Investigation on Accounting Treatment of the Third-party Payment Platform in Electronic Commerce

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ABSTRACT

This paper firstly analyzes the current situation of China’s third-party payment platform and illustrates the differences of accounting treatments under the third-party payment mode and traditional payment mode; secondly, it concludes the problems of China’s third-party payment platform in the accounting treatment; finally, it proposes the reasonable countermeasures and suggestions to solve the problems in the accounting treatment of China’s third-party payment platform. People are more likely to choose the fast and convenient network platform to satisfy their demands of all aspects as the computer and network technologies develop; hence the E-commerce is born at the right moment. As an important component of E-commerce, the third-party payment platform has always on the move; the increasing transaction and business in all fields have brought forth the issues of accounting treatment. How to give full display to accounting to give a helping hand in the growth of the third-party payment platform has become a topic worth thinking about in the current Information Age.

KEYWORDS

E-commerce, the third-party payment platform, accounting treatment.

CURRENT SITUATION AND ANALYSIS ON THE THIRD-PARTY PAYMENT PLATFORM

About the Third-party Payment Platform

The third-party payment platform is the independent operator distinguished from the buyer and seller with functions of agent business in E-commerce transaction funds. It is the transfer station for the fund receipt and payment of the buyer and seller; during the cooperation with major commercial banks, it has developed the strategic alliance docking with the bank payment and settlement systems to provide the more convenient services for both parties in the network transactions.

Market Situation of China’s Third-party Payment Platform

At present, enterprises, i.e., China UMS, Alipay, Tenpay, etc. have appeared one after another in China’s market of the third-party payment platform. These enterprises are relatively stronger, in which Alipay is not only the largest third-party payment platform in China but also at a leading position in the global third-party payment platform. 

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platform market (see Table 1). Currently, the market transaction scale of China’s E-commerce had reached RMB 20.2 trillion in the year 2016 with a year-on-year increase of 23.6%; it is predicated that in the coming years it will keep a stable fast increase and by the year 2018, the E-commerce market scale will reach RMB 24.3 trillion. As the E-commerce develops, the third-party payment platform will also be widely applied. However, The People’s Bank of China has adopted repeated measures to restrict the third-party payment, i.e. to halt the QR Code payment and reduce the transfer amount, etc., which means the third-party payment industry is facing increasingly harsher regulatory environment.

DIFFERENCES OF ACCOUNTING TREATMENT UNDER THE TRADITIONAL PAYMENT MODE AND THE THIRD-PARTY PAYMENT MODE

The differences of accounting treatment under the traditional payment mode and the third-party payment mode are specifically reflected in the following aspects:

Differences in the aspect of accounting theoretical basis

As the E-commerce develops rapidly, the accounting treatment forms of the third-party payment platform also changes in the three aspects including the accounting function, accounting hypothesis and accounting principle.

Changes in accounting function. With the changes in the computer processing environment and the advent of E-commerce Age, the traditional accounting treatment will be impacted greatly. Comparing to the paper medium used in the accounting treatment under the traditional payment mode, people are more likely to adopt the accounting information processing software. Therefore, with the daily accounting practical work being processed by computer, which means the computer realizes the reflection function, the financial staff could focus on realizing the supervision and management functions.

Changes in accounting hypothesis. The accounting hypothesis is specifically composed of four parts including accounting subject, continuous operation, accounting period and monetary measurement.

Changes in accounting subject and continuous operation hypothesis. As the buyer and seller connected by the third-party payment organization might be the network enterprises which generally have no fixed goods and places but rely on the customers for operation, they are very like to be no longer in existence after closing a deal. Therefore, the indistinct space range of the network enterprise and the difficulty in identifying the position of accounting subject have increased the difficulty in accounting treatment of the third-party payment organization. Not all network enterprises in the nowadays will adopt the continuous operation hypothesis.

Changes in accounting period hypothesis and monetary measurement hypothesis. As the computer network technology develops, we are allowed to complete the E-
commerce transaction within the extremely short time. If we continue adopting the accounting period hypothesis in such situation, it will be difficult and meaningless to divide the accounting periods. At present, the network enterprises have relocated their operation focus from the visible resources under the traditional payment into the invisible resources under the third-party payment mode while the monetary measurement can no longer truthfully reflect the actual operation of the enterprises. Moreover, the appearance of electronic money also influences the monetary measurement hypothesis to a certain extent; being adopted as a financial credit in the E-commerce, it has stopped the monetary measurement from gathering and calculating uniformly.

Changes in accounting principles. The accounting principles under the third-party payment mode have experienced certain changes in terms of accrual-basis accounting and historical cost principle. Accrual-basis accounting is based on the accounting period hypothesis while the historical cost principle is established on the basis of continuous operation hypothesis. However, under the E-commerce environment, both the accounting period and continuous operation cannot be established; theretofore there is no basis for the existence of accrual-basis accounting and the historical cost principle is of no realistic significance to exist.

Differences of the Practical Accounting Treatment

Changes in the practical accounting treatment under the third-party payment environment are as shown below:

Changes in the accounting content. In addition to guaranteeing the accounting of the six major traditional elements, the accounting treatment under the third-party payment mode pays greater attention to the financial data analysis, which has improved the financial analysis content in the financial personnel’s work to the leading position while degrading the accounting content.

Changes in financial report. Changes in financial report are mainly reflected in the aspects, i.e. preparation purpose, accounting information quality and asset item. In terms of preparation purpose, the appearance of the third-party payment platform in E-commerce has turned the financial report from the predominating direction of “reflection and supervision” into “management and decision-making”. In terms of accounting information quality, the paper medium will be gradually replaced by the accounting computerization, which, at the same time of reducing the burden of the accounting personnel has highlighted the problem of financial information distortion. In terms of the asset item, as the knowledge economy Age comes, the knowledge capital, human resources and technical innovation become especially important; therefore, these assets shall be listed especially in the financial report.

PROBLEMS IN THE ACCOUNTING TREATMENT OF THE THIRD-PARTY PAYMENT PLATFORM

In the recent years, despite the huge improvement in China’s third-party payment platform, it is underdeveloped in all aspects of accounting treatment with the following problems to be solved.
Problems of accounting information quality

As the computer and network technology develop rapidly, the paper data have been gradually replaced by the electronic data, which has provided convenience for the financial personnel in work while threatening the accounting information quality.

Problems of accounting software and personnel

As the network economy and knowledge economy develop, the accounting system has also experienced larger changes; at the same time of making the financial work faster and more convenient, the wide application of accounting software also brings forth problems i.e. insufficiency of accounting software function and incompetence of the accounting personnel in the professional technologies.

Problems of legal guarantee

As is known to all, law is the sharpest weapon to protect the legal rights and interest; the development of an industry is inseparable from the protection of law. However, the China fails to perfect laws and regulations in the third-party payment platform, especially that laws and regulations in the accounting aspect of the third-party payment platform are almost in the blank condition.

Problems of accounting internationalization

Due to the increasingly closed international communication activities i.e. the growing international commercial intercourse, sharing of the network information and currency exchange among different countries, China’s third-party payment organizations have to follow footstep of internationalization closely in terms of accounting treatment and conform to the development trend of the times so as to broaden their own field of vision and lay solid foundation to realize the lofty development goals.

COUNTERMEASURES TO PERFECT THE ACCOUNTING TREATMENT OF CHINA’S THIRD-PARTY PAYMENT PLATFORM

According to the problems in the accounting treatment of China’s third-party payment platform, the following countermeasures are proposed:

Strengthen the accounting information quality management

The third-party payment platform accounting has realized the sharing of accounting information resources while placing itself in danger. To guarantee the quality safety of the accounting information, efforts shall be made inside and outside the enterprise to strengthen the accounting information quality management.

Develop the optimized accounting software, cultivate the compound accounting talents

In terms of the accounting software, the software developments or enterprises shall realize the urgent demand for the multifunctional accounting software of the current
third-party payment platform and continuously strengthen the efforts in the related software research and development. In terms of the accounting talents, the composition of human resource accounting has become the focus for the financial management of the third-party payment organization. The enterprise has to intensify the training and education for the current accounting personnel to obtain more compound accounting talents, so that they can make continuous self-improvement, make effective use of the information technology and professional knowledge to perform the accounting treatment and provide suggestions for the decision-making during the enterprise management. In the meanwhile, the enterprise shall also focus on reserving the new generation of outstanding accounting talents to make preparation for the long-term development of the enterprise.

**Strengthen the accounting legal construction**

The third-party payment platform is an important component for the E-commerce while the accounting treatment is the core of the third-party payment platform; therefore, it is of important significance to strengthen the accounting legal construction of the third-party payment platform. In addition, China’s accounting standards haven’t made specific provisions in the accounting treatment of this field, which makes it a pressing task to strengthen the accounting legal construction.

According to the foreign development experience, the legislation of the third-party payment platform mainly involves the following aspects: identity authentication, consumer-centeredness, E-commerce correspondence, information infrastructure, personal data protection, tax-management, intellectual property protection etc. At the present stage, China could start with the payment security on third-party payment platform, E-commerce fair trade and accounting standards, etc. to formulate the reasonable accounting legal systems, strengthen the legal enforcement effect and legal supervision while adopting the laws and regulations to protect and restrain the accounting behaviors of the third-party payment platform, so as to improve the reliability and security of the accounting work of the third-party payment platform, guarantee the legal rights and interest of the social public and promote the economic and social development.

**Accelerate the pace of accounting internationalization**

As the economic globalization advances step by step, the accounting internationalization has become a general trend; China’s major third-party payment organizations also take the advantage of the opportunity to accelerate their pace of accounting internationalization. As a matter of course, we shall also realize the limitations of the self-development for China’s third-party payment organizations so as to carry out the accounting globalization construction more flexibly. Considering the accounting development situation of China’s third-party payment platform at the present stage as well as actual conditions of our country and the enterprises, we shall be active and stable in promoting the accounting internationalization process instead of blindly following and copying the foreign examples. We shall adopt the strong points of others while overcoming our own weak points on the basis of comparative analysis and learn from the successful foreign experiences in a scientific way, so as to get China’s third-party payment platform accounting gradually meet the international standards.
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