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RE-ASSESSING THE REALIABILITY OF GOING-CONCERN FINANCIAL REPORTING IN NIGERIA

ABSTRACT

It is the responsibility of both the directors and the external auditors to express their opinion on the going-concern status of the business entities form the basis of assets' values to be disclosed in the balance sheet and provide confidence for the investing public. The thesis of this study is to determine how reliable the external auditors' going-concern opinion in Nigeria is. The study collected data on the nature of audit reports, working capital, net profit or loss after tax and cash flow from operating activities of twenty- five randomly selected listed public companies over ten year period from 1999 to 2008. Going-concern status of a business firm was theoretically estimated by three indicators: the persistent working capital adequacy (or deficiency), net operating profits (or losses) and positive or negative cash flow from the operating activities of a business firm over a consecutive three year period. Using spearman rank correlation technique we discovered statistically significant positive relationships between the nature of audit reports and the going-concern statuses of business firms. We conclude that the going-concern opinions and judgements of auditors as expressed in the audit reports in Nigeria are reliable.

Key words: Going-concern, going-concern opinions and judgements, working capital adequacy or deficiency, qualified audit report and unqualified audit report.