

**PENGARUH KESULITAN KEUANGAN, OPINI AUDIT, BIAYA AUDIT,
DAN PENUNDAAN AUDIT TERHADAP PENINGKATAN PERALIHAN
AUDITOR, PENURUNAN PENILAIAN, DAN SAMEGRADE**

***THE INFLUENCE OF FINANCIAL DISTRESS, AUDIT OPINION, AUDIT
FEE AND AUDIT DELAY ON AUDITOR SWITCHING UPGRADE,
DOWNGRADE AND SAMEGRADE***

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ABSTRAK

Penelitian ini bertujuan untuk menganalisis faktor-faktor apa saja yang memengaruhi perubahan jenis peningkatan peringkat KAP. Studi ini berfokus pada tiga jenis perubahan jenis firma audit: penurunan peringkat, peningkatan peringkat, dan peringkat tetap, yang dipengaruhi oleh faktor-faktor seperti kesulitan keuangan, opini audit, biaya audit, dan keterlambatan audit. Populasi penelitian terdiri dari 92 perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) dari tahun 2020 hingga 2022, dengan data yang diperoleh dari laporan keuangan dan laporan tahunan mereka. Dengan menggunakan regresi logistik multinomial untuk analisis, hasilnya menunjukkan bahwa kesulitan keuangan secara positif dan signifikan memengaruhi perubahan jenis audit samegrade, tetapi tidak berdampak pada perubahan jenis upgrade atau downgrade. Penundaan audit juga menunjukkan efek positif yang signifikan terhadap jenis audit downgrade dan samegrade, sementara tidak berpengaruh terhadap upgrade. Sebaliknya, studi ini menemukan bahwa opini audit dan biaya tidak secara signifikan memengaruhi perubahan jenis firma audit. Berdasarkan temuan ini, penelitian di masa depan sebaiknya mempertimbangkan untuk meneliti sektor di luar manufaktur dan memasukkan variabel yang lebih luas, seperti pergantian anggota komite audit, ukuran klien, pergantian manajemen, profitabilitas, return on assets, dan pertumbuhan perusahaan.

Kata Kunci: *audit delay*, biaya audit, opini audit, *financial distress*, perubahan KAP

ABSTRACT

This research aims to analyze what factors influence the change in the type of KAP upgrade. The study focuses on three types of changes in audit firm types: downgrade, upgrade, and samegrade, influenced by factors such as financial distress, audit opinion,

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audit fee, and audit delay. The research population consists of 92 manufacturing companies listed on the Indonesia Stock Exchange (BEI) from 2020 to 2022, with data obtained from their financial statements and annual reports. Using multinomial logistic regression for analysis, the results indicate that financial distress positively and significantly affects changes in samegrade audit types but does not impact changes in upgrade or downgrade types. Audit delay also shows a significant positive effect on both downgrade and samegrade audit types, while having no effect on upgrades. Conversely, the study finds that audit opinion and fee do not significantly influence any changes in audit firm types. Based on these findings, future research should consider examining sectors beyond manufacturing and include a wider array of variables, such as audit committee turnover, client size, management turnover, profitability, return on assets, and company growth.

Keywords: *Audit Opinion, Audit Fee, Audit Delay, Change of KAP, Financial Distress.*

1. INTRODUCTION

Financial reports can present financial information that is accurate, relevant, easy to understand, and accountable to users of financial reports because the quality of financial reports is the main key for users. Stakeholders in decision-making. Therefore, it is necessary to audit financial reports by an independent party, namely an auditor at the Public Accounting Firm (KAP), to improve the quality of information in the company's financial reports. Companies that go public and register on the Indonesia Stock Exchange (BEI) are required to publish audited financial reports every year (Naili & Primasari, 2020). Auditors are considered independent parties who are trusted by shareholders and creditors because their audited reports are free from financial reporting problems and have been presented fairly.

In fact, there are still many cases where financial statements are presented incorrectly so that they do not reflect the true condition of the entity or company. Apart from the role of management which must be able to reveal the true condition of the company, the role of auditors in providing audit opinions is also very important so as not to provide incorrect information to stakeholders. Like a case phenomenon that really shocked many people regarding the financial manipulation case experienced by the airline company owned by the State-Owned Enterprise (BUMN) PT Garuda Indonesia Tbk (GIAA) in 2019. It is known that before using the public accounting firm (KAP) Tanubrata Sutanto Fahmi

Bambang and Partners, from 2014 to 201, GIAA was audited by a public accounting firm (KAP) which is affiliated with one of big four Deloitte's international auditor, namely the public accounting firm (KAP) Satrio Bing Eny and Partners.

Many companies were found to have transferred KAPs, both from KAPs affiliated with the big four to KAP that is not affiliated with the big four and vice versa. The company is considering changing KAP, changing KAP upgrade, downgrade, and samegrade. According to Hermawan and Fitriani (2013), the change in KAP upgrade is the change from medium to large KAP, from small to medium KAP, and from small to large KAP. Change in KAP downgrade is the change from large to medium KAP, from large to small KAP, and from medium to small KAP. Change in KAP grade is the change from large to large KAP, from medium to medium KAP, and from small to small KAP.

The phenomenon of auditor switching in Indonesia is often triggered by concerns over financial statement integrity, such as the 2019 financial manipulation case of PT Garuda Indonesia Tbk., which involved a shift from a big four-affiliated firm to a non-affiliated firm. This research aims to address the research gap arising from inconsistent findings in previous studies regarding how financial health and audit opinions influence a company's decision to upgrade, downgrade, or samegrade their audit firm. The novelty of this study lies in the use of the Altman Z-Score for more accurate financial distress measurement and the simultaneous testing of three distinct directions of auditor switching.

2. LITERATURE REVIEW AND HYPOTHESIS

Research in the field of KAP replacement has been widely carried out both in Indonesia and abroad, one of which is research conducted by Setiawati et al. (2020), which examines the factors that influence companies to change their KAP to either type upgrade, downgrade, or samegrade. The cause is internal factors from the client company, which changes KAP. This research was inspired by this research, where the factors examined in this research were internal factors from the client company that caused KAP changes.

The difference between previous research and the research to be conducted is the use of other variables, namely audit opinion, audit fee and audit delay. In addition, measurement scales for variables *financial distress* use *Altman Z-Score* because of the results of Z-Score more accurate. The theories used in this research are agency theory and contract theory. According to Jensen and Meckling (1976), agency theory explains the relationship between the management of a business and the business owner. The connection is that the role of an independent third party is needed, namely KAP, which functions as an intermediary who is expected to be able to bridge differences in interests and prevent information asymmetry or the condition of agents being superior in knowing and understanding information compared to outside parties. The first contract theory is an agreement by one actor to carry out an action that has economic value to another party, of course with the consequence of a retaliatory action or payment. The relationship is that each party signs the contract *principal* nor *agent*, will make payments to each other for the agree.

Under agency theory, auditor switching is viewed as a mechanism for the principal to reduce information asymmetry. Operationally (1) financial distress: encourages management (agents) to downgrade their public accounting firm (KAP) to minimize monitoring costs; (2) audit opinion: an unsatisfactory opinion signals a performance failure by the agent, prompting the principal to switch auditors to restore market confidence; (3) audit fee: serves as an incentive for auditor independence; excessive fees without corresponding quality may lead to contract termination; (4) audit delay: signifies the agent's failure to provide timely information, necessitating a switch to a more efficient auditor to meet shareholder needs.ments they make.

Based on existence research gap and phenomena gap created due to inconsistencies between the results on the variables studied and companies that made changes to KAP due to their own interests in improving their image and credibility. This research aims to determine the factors that influence the occurrence of changes in KAP types.

Financial distress is a financial condition where a company experiences financial weakness and indicates that the company is in an unstable financial condition and is at risk of bankruptcy. According to Darmayanti et al. (2021) states that companies that are threatened with bankruptcy change KAP more often than companies that are not threatened with bankruptcy. Companies will switch to a larger or maximum quality KAP when the company wants to employ a more independent KAP to maintain investors' trust. However, the company will also change its KAP to a smaller one to reduce audit costs (Hermawan & Fitriani, 2013). Relationship with agency theory is if the company is in good condition financial distress then it will encourage management (agent) to carry out changes in KAP downgrade to reduce audit costs. Contract theory assumes that management and owners will both carry out their functions when the company is experiencing financial distress, one of which is by trying to change the type of KAP upgrade, downgrade, or samegrade based on the condition of the company.

H1a : Financial distress has a negative effect on changing KAP types upgrade compared to companies that do not change KAP.

H1b : Financial distress has a positive effect on changing KAP types downgrade compared to companies that do not change KAP.

H1c : Financial distress has a positive effect on changing KAP types samegrade compared to companies that do not change KAP.

Audit opinion can be a factor in making a company's decision to change public accounting firms (KAP). Audit opinions can affect the image and trust of stakeholders toward a company (Fauziyyah et al., 2019). An unsatisfactory audit opinion can influence a company's decision to extend the contract to an auditor (Ginting & Fransisca, 2014). Relationship with agency theory is the existence of information asymmetry between principal and agent. KAP changes are related to changes in the presentation of information or increases in transparency. Contract theory (Hart, 1970) and audit opinions regarding the change of public accounting firm (KAP) are closely related, especially in the context of the relationship between the company and the auditor. Contract theory plays an important role in

designing audit contracts between companies and KAPs. The contract contains the duties, responsibilities, and incentives given to the auditor.

- H2a : Opinions other than WTP have a negative effect on changing KAP types upgrade compared to companies that do not change KAP
- H2b : Opinions other than WTP have a positive effect on changing KAP types downgrade compared to companies that do not change KAP
- H2c : Opinions other than WTP have a negative effect on changing KAP types samegrade compared to companies that do not change KAP

Audit fee is an honorarium paid by the company for independent audit services carried out by the public accounting firm (KAP) (Hasan, 2017). Determination audit fee carried out before starting the audit process, which is based on the contract between the auditor and the client company issuer. The contract consists of the audit period, the type of services provided, and the number of audit team members required (Kamil, 2020). The involvement of this independent third party, through fee audit, is expected to ensure that the company's financial reports are presented accurately and reliably. Relatedness audit fee with agency theory can be seen through the contractual relationship between principal (company) and agent (auditor). Fee audit can be considered as a form of incentive given by principal (company) to agent (auditor) to carry out their duties professionally and independently. Within the framework of Hart's (1970) contract theory, elements such as incentives and control mechanisms are integral to designing efficient contracts.

- H3a : Audit fee has a positive effect on changing KAP types upgrade compared to companies that do not change KAP.
- H3b : Audit fee has a positive effect on changing KAP types downgrade compared to companies that do not change KAP.
- H3c : Audit fee has a positive effect on changing KAP types samegrade compared to companies that do not change KAP.

Audit delay is the duration/length of time for audit completion as seen from the closing date of the financial year until the audit report is signed by the

KAP. When the audit report experiences *delay*, then investors might interpret it as a negative indication of the company's condition (Wati, 2020). Delays in submitting financial reports, apart from reducing the level of investor confidence, can also be interpreted as an indication that the company's condition is unhealthy. Therefore, as a step to prevent this negative perception, the company voluntarily decided to change KAP so that audits were carried out more professionally and on time. Agency Theory (Jensen and Meckling, 1976) explains that *principal* (owner) will push *agent* (management) of companies in publishing financial reports in a timely manner so that they can determine the direction of their investment decisions, in addition *principal* It is necessary to immediately carry out an audit process so that the company's audited financial reports are submitted on time to financial report users. Contract Theory (Hart, 2003) assumes that with an agreement that has been signed, the parties involved have an obligation to carry out in accordance with the agreement. In this case, both the company and KAP have an obligation to present financial reports according to the agreed time.

H4a : Audit delay has a positive effect on changing KAP types upgrade compared to companies that do not change KAP.

H4b : Audit delay has a positive effect on changing KAP types downgrade compared to companies that do not change KAP.

H4c : Audit delay has a positive effect on changing KAP types samegrade compared to companies that do not change KAP.

3. RESEARCH METHOD

This research is a quantitative research that uses multinomial logistic regression analysis hypothesis testing. This research uses data obtained from the Indonesian Stock Exchange website www.idx.co.id, namely financial reports and annual reports (annual report) companies.

Based on predetermined criteria, the population used in this research is all manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2019 - 2022, totaling 92 companies with 2019 as the base year. The process of determining the research sample is presented in Table 1.

Table 1*Identification of Research Samples*

No	Criteria	Amount
1	Manufacturing companies listed on the Indonesian Stock Exchange in 2019-2022	159
2	Companies that do not present complete information as required in research	12
3	Companies that don't present <i>audit fee</i> separately from <i>fee professional</i>	55
4	Manufacturing companies that meet the criteria during 2020 – 2022	92
	Number of analysis units during the research period (2019 – 2022)	368
	Total units of analysis	368

Source: Secondary data processed by researchers, 2024

The following is a summary of the discussion to facilitate understanding of the operational definitions of each research variable:

Table 2*Operational Definition*

Variable	Definition	Measurement	Scale
Change of KAP (PerKAP)	Changing Public Accounting Firms or auditor switching is a practice where a company that has used the services of a particular auditor then replaces the auditor with a new auditor.	0 = Did not change KAP 1 = Change the type of KAP <i>upgrade</i> 2 = Change the type of KAP <i>downgrade</i> 3 = Change the type of KAP <i>samegrade</i>	Nominal
Financial Distress (FD)	<i>Financial distress</i> is a financial condition where a company experiences financial weakness and indicates that the company is in an unstable financial condition and is at risk of bankruptcy	$Z\text{-score} = 0.717X1 + 0.847X2 + 3.107X3 + 0.420X4 + 0.998X5$	Ratio
Audit Opinion (AO)	An audit opinion is an auditor's statement regarding the fairness of the audited entity's financial statements. This fairness concerns	0 = Apart from WTP 1 = WTP	Nominal

	materiality, financial position and cash flow		
Audit Fee (AF)	Fees that must be paid by the company to the KAP to reimburse the audit services provided	Audit fee = Ln (Audit fee)	Nominal
Audit Delay (AD)	<i>Audit delay</i> is the number of days required for an auditor to produce an audited report. Starting from the closing date of the company's financial statements on December 31 until the signing of the audit report.	Audit Report Date – Fiscal Year Closing Date	Nominal

Source: Data processed by researchers, 2024

This research uses a multinomial logistic regression analysis method using time series data (time series data). The data analysis techniques used in this research are descriptive statistical analysis and inferential statistics. The multinomial logistic regression equation formed will be as follows:

1. $\text{Ln} \frac{P(do = 1)}{P(do = 0)} = a + b_1 FD + b_2 TO THE + b_3 OF + b_4 AD + \text{and}$
2. $\text{Ln} \frac{P(do = 2)}{P(do = 0)} = a + b_1 FD + b_2 TO THE + b_3 OF + b_4 AD + \text{and}$
3. $\text{Ln} \frac{P(do = 3)}{P(do = 0)} = a + b_1 FD + b_2 TO THE + b_3 OF + b_4 AD + \text{and}$

4. RESULTS AND DISCUSSIONS

Hypothesis testing uses multinomial logistic regression analysis using the SPSS 26 analysis tool. Descriptive statistical analysis is used to determine the minimum, maximum, and standard deviation values of the research variables. The results of the descriptive statistical analysis are depicted in Table 3.

Table 3
Descriptive Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Change of KAP	368	0	3	0,22	,741
<i>Financial Distress</i>	368	-8,03	7,49	-2,1558	2,42698

<i>Audit Opinion</i>	368	0	1	0,98	,137
<i>Audit Fee</i>	368	17,9899	24,3033	20,285683	1,1718232
<i>Audit Delay</i>	368	28	213	93,29	30,304
Valid N (listwise)	368				

Source: Output SPSS IBM 26, 2024

Based on the results of the descriptive statistics test, Table 3 explains the minimum, maximum, average, and standard deviation values of each variable studied. The values in the table explain information regarding descriptive statistics of the dependent variables, namely, change of KAP type upgrade, downgrade, and samegrade, and independent variables, namely, financial stress (FD), audit opinion (AO), audit fee (AF), and audit delay (AD).

Multinomial logistic regression analysis was conducted in this study with the aim of testing the opportunity/probability of the intermediate influence of financial distress, audit opinion, audit fee, and audit delay regarding the change of KAP type upgrade, downgrade, and samegrade in manufacturing companies that are the research sample. Therefore, the results of inferential statistical analysis and multinomial logistic regression can be seen in Table 4.

Table 4

Multicollinearity Test

Model	Collinearity Statistics		Information
	Tolerance	VIF	Testing
FD	0,883	1,133	Multicollinearity does not occur
AO	0,880	1,137	Multicollinearity does not occur
AD	0,845	1,184	Multicollinearity does not occur
OF	0,928	1,078	Multicollinearity does not occur

Source: Output SPSS IBM 26, 2024

Based on the test results above, it shows that the four independent variables have value *Tolerance* > 0.10 and VIF value < 10. In accordance with the criteria in the multicollinearity test, the value *Tolerance* is > 0.10 and the VIF value is < 10 if there are no symptoms of multicollinearity in the study. Therefore,

it can be concluded that all independent variables in the study do not experience symptoms of multicollinearity.

Table 5
Comparison of 2 Log Values Likelihood Beginning and End

-2 Log Likelihood (-2LL) Initial	289,893
-2 Log Likelihood (-2LL) End	261,455

Source: Output SPSS IBM 2024

Based on Table 5, it can be seen that at the beginning, before the inclusion of the four independent research variables, the -2LL value was 289.893. Meanwhile, after including the four independent variables, the -2LL value decreased by 261,455 or by 27,545. This indicates that the 0 null hypothesis is accepted and shows that the model fits the data and independent variables, providing better accuracy in the regression model in predicting KAP turnover.

Table 6
Test Hosmer and Lemeshow's Goodness of Fit Test

	Chi-Square	Df	Sig.
Pearson	948,351	1089	,999
Deviance	261,455	1089	1,000

Source: Output SPSS IBM 26, 2024

Table 6 shows the results of *Hosmer and Lemeshow's Goodness of Fit Test* with a chi-square value of 948.351, a significance value of 0.999, and a *chi-square deviation* of 1,000. Therefore, it can be concluded that the regression model in this research can predict and explain the data used to obtain significant values of *chi-square*, *Pearson*, and *chi-square deviation* >0.05.

Table 7
Test R-Square

<i>Cox and Snell</i>	0,074
Nagelkerke	0,136
McFadden	0,098

Source: Output SPSS IBM 26, 2024

Table 7 shows the value of Cox & Snell R Square, worth 0.074, and the value of *Nagelkerke R Square* of 0.136. These results indicate that the independent variables can explain the dependent variable in this research with a percentage of 13.6%, while the remaining 86.4% is explained by other variables outside this research model.

Table 8
Summary of Hypothesis Results

Hypothesis	Coefficient	Probability	Sig.	Results
H1a: Financial Distress has a negative impact regarding the change of KAP type Upgrade compared to companies that do not change KAP	0,236	1,266	0,101	Rejected
H1b: Financial Distress has a positive impact regarding the change of KAP type Downgrade compared to companies that do not change KAP	0,099	1,104	0,584	Rejected
H1c: Financial Distress has a positive impact regarding the change of KAP type Samegrade compared to companies that do not change KAP	0,234	1,264	0,009	Accepted
H2a: Opinions other than WTP has a negative impact regarding the change of KAP type Upgrade compared to companies that do not change KAP	-18,480	9,428E-9	0	Rejected
H2b: Opinions other than WTP has a positive impact regarding the change of KAP type Downgrade compared to companies that do not change KAP	0,257	1,293	0,853	Rejected
H2c: Opinions other than WTP has a negative impact regarding the change of KAP type Samegrade compared to companies that do not change KAP	-19,154	4,801E-9	0,998	Rejected
H3a: Audit Fee has a positive impact regarding the change of KAP type Upgrade compared to companies that do not change KAP	0,084	1,087	0,690	Rejected
H3b: Audit Fee has a positive impact regarding the change of KAP type Downgrade compared to companies that do not change KAP	-0,625	0,535	0,157	Rejected
H3c: Audit Fee has a positive impact regarding the change of KAP type Samegrade compared to companies that do not change KAP	-0,109	0,897	0,600	Rejected

Hypothesis	Coefficient	Probability	Sig.	Results
H4a: Audit Delay influential has a positive impact regarding the change of KAP type Upgrade compared to companies that do not change KAP	0,005	1,005	0,794	Rejected
H4b: Audit Delay has a positive impact regarding the change of KAP type Downgrade compared to companies that do not change KAP	0,026	1,026	0,034	Accepted
H4c: Audit Delay has a positive impact regarding the change of KAP type Samegrade compared to companies that do not change KAP	0,016	1,016	0,024	Accepted

Source: Output SPSS IBM 26, 2024

Based on data and hypothesis testing conducted using multinomial logistic regression analysis on research data, a satisfactory regression equation was obtained. So, the results of testing the regression equation show the hypothesis results, which can be seen in Table 8. A discussion of the results of the above hypothesis can be seen in the following discussion.

Financial Distress Influence regarding KAP Changes

1. Change KAP Type Upgrade

Based on the results of the multinomial logistic regression test, it can be concluded that variable financial distress, which is proxied by the Altman Z-Score, has no effect on changing KAP types upgrade. Therefore, hypothesis 1a is rejected, which means that the company is experiencing financial distress with high and low levels in influencing companies to change KAP types upgrade are the same. This is because the company, experiencing financial distress, will try to make changes and plan for the future to improve the company's financial condition. Companies can also restructure their budgets to reduce costs incurred.

This result is not in line with agency theory by Jensen and Meckling (1976), which explains that the company owner will strive to continue to encourage strict supervision regarding operational activities and the preparation of the company's financial reports by using audit services from reputable and large-scale KAPs. Contract theory, popularized by Hart (2003), is also not in line with these results. Contract theory explains that both parties to the agreement perform their

obligations by trying to improve company performance and maximize company profitability by performing strict supervision using audit services from large-scale KAPs. However, the results show that the company is experiencing financial distress, and a high level has no effect on changing the KAP types of upgrade. This is because the company is trying to reduce costs incurred to improve the company's financial condition.

The results of this research are in line with previous research by Setiawati et al. (2020), which shows that financial distress has no effect on changing KAP types of upgrade. However, the results of this study are not in line with research conducted by Zarefar et al. (2019) who found an influence between financial distress and change of KAP.

2. Change KAP Type Downgrade

Based on the results of the multinomial logistic regression test, it can be concluded that variable financial distress, which is proxied by the Altman Z-Score, has no effect on changing KAP types of downgrades. Therefore, Hypothesis 1b is rejected, which means that the company is experiencing financial distress with high and low levels in influencing companies to change KAP types of downgrades are the same. This is because companies need to use KAP services that can understand the company's financial condition. Companies that are experiencing financial distress are certainly more sensitive than companies that do not experience this distress. Therefore, companies tend not to change their KAP because it takes longer to understand the company's financial condition.

The results of this research are in accordance with agency theory (Jensen & Meckling, 1976). The principal and agent want the company to generate very high profits and publish credible financial reports audited by a trusted KAP. Therefore, companies need to consider using KAP because this can give a signal to investors, especially if the company changes its KAP to a lower scale KAP (downgrade). This is also in line with the principles of contract theory (Hart, 1970), where the KAP, as one of the parties to the contract, will carry out its work professionally because the company has entrusted the KAP, even with declining financial conditions (financial distress).

The results of this research are in line with previous research by Setiawati et al. (2020), which shows that financial distress has no effect on changing KAP types downgrade. However, the results of this study are not in line with research conducted by Zarefar et al. (2019), who found an influence between financial distress and change in KAP.

3. Change KAP Type Samegrade

Based on the results of the multinomial logistic regression test, it can be concluded that the variable financial distress, which is proxied by the Altman Z-Score, has a positive and significant influence on changing KAP types of samegrade. It can be concluded that hypothesis 1c is accepted, which means that the company is experiencing financial distress, and a high level has a high chance of influencing the company to change the type of KAP samegrade. The research results show that in companies that experience financial distress at a high level, the company is said to be at risk of bankruptcy. Therefore, companies will experience financial difficulties, which will result in companies tending to change KAP types in the same grade.

The results of this research are in line with agency theory put forward by Jensen and Meckling (1976), which explains that companies with high levels of financial distress require agents and principals to conduct stricter supervision of the presentation of financial reports. Therefore, the owner (principal) will perform KAP replacement even if the scale is the same (same grade) to get new solutions that can help obtain better reporting results. Contract theory (Hart, 1970) is also in line with the results of this research because these results show that companies experience a high level of financial distress, and replacing their KAP with the same scale will make the company place its hopes on the new KAP. On the other hand, the KAP will conduct its work professionally so that the company is not forced to replace a new KAP in the following year.

The results of this study are in line with previous research by Zarefar et al. (2019), which shows that financial distress influences the change of KAP type samegrade. However, the results of this study are not in line with research

conducted by Setiawati et al. (2020), who found no influence between financial distress and change of KAP.

Influence Audit Opinion regarding KAP Changes

1. Change KAP Type Upgrade

H2a states that hypothesis 2a is rejected, which means that companies that receive opinions other than WTP do not influence the company to change the type of KAP upgrade. Therefore, companies that receive opinions other than WTP or even WTP opinions cannot make the company change the type of KAP upgrade. This is because of the company listing on the IDX, the majority get WTP opinions so that the company continues to maintain its KAP. Apart from that, larger-scale KAPs do not guarantee that they will give a WTP opinion because auditors from large-scale KAPs should have more guaranteed independence and credibility.

This result is not in line with agency theory put forward by Jensen and Meckling (1976), which explains that companies will try to optimize the preparation of company financial reports by using audit services from large-scale KAPs, one of which is to obtain WTP opinions. The WTP opinion gives a good signal to investors because the WTP opinion indicates that the company's financial statements are presented fairly and their credibility can be guaranteed. The contract theory popularized by Hart (1970) is also not in line with the results of this research. Contract theory explains that both parties have agreed to carry out their obligations by trying to improve the company's performance, including the quality of the company's financial reports, by using audit services from a large-scale KAP with the hope that the opinion obtained will match expectations, namely the WTP opinion. However, the results show that companies that receive opinions other than WTP have no effect on changing the KAP types of upgrades.

The results of this research are in line with research conducted by Darmayanti et al. (2021), Meiryani et al. (2022), Andreas & Savitri (2019), and Milo and Muhammad (2022), who show that audit opinion has no effect on changing KAP types of upgrade. However, the results of this study contradict research conducted by Fauziyyah et al (2019), Mubarrok and Islam (2020), and

Zarefar et al (2019), who found a link between audit opinion and the change of KAP.

2. Change KAP Type *Downgrade*

H2b states that hypothesis 2b is rejected, which means that if the company gets an opinion other than WTP, it will not influence the company to change the type of KAP downgrade. Therefore, companies that receive opinions other than WTP or even WTP opinions cannot make the company change the type of KAP downgrade. This is because most companies registered on the IDX receive WTP opinions so that the companies continue to maintain their KAP. However, if the company wants to replace KAP with a lower scale, then this will send a bad signal to investors. Companies tend to focus on improving their financial reports to obtain a WTP opinion in the following year, without changing KAP.

These results are not in line with agency theory put forward by Jensen and Meckling (1976), which explains that types of audit opinions other than WTP will influence management as agents in rationalizing actions. Management requires a third party, namely an auditor, to audit the company's financial reports as an assessment of management's performance as stated in the independent auditor's report. Usually, the audit opinion given is a benchmark for the performance of financial reports and management performance. If the financial report receives an opinion that does not meet expectations (WTP), then it is likely that management will change the KAP. The contract theory popularized by Hart (1970) is also not in line with the results of this research. Contract theory explains that both parties have agreed to carry out their obligations by trying to improve the company's performance, including the quality of the company's financial reports, including audit opinions by using audit services from KAP, with the hope that the opinion obtained will match expectations, namely the WTP opinion. However, the results show that companies that receive opinions other than WTP have no effect on changing the KAP types downgrade.

The results of this research are in line with research conducted by Darmayanti et al. (2021), Meiryani et al. (2022), Andreas and Savitri (2019), and Milo and Muhammad (2022), who show that audit opinion has no effect on

changing KAP types downgrade. However, the results of this study contradict research conducted by Fauziyyah et al (2019), Mubarrok and Islam (2020), and Zarefar et al (2019), who found a link between audit opinion and the change of KAP.

3. Change KAP Type Samegrade

H2c states that hypothesis 2c is rejected, which means that companies that receive opinions other than WTP do not influence the company to change the type of KAP samegrade. This is because the company listing on the BEI, the majority get WTP opinions. Therefore, the company will continue to retain its auditors because the opinions given are in accordance with the company's wishes and expectations.

These results are not in line with agency theory put forward by Jensen and Meckling (1976), which explains that types of audit opinions other than WTP will influence management as agents in acting. Management requires a third party, namely an auditor, to audit the company's financial reports as an assessment. If the financial report receives an opinion that does not meet expectations (WTP), then it is likely that management will change the KAP. However, the results of the study concluded that opinions other than WTP had no effect on changing KAP types at the same grade. The contract theory popularized by Hart (1970) is also not in line with the results of this research. The company uses audit services from KAP with the hope that the opinion obtained will match expectations, namely, the WTP opinion. However, the results show that companies that receive opinions other than WTP have no effect on changing KAP types samegrade This is because the company will not be guaranteed to get a WTP opinion from the KAP on the same scale; therefore, the company should improve the quality of the company's financial reports without changing its KAP.

The results of this research are in line with research conducted by Darmayanti et al. (2021), Meiryani et al. (2022), Andreas and Savitri (2018), and Milo et al. (2022), which shows that *audit opinion* has no effect on changing KAP types in the same grade. However, the results of this study conflict with research

conducted by Fauziyyah et al. (2019), Mubarrok and Islam (2020), and Zarefar et al. (2019), who found a connection between audit opinion and the change of KAP.

Influence Audit Fee regarding KAP Changes

1. Change KAP Type Upgrade

Based on the results of multinomial logistic regression testing, it can be concluded that hypothesis 3a is rejected, which means that the probability of audit fees issued by the company is the same. Therefore, companies that are getting higher or lower in spending on audit fees cannot make the company change the type of KAP upgrade.

This research cannot support agency theory (Jensen and Meckling, 1976) which describes the agency relationship between principal and agent. Shareholders as principal delegate decision making related to the company to managers (agent). The financial reports that have been prepared by managers need to be audited by an independent party, namely an auditor. In this case, it will arise in the form of an audit fee. The higher the audit fee offered, the more the company feels dissatisfied with the performance of the KAP that audits the company's financial statements, resulting in the company changing the KAP, in this case, changing the type of KAP upgrade. However, this research cannot prove that increasing audit fees will influence management to change the KAP types of upgrades. This is because the company is open to listing at BEI and is satisfied with the results of KAP's performance in auditing the company's financial reports. Therefore, companies tend to maintain their KAP and not change it regularly.

The results of this research are in line with previous research conducted by Rahmadhani et al. (2023), Goddess et al. (2023), Rahmadina et al. (2021), Pratiwi (2019), and Stevani and Siagian (2020), who did not find any influence of audit fees on the change of KAP. However, the results of this study conflict with research conducted by Meiryani et al. (2022) and Said (2020), which explains that audit fees influence the change of KAP.

2. Change KAP Type *Downgrade*

Based on the results of multinomial logistic regression testing, it can be concluded that hypothesis 3b is rejected, which means that the probability of audit fees issued by the company is the same. Therefore, companies that are getting higher or lower in spending on audit fees cannot make the company change the type of KAP downgrade.

This research is not in line with agency theory (Jensen & Meckling, 1976), which describes the agency relationship between principal and agent. Shareholders are the principal delegates of decision-making related to the company to managers (agents). The financial reports that have been prepared by managers need to be audited by an independent party, namely an auditor. In this case, an audit fee will arise. The higher the audit fee offered, the more the company feels dissatisfied with the performance of the KAP that audits the company's financial statements, resulting in the company changing the KAP, in this case, changing the type of KAP downgrade. However, this research cannot prove that increasing audit fees will influence management to change KAP types of downgrades. This is because the company is open to listing at BEI, and they are satisfied with the results of KAP's performance in auditing the company's financial reports. Therefore, companies tend to maintain KAP and not change KAP regularly downgrade.

The results of this research are in line with previous research conducted by Ramadhani et al. (2023), Dewi et al. (2023), Rahmadina et al. (2021), Pratiwi (2019), and Stevani and Siagian (2020), who did not find any influence of audit fees on the change of KAP. However, the results of this study conflict with research conducted by Meiryani et al. (2022) and Said (2020), which explains that audit fees influence the change of KAP.

3. Change KAP Type Samegrade

Based on the results of multinomial logistic regression testing, it can be concluded that hypothesis 3c is rejected, which means that the probability of audit fees issued by the company is the same. Therefore, companies are getting higher or lower in spending on audit fees, which cannot make the company change the type of KAP samegrade.

This research is not in line with agency theory (Jensen & Meckling, 1976) which describes the agency relationship between principal and agent. Shareholders are the principal delegates of decision-making related to the company to managers (agents). The financial reports that have been prepared by managers need to be audited by an independent party, namely an auditor. In this case, an audit fee will arise. The higher the audit fee offered, the more the company feels dissatisfied with the performance of the KAP that audits the company's financial statements, resulting in the company changing the KAP, in this case, changing the type of KAP to the same grade. However, this research cannot prove that increasing audit fees will influence management to change KAP types in the same grade. This is because the company is open to listing at BEI and is satisfied with the results of the KAP's performance by auditing the company's financial reports. Therefore, companies tend to maintain their KAP and not change KAP regularly, same grade.

The results of this research are in line with previous research conducted by Rahmadhani et al. (2023), Dewi et al. (2023), Rahmadina et al. (2021), Pratiwi (2019), and Stevani and Siagian (2020), who did not find any influence of audit fees on the change of KAP. However, the results of this study conflict with research conducted by Meiryani et al. (2022) and Said (2020), which explains that audit fees influence the change of KAP.

Influence Audit Delay regarding KAP Changes

1. Change KAP Type Upgrade

Based on the results of testing using nominal logistic regression, the variable audit delay has no influence on changing KAP types upgrade. These results conclude that hypothesis 4a is rejected, which means that the company is experiencing opportunities audit delay or not experiencing audit delay in influencing companies to change KAP types upgrade are the same. Companies that experience audit delay experienced delays in presenting financial reports to the Indonesian Stock Exchange (BEI) and did not change the type of KAP upgrade, as well as companies that do not experience it audit delay.

These results are not in line with agency theory (Jensen & Meckling, 1976). The decision to change the KAP type upgrade was carried out at the General Meeting of Shareholders (AGMS), which is determined by the decision of the majority of shareholders who choose whether the company will change the KAP or not. Management in this position cannot make changes to KAP because the directors do not have the authority in this matter, and this is reinforced by a decline in managerial performance, which causes the owner to assume that the delay is not caused by KAP auditing the company's financial statements. In addition, the contract theory popularized by Hart (2003) is also not in line with the research results. The contract theory explains that management will try to carry out its obligations, namely managing the company well and professionally, so that it can present financial reports in a timely manner. This causes the company not to change the type of KAP upgrade.

The results of this research are in line with previous research conducted by Dewi et al. (2023), Said (2020), Milo and Muhammad (2022) and Zikra and Syofyan (2019), who found that there was no influence of audit delay regarding the company's decision to change KAP type upgrade, but contradict research conducted by Darmayanti et al. (2021) who found an influence *audit delay* regarding the change of KAP.

2. Change KAP Type Downgrade

Based on the results of testing using nominal logistic regression, the variable audit delay has a significant influence on changing KAP types downgrade. These results conclude that hypothesis 4b is accepted, which means that the company is experiencing opportunities that audit delay can influence the company to make changes to KAP on a regular basis.

The results of this research are in line with agency theory (Jensen & Meckling, 1976). The decision to change the KAP type downgrade was carried out at the General Meeting of Shareholders (AGMS), which is determined by the decision of the majority of shareholders who choose whether the company will change the KAP or not. Management in this position can apply for a change of KAP due to delays in audit reporting last year, caused by the KAP auditing the

company's financial statements. In addition, the contract theory popularized by Hart (2003) is also in line with research results. Contract theory explains that management will try to carry out its obligations, namely managing the company well and professionally, so that it can present financial reports in a timely manner. This caused the company to change the type of KAP downgrade, assuming that lower scale KAPs also have a lower workload, so that the audit report can be published faster.

The results of this research are in line with the research conducted by Darmayanti et al. (2021), who found an influence of audit delay regarding the change of KAP. However, this research contradicts research conducted by Dewi et al. (2023), Said (2020), Milo and Muhammad (2022), and Zikra and Syofyan (2019), who found that there was no effect of audit delay on the company's decision to change KAP type downgrade.

3. Change KAP Type Samegrade

Based on the results of testing using nominal logistic regression, the variables audit delay has a significant influence on changing the KAP types samegrade. These results conclude that hypothesis 4b is accepted, which means that the company is experiencing opportunities, audit delay can influence the company to make changes to KAP on a regular basis.

The results of this research are in line with agency theory (Jensen & Meckling, 1976). The decision to change the KAP type downgrade was carried out at the General Meeting of Shareholders (AGMS), which is determined by the decision of the majority of shareholders who choose whether the company will change the KAP or not. Management in this position can apply for a change of KAP due to delays in audit reporting last year caused by the KAP auditing the company's financial statements. In addition, the contract theory popularized by Hart (2003) is also in line with research results. Contract theory explains that management will try to carry out its obligations, namely managing the company well and professionally, so that it can present financial reports in a timely manner. This caused the company to change the type of KAP samegrade, assuming that

lower scale KAPs also have a workload that is lower, so that the audit report can be published faster.

The results of this research are in line with the research conducted by Darmayanti et al. (2021), who found an influence of audit delay regarding the change of KAP. However, this research contradicts research conducted by Meiryani et al. (2022), Said (2020), Milo et al. (2022), and Zikra and Syofyan (2019), who found that there was no effect of audit delay on the company's decision to change the KAP type samegrade.

5. CONCLUSIONS AND SUGGESTIONS

Conclusion

This study analyzed the influence of financial distress, audit opinion, audit fee, and audit delay on the decision of manufacturing companies listed on the Indonesia Stock Exchange (IDX) to switch public accounting firms (KAP), categorizing the changes as upgrade, downgrade, or samegrade. Using multinomial logistic regression analysis, the research identified specific factors that influence each type of switching, revealing significant, and nuanced findings.

The key findings indicate that financial distress has a significant effect only on samegrade KAP switching. Audit delay has a significant effect on both downgrade and samegrade KAP switching. In contrast, the variables audit opinion and audit fee were found to have no significant effect on any of the KAP switching types examined. These results provide important insights into the dynamics of managerial decision-making in the Indonesian accounting and finance context.

Contribution

This study makes several significant contributions to the literature on KAP switching. Theoretically, it provides empirical evidence from the Indonesian capital market that refines the application of agency theory and contract theory. Empirically, the research's most valuable contribution is the nuanced finding that financial distress and audit delay are not uniform but specific to certain types of

switching, a distinction not often made in previous studies. Practically, the findings offer important insights for management, investors, and regulators, highlighting that operational efficiency (avoiding delays) and financial health are key drivers of KAP switching, rather than audit opinions or fees.

Limitations

A significant limitation of this study is the low Nagelkerke R-square value of 13.60%. This indicates that the research model only explains a small fraction of the variability in KAP switching decisions, with the remaining 86.40% explained by other variables not included in the model. This acknowledges that KAP switching is a far more complex process than can be captured by the selected financial and audit variables alone. The study is also limited to the manufacturing sector on the IDX during the 2020-2022 period, which restricts the generalizability of the findings to other industries or timeframes.

Further Research

Based on these limitations, future research should incorporate additional variables to improve the model's explanatory power. This study suggests including variables related to general meetings of shareholders (GMS) as a key decision-making factor. Other variables worth investigating include audit committee turnover, client size and company growth, management turnover, and profitability turnover, and return on assets (ROA). Furthermore, future research should expand the sample to other sectors, such as banking or technology, to determine if the findings are industry-specific or more broadly applicable. A final suggestion is to complement quantitative analysis with a qualitative approach, such as case studies or in-depth interviews, to provide a richer understanding of the motivation behind KAP switching decisions.

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