion is not able to strengthen or weaken the influence of leverage on profitability, the acceptance of audit opinion either with going concern or non-going concern explanatory paragraph to improve its performance and reducing the leverage in order to increase profits.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Working capital turnover effect in profitability and it may be happenned because the velocity of working capital itself starts from when the cash has been invested in the component of working capital until the moment back into cash. The shorter the period of turnover of working capital is the faster the rotation, so working capital is higher and more efficient which in turn to increase profitability.

Fixed asset turnover effect in profitability and be cleared that the proper management of fixed assets can bring huge profits and may be optimized the performance and benefits of these assets. Thus, asset turnover will affect the level of profitability.

Leverage has no effect in profitability and it may be explained that the efficiency of the use of receivables does not affect profitability, so the use of debt is not able to improve the profitability. Leverage is not one of the main variables that can affect profitability and may be occurred when the debt policy does not show improvement of performance.

Founding an audit opinion with an ongoing concern explanatory paragraph does not moderate the effect of working capital turnover on profitability and its explained that giving of audit opinion cannot strengthen or weaken influence of working capital turnover to profitability, because an audit opinion given by external auditor of firm as recommendation will not impact to working capital to improve profitability.

Audit opinion with an ongoing concern explanatory paragraph strengthens the effect of fixed asset turnover on profitability and it's explained that the provision of opinion can strengthen the effect of fixed asset turnover on profitability; the acceptance of audit opinion shows that to be one of the main factors of the firm to improve the performance and to increase profit.

Founding that an audit opinion with an ongoing concern explanatory paragraph cannot support strength or weaken the effect of leverage on profitability and its explained that the provision of audit opinion is not able to strengthen or weaken the influence of leverage on profitability, acceptance of audit opinion either with going concern or non-going concern explanatory paragraph makes the firm to improve performance so as to reduce leverage in order to increase profits.

Suggestions for next research are as follows;

1. Management should improve the financial performance for creating profitability or working capital.
2. It's may be explored to use a wider sample for being generalized, plus more firm years, leverage and modify variables that may be affected the profitability.

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