USE OF THE REGRESSION METHOD IN IDENTIFYING THE CAUSAL LINK AND THE INTERFERENCES BETWEEN ACCOUNTING-FISCAL-AUDIT

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Abstract
The fiscal pressure generated by the current economic connection, the countless legislative changes and their rapid evolution highlight the importance of one of the fundamental principles of accounting, namely the going concern hypothesis, an increasing number of companies, facing foresight difficulties, being unable to say for certain that these conditions can ensure a normal performance of their activity, and under these conditions, the attention, professional reasoning and responsibility of the auditors are extremely important. For the purpose of identifying the links between accounting, taxation and audit, respectively to assess the impact of determinants, fiscal pressure, indebtedness degree, auditor type, key audit aspects, turnover on business continuity, and, for ,,top traded" to BSE entities in the period 2018-2022, two econometric models were proposed, namely a multiple OLS linear regression and an OLS regression with the option Polled OLS. The study found that there is a significant link between the variables, the change in the dependent variable being influenced by 19% of the change in the independent variables, all hypotheses are confirmed by the results obtained.

Keywords
going concern, fiscal pressure, auditor, audit opinion, key audit aspect, turnover, indebtedness degree

JEL Classification
M41, M41, H25, H32, H71

Introduction

One of the generally accepted basic accounting principles is the going concern principle that starts from the premise that a company normally continues to operate, without entering into a state of liquidation or significant reduction of activity, and when the management of the entity determines that it intends to cease its activity, the annual financial statements will no longer be prepared in accordance with the principle of going concern.

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The first indications of significant uncertainities regarding the continuity of an entity's activity can be obtained from the financial statements and and from the audit report as a result, thus becoming essential to assume the responsibilities that managers and financial auditors have in assessing the appropriateness of the principle of going concern.
From the auditor's perspective, the presumption of business continuity refers to the assertion that an entity is considered to have business continuity in the foreseeable future without the intention or need for liquidation, termination of transactions or search for protection against creditors under the terms of the law or other regulations. Therefore, assets and liabilities are recorded with the assumption that the reporting entity will be able to fulfill its obligations and realize its assets in the regular course of business.
The fiscal pressure index is a measure of the amount of money that must be contributed to the support of legally-mandated fiscal tasks, its growth indicates the percentage of income that is imposable that will be used to fund societal needs, while an increase in the fiscal pressure index indicates a rise in state spending on prelevations and, respectively, a relative reduction of the income left at the disposal of the taxpayer (Baciu, 2012), the fiscal strategy of the authorities may have adverse effects, such as slowing economic growth, discouraging investments, a reduction of Romania's competitiveness on the global market, and, migrating the activity to other countries more favorable from a fiscal point of view and even influencing the entities in terms of the principle of business continuity.
The objective of the research is to analyse how the going concern y principle is affected by tax pressure and how the auditor belongs to the Big 4 or Non-Big 4 category, the number of key audit aspects included in the audit report confirms the positive or negative implications on the business continuity principle.

1. Review of the scientific literature

The topic of the going concern y principle was generally associated, in the literature with the role of the financial auditor. Thus, it was analyzed the manner in which the existing standards provide sufficient indications for the financial auditor regarding the business continuity aspects (Masocha et. al, 2007), in issuing an audit report highlighting business continuity issues, financial factors, non-financial factors or a combination of such factors (Lam, 2006; LaSalle, 2006; Miller, 1999), the auditor's role in testing the principle of going concern should be active or passive or the liability of the financial auditor was analyzed (Miller, 1999), the competence of financial auditors to issue judgments on business continuity, as well as their ability to withstand pressures from the beneficiary company and from the social, political and economic environment (Arnold, 2001; Barnes, 2004), market reaction to audit reports revealing business continuity uncertainties (Taffler, 2004; Peel, 1989; Jones, 1996; Citron, 2008), when financial auditors report issues regarding going concern in publicly available audit reports, investors respond negatively (Menon and Williams, 2010; Chen et al., 2012), the market associates the reporting of continuity problems with a risk communication, which leads to changing the market valuation of firms in difficulty (Blay et al., 2011), investor confidence in the financial markets is often conditioned by trust in financial

auditors, the opinion on business continuity can have immediate consequences for both the profession of auditor, as well as for users of financial statements (Rodgers et al., 2019). Failure to prepare annual financial statements based on the principle of business continuity will affect accounting policies and estimates in relation to the estimation of the life of assets for depreciation, estimation of impairment adjustments and provisions, and, reclassification of receivables and debts from long-term to short-term employment, etc. (Grosu et al., 2023). The quality of financial reporting was appreciated according to the techniques of results management, the social responsibility of companies (Timbate and Park, 2018; Goncalves et al., 2021; Ryu et al., 2021) and the periods that have passed, so that under adverse economic conditions, management opportunistically uses the status of sustainable society to manage earnings (Goncalves et al., 2021).

The quality of the audit is a sensitive and difficult subject to know, because there are many aspects that can affect it, the value of the audit quality is directly proportional to the trust of the user in the audit report (Putri et al., 2021). Also, in order to quantify the quality of audit services, a number of specific indicators were identified such as: audit fees, auditor size, industry expertise, auditor mandate, reputation of the auditor (Hosseinniakani et al., 2014), auditor rotation, key audit aspects. The membership of the auditor in the Big4 group offers superior audit quality (DeAngelo 1981), due to the fact that Big4 entities possess distinguished human resources and superior technical and technological skills, and are able to differentiate their services from other audit firms in order to provide superior audit quality (Sirois, 2009), Big4 auditors provide better quality audits than non-Big 4 auditors (Lawrence et al., 2011), studying Chinese firms listed on the stock exchange. Chen et al, (2011) identified a positive relationship between the auditor type and the audit quality, Astami et al. (2017) examined the link between the audit quality and the type of auditors in Asia, concluding that Big4 firms are able to provide superior audit quality, Lopes (2018) looked at the relationship between auditor type and audit quality in Portugal, big4 firms outperform audit firms that do not belong to this group, using as a sample of listed companies from the US, Japan, Italy, France and Spain, Alvarado et al. (2019) believes that Big4 audit firms offer higher audit quality than other audit firms. At the opposite side are researchers like Barnes, Cussatt and Harp (2018) who believe that smaller auditors (non Big4) are incentivized to provide quality audits to attract and retain customers (national reputation), while large auditors (Big 4) have a lot to lose because of their bad reputation.

After the financial crisis of 2008-2009, there was a growing requirement to improve the quality of audit reporting, and following discussions between the European Union and IAASB – International Auditing and Assurance Standards Board (IAASB, 2018), the new audit reports will require financial auditors to submit their KAMs, which are the risks encountered during the audit process, the important judgments or significant events during the audit period in a language that investors can understand (Grosu et al..,2023), the inclusion of KAMs in the auditor's report is aimed at improving the communication of auditors with stakeholders (Barghathi et.al., 2021; Hategan et al., 2015), KAM is considered an art of conversation (Minutti-Meza, 2021) or a power of words by measuring the value of audit reports (Seebeck and Kaya, 2021).

Ozcan (2021) studying non-financial companies listed on the Istanbul Stock Exchange in 2019, in the proposed regression model, he investigated the factors that affect the key aspects of the audit, considering the number of KAMs as dependent variable, and the type of auditor, the auditor's opinion, business complexity, and, financial performance and total assets of companies were independent variables, with results indicating that non-Big4 auditors disclosed more key audit issues than Big4 group auditors, and the complexity of companies' activities increases the number of KAMs. Zeng et.al (2021) in a study of Chinese companies showed that the number of KAMs and their presentation (i.e., subject, similarity, and, the clarity and length of the paragraphs) signal the concern of the auditors about the quality of customer earnings, the audit effort and the possibility of issuing an amended opinion.

2. Research methodology

The research methodology involved both qualitative analysis by manually extracting the data using the information stored in the database of the Bucharest Stock Exchange and quantitative, as well, by proposing two econometric models, namely a multiple OLS linear regression and an OLS regression with the Polled OLS option.

Econometric methodology developed to evaluate the impact of determinants, namely fiscal pressure, indebtedness degree, auditor type, key audit aspects, turnover on going concern, for entities „top traded" to BSE in the period 2018-2022 involved testing the stationarity of data, multicollinearity between variables, the homoscedasticity of random errors, the auto-correlation of errors, co-integration tests, the normality of error distribution.

In literature it was examined the empirical capacity of the GCAR (Going Concern Audit Report; a variable indicator that equals 1 in the event that the auditor issues a Going Concern Audit Report and 0 in other cases; Audit Analytics variable GOING_CONCERN) as a proxy for audit quality and finds that distinct and different models have different effects on the auditor's quality, findings of the study caution against using the tendency to use GCAR results as a stand-in for audit quality (Chu et all, 2024), There were analyzed the factors that influence the audit opinion in the form of auditor change and financial performance of the company, which consists in company growth, liquidity and solvency, and, having as sample the production companies listed on the Indonesian Stock Exchange (IDX) in the period 2016-2020, and the results of the logistic regression analysis tests show that the financial performance of the company in the form of company growth, liquidity and solvency have an influence on the presentation of an audit opinion, as well, but not on the change of Auditors (Nurulita and Humairoh, 2023). The association between principles-based accounting standards and audit pricing and between principles-based accounting standards and the likelihood of receiving an opinion on going concern through the use of multiple models regression, the results showing that the degree of dependence of a US firm on principles-based accounting standards has a negative impact on accounting conservatism, the risk of distortion of financial statements, and, commitments and difficulty predicting future earnings (Subedi, 2023), collecting numerical data and performing the analysis using statistical analysis SPSS software on a sample of 186 companies in the field of manufacturing, companies listed on the Indonesian Stock

Exchange in the period 2018–2020 using data from annual financial reports and audit reports, using as dependent variables the audit opinion on going concern, and as dependent variables liquidity, leverage, profitability, audit quality, audit lag and opinion shopping (Setiawan, 2024).

3. Results and discussions

For conducting the study, the population was represented by the totality of „top traded" companies listed on the Bucharest Stock Exchange (BSE). Compared to the initial number of 73 traded companies, listed on the Bucharest Stock Exchange (BSE) for a period of 10 years, respectively, 2012-2022, due to the unavailability of annual reports, the sample was narrowed down to a sample comprising 45 „top traded" listed companies on the Bucharest Stock Exchange (BSE), for which data were collected manually from the annual financial statements and audit reports issued for the period 2018-2022.

Depending on the object of activity, the analyzed sample includes companies active in the manufacturing industry (38%), services companies (11%), oil energy companies (13%), pharmaceutical chemical companies (16%), construction companies (5%), Horeca companies (4%) companies operating in the administration of financial markets (11%), companies active in the construction industry. In Figure no. 1 the distribution of the sampled companies by field of activity is rendered.

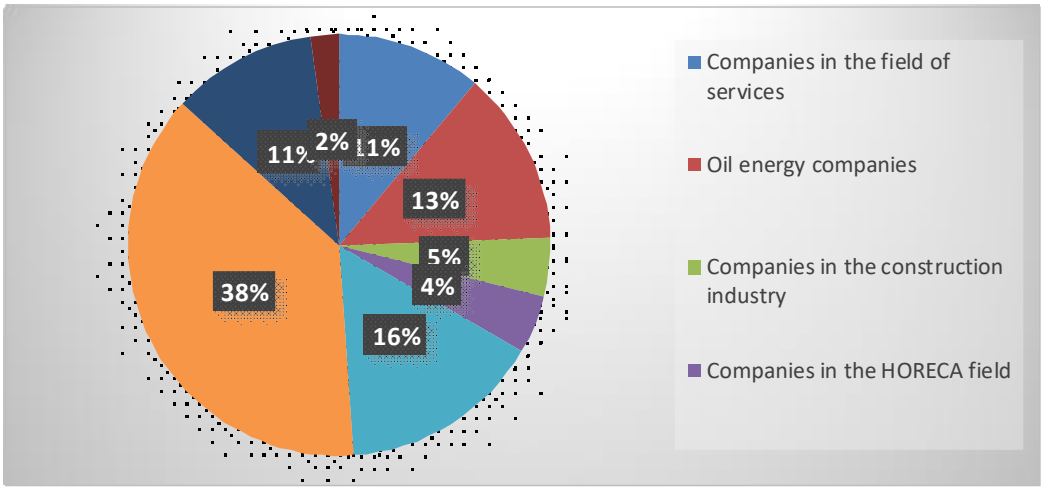

Figure no. 1 Areas of activity
Source: own processing

3.1 Research assumptions, variables analysed, source of data

Analyzing the variables identified in the literature and using theoretical reasoning, the following hypotheses were considered:

- H1 Hypothesis: Tax pressure has a negative influence on the going concern of the entity.
- H2 Hypothesis: The degree of indebtedness contributes to the decrease of the entity going concern score.
- Hypothesis H3: The type of auditor has a positive impact on the going concern of the entity.
- Hypothesis H4: Key audit aspects exert a negative influence on the going concern of the entity.
- H5 Hypothesis: Turnover has a positive impact on the going concern of the entity.

In order to identify the existing correlations between the three research areas, namely taxation, accounting and audit, we proposed for each domain certain variables that are found in (Table no. 1).
The 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 analysed sample for the period 2018-2022, according to the IFRS, and the analysis of the data was done with the help of STATA software.

Table no. 1 Variables analyzed

DOMAIN	VARIABILE	DESCRIPTION	CODE
TAXATION	**FISCAL PRESSURE**		PRES.F
ACCOUNTING	**GOING CONCERN**	3- Respected 2- Respected partly 1- Unrespected	CONT.ACTIV.
	TURNOVER		CA
	DEGREE OF INDEBTEDNESS		GR.Î
AUDIT	**AUDITOR**	Big 4 - 2 Non- Big4 - 1	AUD.
	KAM	Number of key audit issues identified (1-13)	KAM

Source: own processing

The dependent variable chosen for modelling is ***the going concern*** and varies in score between 1 and 3, calculated for ,,top traded entities" to BVB in the period 2018-2022, as previously described, with a standard deviation of 0.6602 and an average of 2.6741 (Table no. 2).
Independent variables are:

- ***Tax pressure*** that has been caculated as a ratio between income/profit/specific tax, social contributions and insurers, other taxes and turnover for entities ,,top traded" to BVB in the period 2018-2022, ranges from 0.0005 to 4.4188, with a

standard deviation of 0.4646 and an average of 0.1406. Tax pressure is expected to exert a negative influence on the continuity of the entity's business.

- ***The indebtedness degree*** is a financial indicator that allows companies to assess their liabilities against assets, the higher the indebtedness is, the greater the risk that the company will compromise its functioning. The degree of indebtedness for „top traded" to BSE entities in the period 2018-2022, varies between 0.0048 and 0.9791, with a standard deviation of 0.2567 and an average of 0.3557. The degree of indebtedness is expected to have a negative impact on the going concern of the entity.
- ***The type of auditor*** has involved the classification of auditors into two categories, according to the literature, namely those belonging to the Big4 group and auditors belonging to the Non-Big 4 category, respectively, and the score varies between 1 and 2, with a strand deviation of 0.4850 and an average of 1.3744, and it is estimated that it will have a positive impact on the going concern of the entity.
- The number of key audit aspects varies between 0 and 13, with a standard deviation of 1.4793 and an average of 1.5937, with the expected negative influence on the going concern of the entity.
- The turnover is represented by the total revenues made by a company as a result of its activity, being one of the most important financial indicators of a business. The indicator varies between 12.5626 and 23.85992, with a strand deviation of 2.1204 and an average of 18.9883, and is expected to have a positive influence on the going concern of the entity.

Table no. 2 Descriptive statistics of variables – entities „top traded" to BSE, 2018-2022

Variables	Obs.	Medium	Standard deviation	Min	Max
Going concern	224	2.6741	0.6602	1	3
Fiscal pressure	224	0.1406	0.4646	0.0005	4.4188
Indebtedness	224	0.3557	0.2567	0.0048	0.9791
Auditor type	224	1.3744	0.4850	1	2
Key audit aspects	224	1.5937	1.4793	0	13
Turnover	224	18.9883	2.1204	12.5626	23.85992

Source: own processing

3.2 Description of regression models

The multiple linear regression model assumed the following equation:

$$Going\ concern = \alpha_0 + \beta_1 \times Fiscal\ pressure_{i,t} + \beta_2 \times \text{Indebtedness}_{i,t} + \beta_2 \times \text{Auditor type}_{i,t} + \beta_2 \times \text{Key audit aspects}_{i,t} + \beta_2 \times \text{Turnover}_{i,t} + \varepsilon_{i,t} \quad (1)$$

where i represent „the top traded entities" in Romania at 15.01.2024, t represents the period (year), β_k are the regression coefficients of the independent variables (k

represent the independent variables), and α_0 is the constant and $\varepsilon_{i,t}$ is the error, the residual variable, not encapsulated by the independent variables.

The econometric analysis started with a multiple OLS linear regression and OLS regression with the Polled OLS option, and we got a 0.1963 R-square in both variants, this means that there was a significant link between the variables, the change in the independent variables being able to influence the change in the dependent variable by 19%. In the models obtained for going concern, the sample consists of 219 observations, and the tests, the results of regressions, the correlation coefficients together with the standard error and t values in the Student test and the significance level are illustrated in (Table no. 3).

Table no.3 Econometric models for going concern -„top traded entities" to BVB, 2018-2022

	OLS Model				POOLED OLS Model			
Going concern	**Coef.**	**Std. Err**	**t**	**P**	**Coef.**	**Robust Std. Err**	**t**	**P**
Fiscal pressure	-0.185	0.091	-2.03	0.044**	-0.185	0.045	-4.08	0.000*
Indebtedness	-0.695	0.180	-3.85	0.000*	-0.695	0.201	-3.45	0.001*
Auditor type	0.271	0.094	2.88	0.004*	0.271	0.070	3.84	0.000*
Key audit aspects	-0.080	0.029	-2.71	0.007*	-0.080	0.225	-3.55	0.000*
Turnover	0.474	0.021	2.17	0.031**	0.474	0.020	2.27	0.024*
Cons.	1.800	0.390	4.62	0.000*	1.800	0.392	4.59	0.000*
OBS.	219				219			
R^2	0.196				0.196			
F(5,213)	10.40				46.52			

Source: own processing, Stata, * denotes statistical significance at 1%, ** denotes statistical significance at 5%, *** denotes statistical significance at 10% (** p<0.01, ** p<0.05, * p<0.1).

As we can see in (Table no. 3), statistically significant results were obtained in both regression models, which show that when growing with a unit of independent variables, going concern will increase by about 0.27% in relation to auditor type, and by about 0.47% in relation to turnover. The connection with the fiscal pressure turns out to be inversely proportional, at an increase of it with a unit, the going concern will decrease by about 0.18%, the same is the case with the degree of indebtedness to its growth with a unit, the going concern will decrease by about 0.69%, similar situation for the key audit aspects, which means that when growing with a unit of them, the going concern will decrease by about 0.08%.

3.3. Research results, model testing and discussions

The multicollinearity testing between the variables involved the use of correlation matrix, namely VIF (Variance Inflation Factor) test to verify the existence of multicollinearity between the independent variables examined, having as dependent variable the going concern. The correlation matrix contains equivalent correlation values lower than the limit of 0.8 (Brooks, 2008; Haniffa & Cooke, 2005), values greater than 1 suggesting factor retention (Kyriazos and Poga, 2023), this shows that the variables examined are not interrelated (Table no.4). The VIF test illustrates that the highest VIF value is 1.30 for the variable degree of indebtedness and the lowest is 1.10 for the fiscal pressure, which is the generally accepted threshold for multicollinearity is a VIF value of 5 (Hair et al., 2010), it follows that the values are considered statistically acceptable, so multicollinearity is not present.

Table no. 4 Correlation matrix and VIF test (Variance Inflation Factor) for going concern - „ top traded entities" to BVB, 2018-2022

Variables	(1)	(2)	(3)	(4)	(5)	(6)	VIF	1/VIF
Going concern	**1.000**							
Fiscal pressure	-0.1581	**1.000**					1.10	0.9093
Indebtedness	-0.2332	-0.0153	**1.000**				1.30	0.7704
Auditor type	0.1893	0.0480	0.2719	**1.000**			1.25	0.8010
Key audit aspects	-0.2877	0.0036	0.3200	-0.1127	**1.000**		1.17	0.8572
Turnover	0.1627	-0.2561	0.2935	0.3363	0.0251	**1.000**	1.29	0.7729

Source: own processing, Stata

The homoscedasticity hypothesis assumes that the variance of errors is constant, and if the errors do not have a constant variance, it means that they are heteroscedastic (Brooks, 2008), it may also involve a 3-step data analysis process for detecting and managing heterosedasticity: (a) equipping a theory-based and residue-saving model, (b) residue analysis and (c) statistical deductions (e.g., hypothesis tests and confidence intervals) involving parameter estimates (Rosopa and all, 2023). As can be seen in (Table no. 5), following the White test (White, 1980), the probability value of chi-squared statistics is greater than 0.05 and hence the homoscedasticity of random errors. Unlike these results, the Breusch-Pagan test result (Breusch & Pagan, 1979) shows that

the null hypothesis of constant variance can be rejected at a significance level of 5%, which suggests that there is heteroscedasticity to random errors.

Table no. 5 Testing the homoscedasticity of random errors for going concern - „top traded entities" to BVB, 2018-2022

Breusch-Pagan test (going concern)		**White test (going concern)**	
H_0: Constant variance		*H_0: homoskedasticity* *H_a: unrestricted heteroskedasticity*	
chi2	4.38	*chi2*	29.66
P-value	0.0363	*P-value*	0.0563

Source: own processing, Stata

For testing the self-correlation of errors was applied Wooldridge's test (Drukker, 2003; Wooldridge, 2002; Rizwanullah, 2024), the results suggesting that the null hypothesis of the lack of serial correlation is rejected and there is a serial correlation in the idiosyncratic error term (Table no. 6).

Table no. 6 Wooldridge test for auto-correlation of errors for going concern -„top traded entities" to BVB, 2018-2022

Wooldridge test for auto-correlation of errors	
Going concern	
H_0: Lack of first-order self-correlation	
F-test	2.413
P-value	0.1277

Source: own processing, Stata

Co-integration testing, to study the long-term balance between variables, involved applying the Kao co-integration test (Kao, 1999). The findings of the test confirm that the studied variables are co-integrated (p-value are below the 1% threshold of statistical significance) as we observe in (Table no. 7).

Table no. 7 Kao co-integration test for going concern - „top traded entities" to BVB, 2018-2022

Kao co-integration test for going concern	
H_0: no cointegration *H_a: all panels are cointegrated*	
	P-value
Modified Dickey-fuller t	*0.0004*
Dickey-fuller t	*0.0025*
Augmented Dickey-fuller t	*0.0000*
Unadjusted modified Dickey-fuller t	*0.1034*
Unadjusted Dickey-fuller t	*0.0000*

Source: own processing, Stata

Table no. 8 Skewness/Kurtosis test for going concern „top traded entities" to BVB, 2018-2022

Variables	Obs	Pr(Skewness)	Pr(Kurtosis)	adj_chi2(2)	Prob>chi2
Going concern	224	0.000	0.000	55.97	0.000
Fiscal pressure	224	0.000	0.000	-	0.000
Indebtedness	224	0.000	0.000	18.36	0.001
Auditor type	224	0.000	0.000	-	-
Key audit aspects	224	0.000	0.000	-	0.000
Turnover	224	0.000	0.000	0.07	0.967

Source: own processing, Stata

Conclusions

Analyzing the results of the two regressions, namely the OLS multiple linear regression and OLS regression with the Polled OLS option, we conclude that there is a significant link between the variables, the change in independent variables may influence the change in the dependent variable by 19%, and that all assumptions are supported by the results obtained.

Following the tests carried out, it is found that the classical assumptions specific to regressions, namely, the homoscedasticity of errors (the data are heteroscedastic in the sense of Breusch-Pagan tests), autocorrelated (serial correlation) and co-integrated (feasible for long-term relationships between variables), data stationarity are breached. The absence of multicollinearity and normality of data, specific prerequisites for classical regressions are met.

Following the study carried out, the going concern will increase by about 0.27% in relation to the type of auditor, result also supported by the existing literature which often assumes that BIG 4 auditors will be more likely to issue GCARs because they are more perceptive in identifying high-risk customers, this ignores the possible increase in GCAR issuance by Non BIG 4 auditors used as a precautionary disclaimer to reduce litigation risk (Chu et all, 2024). Some researchers (Qianqun et all, 2024) believe that small audit firms will only mislead non-professional investors and expand research on the association between audit reports, specific reporting quality and allocation of resources to the capital market. The link to the degree of indebtedness turns out to be inversely proportional to its growth with a unit, the going concern will decrease by about 0.69%, this fact being supported by other studies that introduce in this equation the activity of the auditor who will provide a continuous audit opinion to organizations whose asset value is lower than the total debt (Nurulita and Humairoh 2023), companies with high debt ratios will face financial difficulties that will affect going concern, and this will make it harder for the auditor to issue an opinion on going concern (Setiawan, 2024).

Practical implications

The research contributes to the development of the literature on the positive or negative implications on the principle of going concern.

Limits

Testing of the data stationarity (, through the unit root test (unit root tests) confirmed the null hypothesis according to which all panels contain unit root (they are not stationary).

Future directions to study

Propose new regression models to confirm the link between variables such as business continuity, number of highlighted business continuity issues, fiscal pressure, indebtedness, solvency, equity, auditor type, audit opinion, key audit aspects.

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