Brief Discussion on Impact of Internet Economy on Accounting Theory Basis

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Abstract. With the development of the times, the modern society has entered the internet economy era and the traditional accounting theory can not meet with the demands of economic development, which urges the traditional accounting theory to innovate in order to meet with the development of the times. Up to now, the traditional accounting theory still has no capability to solve the demands of internet economy which is the new economic situation, and impacts the deep research on development theory. The paper mainly researches and discusses the impact of emerging internet economy development on the traditional accounting theory basis.

1. Introduction

Internet economy is an emerging economic situation under the background of information revolution, which developed earlier in western countries with rapid development speed and has been developing quicker since entering the 21st century, it will become the leading force for global economy. Once the international internet appears, it has developed rapidly and become one of the master tools in modern society. In the point of internet perfecting and application trend of enterprises on internet, the economic activities of the enterprises mainly rely on internet which replaces the face-to-face commercial mode to some extent, and the society will step into another new era-internet economy era after the information era and knowledge-driven economy era. Compared with the traditional economic sectors, internet economy has more advantages. The network information era has emerged since the 1990s, the network technology is the original power to develop information industry economy, the economic development of developed countries increasingly relies on the information industry and the development of internet technology quickens the human economy and culture.

The internet economy develops rapidly and changes the traditional economic structure, which makes the business process of traditional enterprises face great challenge. The modern enterprises face opportunities and challenges as well in the survival and development, grasping the opportunities to enable the enterprise to occupy the place in the future competition, otherwise will be eliminated. Network accounting is taken as the future direction of development for accounting industry.

2. Impact of Internet Economy on Traditional Accounting Theory Basis

2.1 Impact on accounting entity assumption

Accounting entity assumption is also known as accounting individual assumption, which originated from the concept of operation entity, and its formation has a direct connection with the independent development of economic organizations. The accounting entity under the traditional accounting theory which is tangible is different from that under the internet economy. The application of information technology makes the network companies popular in the global. The network companies are the organizations temporarily formed based on business demands, which is
unstable in form with the feature of virtual existence. The network companies and e-business basically base on the market to carry out businesses, increasing or reducing the members of companies. As can be seen, the accounting entity under the internet era has large variability, which is greatly different from the traditional accounting entity. In such situation, the traditional accounting entity assumption basically has no need to exist. The organizations included in the accounting entity always change and the main structure has large instability, the “network companies” mainly rely on computers to connect the individuals. For example, any individual of Taobao Company can apply network to establish stores in Taobao Mall, when the commodities are sold out, the individuals connected will be dissolved. Taobao Company is just a fictive platform of the company, which carries out commercial activities by gathering the individuals in society, when the activities are ended, all the individuals will be dissolved. The traditional accounting basis theory of these entities can not conduct effective management on the accounting entities of the network companies and thus go against the corporate management, which is the problem and difficulty needed to be solved in accounting under the background of internet economy. The network companies fully apply the network information technology to carry out competition with the companies in the global, while other companies can not be comparable in flexibility. In addition, the network companies base on the network environment to establish or dissolve companies with irregular and unstable accounting entities. Network accounting needs to handle the finances of network companies correctly, owing to the large number and complexity of accounting entities of “network companies”, the processing requirements on accounting information are high, which develops the traditional accounting theory to a large extent.

2.2 Impact on going concern assumption

Going concern, enterprise accounting work should be constant and normal. In the informational revolution, there exists with accounting entity with business, when the business is completed, the accounting entity chooses to terminate in accordance with the situations, therefore, the going concern assumption exists in name only. The internet economy companies can not operate constantly like the traditional companies, from which we can see that “the network companies” conflict with the going concern assumption to a large extent. In the network economy environment, the enterprises face great pressure in competition and operation risks and may be merged, liquidated and bankrupted, people can not judge whether the entities of network companies will constantly operate. In fact, going concern assumption has great incompleteness. Whether one enterprise is large or small, it is likely to be bankrupt or closed. Once the accounting entity is proved to be unable to complete the tasks, the going concern assumption will lose its real root.

2.3 Impact on accounting duration assumption

Accounting duration assumption refer to that the enterprise accountants divide the production operation process into several stages, wherein, respectively calculating the financial situation and providing operation result report to the enterprises or individuals having economic stakes inside and outside the enterprise. The traditional enterprise operation is a constant process, the operators divide the time of going concern into several periods in order to effectively know the operation effect in different periods-profitable or defective or indebted. The listed enterprises performing stock-holding system without accounting duration will release their financial situation and operation condition to the public in order to facilitate themselves, the shareholders and partners to make effective decisions. The accounting duration usually consists of year, quarter and month. Going concern assumption is the premise of accounting duration assumption which is the supplement for going concern assumption. In the internet economy era, the members of the network companies form the poorly-organized alliance to be able to imitate the modes of signing companies in short period and dismiss the alliance in short period. As for the short operation process, there is no need to divide it into several operation periods artificially. E-business is completed in short time in the increasing or reducing of fortunes, in this way, the traditional accounting duration will have no sense. But the accounting businesses can be calculated at any time in internet accounting.
2.4 Impact on currency measurement assumption

The main content of accounting is to timely provide correct economic information for the company and society. It is known to us that the modern accounting adopts double-entry bookkeeping to dispose accounts. ASBE regulates that the double-entry bookkeeping should uniformly focus on one currency. The network accounting causes little impact and influence on currency measurement assumption, and the impact of internet economy on accounting currency measurement manifests in the two aspects: the internet economy escapes from the regional limitation and the currency trading between the country and region is easy. In traditional enterprises, most corporate assets can be measured through currency in assets inspection, which makes the traditional accounting currency measurement easier. However, in the internet era, most resources are fictive without fixed forms, therefore, many resources of the internet economy companies can not be measured in currency. Virtual currency is popular in the internet era, and the currency used in future network accounting will be just fictive symbol which is different from the real currency. With the development of internet economy, the form and essence of currency have been changing, the tangible currency is replaced by digitization and the currency circulation will be conducted in electronic format.

3. Relative Advantages of Network Accounting Compared With Traditional Accounting

3.1 Further updating of accounting theory

The traditional accounting mode is established based on accrual system, historical capital criteria and debit-credit bookkeeping, which deviates from the new features of internet economy. The internet economy, as the emerging economic situation, plays a large role in developing economy. For the purpose of developing the internet economy, the first thing is to innovate the traditional accounting theory in order to make it adapt to the internet economy thus to promote the business development of internet economy companies.

3.2 Relatively stable accounting assumption

Based on analyzing the current situation of internet economy and accounting theory, find out the main problems existing in the traditional accounting basis theory, including diverse and uncertain accounting entities; frequent rebuilding or dismissing of internet economy make people difficult to judge whether an entity will operate constantly; internet economy companies are difficult to make accounting staged; the traditional accounting treatment is management on currency while various virtual currencies exist under the internet economic environment, which results in difficulty in solving these businesses with the traditional accounting treatment methods.

In view of the fact that the traditional accounting theory is difficult to solve the problems of internet economy business, the traditional accounting treatment methods must keep up with the times to establish new network accounting, or it will restrict the development of internet economy.

4. Prospect for Later Development of Accounting Basis Theory

In summary, the increasingly developing internet economy conflicts with the traditional accounting theory, however, the theory must keep up with the times to combine with practice. The traditional accounting theory should innovate to adapt to the development requirements in the “survival of the fittest” society. We believe this situation is temporary because we can find out and know the deficiencies and in the same way we can find out solutions. Influenced by the internet economy, the traditional accounting theory has changed greatly in the development, wherein, some of the original regulations and concepts have changed. The basic accounting assumption should be constantly innovated and perfected in order to obtain ideal effect in business.
References


