

Website Costs-Operation Phase Compliance Analysis on Financial Statement of E-Commerce Company in Indonesia:

A Case Study of PT. X in Jakarta

Yohanes, Desi Susanti*

Universitas Indonesia
Depok, Indonesia

*desi.ca.bkp@gmail.com

Abstract—The purpose of this study is to analyse website cost – operation phase of PT X whether it is in accordance with PSAK 19 Intangible Assets, ISAK 14 Website costs and taxation rules. PSAK 19 and ISAK 14 state that the costs related to the website are divided into development and operation phase. In accordance with ISAK 14, at operation phase, all expenditures are recognized as expenses unless they meet recognition criteria of PSAK 19 paragraph 18. The expenses that meet PSAK 19 paragraph 18 will be capitalized. On taxation side, in accordance with the explanation paragraph of article 28 paragraph (7) of Law No. 6 of 1983 concerning General Provisions and Tax Procedures as lastly amended by Law No. 16 of 2009 bookkeeping is based on Accounting Standards, then significant website costs that have more than 1 (one) year benefit should also be capitalized as long as they meet recognition criteria of PSAK 19 paragraph 18.

Keywords—website costs, PSAK 19, PSAK 14, tax, e-commerce

I. INTRODUCTION

Based on SIC 32, the costs involved in forming a website which are planning phase, application and infrastructure development stage, graphic design development stage, website content development stage, operational stage of the website [1]. Factors that influence the quality of the website which are information quality, service quality, ease of use, security, visual appearance, brand image and price [2]. According to Hissom, EA, "Search Engine Optimization and A Successful Web Site", 2010. Search Engine Optimization (SEO) is a process that utilizes the algorithms of search engines so that a site gets a high index value so that the site has many visitors [3]. There are 3 (three) factors to optimize position in search engines which are on-page optimization, external links (back links, backward links) and inbound links and off-page optimization [4].

Network Advantages is a positive result received by a website in order to bring visitors and increase the conversion of sales of a website, increase the value of Page Rank (PR) on

Google and others. Network advantages can be said to be intangible assets but are not recognized/recorded in financial statements [5]. High network advantages caused the value of a company increase [5]. Thus, the costs incurred in building Network Advantages add value to the site of an e-commerce company.

Accounting Standards which relate to website costs is PSAK 19 Intangible assets and the Interpretation of Accounting Standards (ISAK) 14 - Website Costs. The standard divides costs into 2 (two) phases, costs of development and the costs of the operation phase. Costs of operation phases must be expensed unless they meet the criteria for intangible assets in PSAK 19 paragraph 18 [6]. In the audit process, to be recognized as intangible assets, the external auditor requests to provide projections of future benefits for these expenditures in accordance with PSAK 19 Intangible assets which states that companies can use rational assumptions and can be justified to assess the possibility of future economic benefits. Observations made on several digital companies by researcher, expenses related to maintenance costs and internet marketing are expensed in the current period because the projections requested cannot be fulfilled by the company so the expenditure is not capitalized into intangible assets. Meanwhile, on tax side, since the tax rules do not specifically regulate website costs then they can be posted based on Accounting Standards based on article 28 paragraph 7 of the KUP Law. Nowadays, there are no rules issued by the Directorate General of Tax (DGT) which concern with the website costs.

The previous qualitative research in 2013, a study case of PT Bank Sulut (Persero) Manado's (hereinafter referred to Bank Sulut) website, which the objectives were accounting treatment of expenditure related to build website and determine the website as the internally produce of intangible assets [7]. The study concluded that the accounting treatment of website costs at the Bank Sulut did not fully meet ISAK 14 Intangible assets - the website costs because Bank Sulut expensed all

incurred costs in current period even though the standard states there are costs that can be recognized as intangible assets. The research also concluded that Bank Sulut's website cannot be categorized as an intangible asset because it was a passive website [7].

There was qualitative research in 2016 about the application of ISAK 14 Website Cost to PT Bunaken Surya Wisata Tour and Travel (hereinafter referred to PT Bunaken). The purpose of this research was to find out whether PT Bunaken has implemented ISAK 14 Website Costs. The study concluded that PT Bunaken has not applied ISAK 14 Website Costs because all costs were recorded as expenses incurred in current period whereas ISAK 14 Website Costs stated that there are costs which can be expensed in current period or recognized as intangible assets. The study also concluded that PT Bunaken's website cannot be categorized as an intangible asset [8].

This research is different from previous studies. The difference lies in the object of research, the level of website activity, the phase of costs and an analysis on taxation side. The company used in previous research is engaged in banking and travel services, while this research use e-commerce that sells transportation and accommodation tickets. In previous studies, the level of website activity was low because the websites were not used for transactions. The websites were only used to promote products, introduce companies through the internet. In this research, using high website activity because the website is used for trading transactions, not only for introducing companies and products. In previous studies, all costs (both development and operation phase) were analysed while in this study only the costs of operation phase are being analysed because the costs of development phase were carried out by third party. The previous studies focused to the application of Accounting Standards while in this study, there is tax analysis besides the application of Accounting Standards.

In a 2006 study, the OECD stated that there were no international standards regarding the definition of software for tax purposes so tax treatment for software varied in various countries [9]. Australia already has a tax regulation regarding fees that can be deducted from income related to commercial sites, namely TR2016 / 003. This rule has clearly defined whether expenses related to the website are categorized as capital expenditures or expenses to bring in income [10].

As the description above, website costs are not recorded properly and there are no rules regarding the website costs of e-commerce companies on the tax side. Therefore, the purpose of this study is website costs analysis during the operation phase in PT X whether it is in accordance with PSAK 19 Intangible Assets and ISAK 14 Website and taxation rules.

II. LITERATURE REVIEW

ISAK 14 Website Costs fully adopts SIC-32 Websites Costs which will be effective on January 1, 2011. Broadly speaking, there are 2 (two) phases described in ISAK 14 - Website Costs, which are the development phase and the operation phase. When the operation phase begins, expenses incurred will be expensed or classified as intangible assets with conditions meeting paragraph 18 of PSAK 19, which is according to the definition of intangible assets stipulated in

paragraphs 08-17 and recognition requirements set forth in paragraphs 21-23 [6].

Paragraph 18 of PSAK 19 which is according to the definition of intangible assets stipulated in paragraphs 08-17 and recognition requirements set forth in paragraphs 21-23. According to the definition in PSAK 19 (paragraphs 08-17), intangible assets are non-monetary assets that are not in physical form. The standards state that there are compulsory requirements to fulfil 3 (three) elements of intangible assets, which are identification, control of resources and future economic benefits [6].

Paragraph 21 of PSAK 19 Intangible assets state that: "Intangible assets are recognized if, and only if: (a) it is probable that the entity will obtain future economic benefits from these assets; and (b) the acquisition cost of the asset can be exchanged reliably " Paragraph 22 of PSAK 19 Intangible assets state that: "In assessing the possibility of future economic benefits, an entity uses rational and accountable assumptions that represent management's best estimate of the economic conditions that apply throughout the useful life of these assets. "Paragraph 23 of PSAK 19 Intangible assets states that: "In assessing the certainty of future economic benefits arising from the use of intangible assets, an entity considers the evidence available at the time of initial recognition of intangible assets by giving greater emphasis to external evidence" [6].

Network Advantages is an added value created on the internet owned by a website in order to bring visitors and increase the conversion of sales of a website, increase the value of PR on Google and others. Network advantages is a uniqueness of a website that is not yet fully revealed in the financial statements. Network advantages are created from alliances, affiliate programs, media visibility, R&D expenses, marketing, cash availability and market value of equity. The impact on the creation of network advantages is shown by the number of internet users visiting a site. The higher number of visitors, the community creates mutual support between the company and customers. Customer data can be selected then the company can recognize the buyer so that it can offer products on target which increases the potential for long-term benefits. Thus, the value of the company will increase with the network advantages [5].

III. METHODS

The purpose of the study is to analyse website cost-operation phase of PT X whether it is in accordance with PSAK 19 Intangible Assets, ISAK 14 Website costs and taxation rules. This study uses a case study approach as a type of qualitative approach. In conducting research, minimal interferences had applied. The instruments used are: (1) Observation, making observations on accounting information systems, and website platforms. (2) Conducting interviews with related parties. Interviews were conducted with the Assistant Manager, DGT and Auditor at the public accounting firm. (3) Documentation, studying internal documents related to financial statements, accounting information systems, and vouchers.

The study took place at PT X in year 2019. The object of research is an e-commerce company called PT X, a local

company with the aim of establishment is distribute transportation tickets and hotels/ lodging. PT X is located in Jakarta. This study using financial statement data for year 2016 and 2017.

The procedure carried out in case study research are (1) Making a case study design and proposal. (2) Conducting case study research which includes 3 (three) activities, sending research proposals to companies whose data will be requested, conducting interviews, conducting observations and documentation. After obtaining a research permit from the company, the data is provided by the company. Documentation is done by studying the data that has been provided by the company. In order to prepare for the interview, an understanding of theories and standards related to the research problem is needed. After the questions have been prepared for the company and for interested parties, the next process is getting interview permission. Interviews are conducted at the location of the party being interviewed, during the interview recording is done with the permission of the party being interviewed. Observations made related to the treatment of costs related to the website by tracing transactions on the financial statements to the voucher. (3) Analysing the evidence obtained in the form of interviews that have been transcribed. The evidence is then used as material to get answers to research questions. (4) Making conclusions, suggestions and research implications based on the evidence that has been obtained.

In conducting research, the unit of analysis used is a single-case study, so that only 1 (one) company is studied. The selected companies are as follows: (1) Website is used for transactions, not just for introducing companies. (2) Companies rely solely on websites as sales channels. (3) The company uses internal parties to develop web sites. Several companies that have been invited to become research respondents, only 1 (one) company is approved. As conditions, company identity is not stated and financial data is confidential, not for publication. Therefore, PT X is used as a substitute for company name and the financial data that has been displayed has been processed, not the actual data. Even so, financial data in a ratio still has similarities with the original data.

The object of research is an e-commerce company called PT X, a local company with the aim of establishment is distribute transportation tickets and hotels/ lodging. PT X is located in Jakarta. PT X is owned by PT R, a foreign investment company with 99% ownership of PT X and 1% ownership is belong to Mr. A (local resident).

In connection with the research topic, which is discussing costs related to the website during the operation phase, the company has an account where all website development costs are recorded. The company bought the system from Y Corp. This purchase has been recognized as an Intangible Asset. Then every three months, Y Corp. will charge transportation, accommodation and allowance fees into one invoice. These invoices are classified into website development costs. Below expenditure related to website on Profit Loss Statement for year 2015–2017.

TABLE I. WEBSITE COSTS ON PROFIT LOSS STATEMENT PT X YEAR 2015 - 2017

Expenditure	2015	2016	2017
Advertisement	2.021.898	2.700.759.775	10.370.169.336
Rent server	146.869.545	735.966.755	711.283.908
Coupon and events	-	3.874.060.395	10.113.589.383
Website development	-	344.012.252	1.120.073.279
Total	148.891.442	7.654.799.175	22.315.115.906

In 2015, there was an advance for software on the website that was licensed from Y Corp. in the amount of IDR 7,584,324,958 and in 2016 the advance was recognized as an intangible asset of IDR 9,548,299,646. In 2017, intangible assets amounted to IDR 9,001,158,000 (net). Addition of intangible assets occurred in 2016. Up to 2018 there was no increase or reduction in intangible assets except amortization (table 2).

TABLE II. INTANGIBLE ASSET IN FINANCIAL POSITION STATEMENT PT X PER DECEMBER 31, 2015, 2016 AND 2017

Intangible Assets	2015	2016	2017
Z.com	7.584.324.958	9.548.299.646	9.001.158.000
Increase (Decrease)	-	1.963.974.689	-547.141.646

Every month, domain and the accompanying software of Z.com are routinely maintained and software performance is improved to achieve the most up-to-date technology. At this phase the operation phase begins. PT X is trying to equip Z.com with the latest features, short loading times, low bounce rates so that conversions to sales are higher.

IV. RESULTS AND DISCUSSION

A. Result

ISAK 14 Website costs state that if they meet paragraph 18 of PSAK 19, costs related to the website at an operational phase can be recognized as intangible assets, costs are capitalized and then amortized. Conversely, if it does not meet paragraph 18 of PSAK 19, the expenditures are expensed to the current period. Paragraph 18 of PSAK 19 states that an item can be declared as an intangible asset must refer to the definition of intangible assets, discussed in paragraphs 8-17 and recognition criteria in paragraphs 21-23.

TABLE III. ANALYSIS OF PROFESSIONAL FEE AND COST OF BUILDING NETWORK ADVANTAGES

No.	Expenses	Par. Par. Letter	8	9	10								21		22	23
					11	12		13	14	15	16	17	a	b		
						a	b									
1.	Professional fee		N/A	√	√	√	√	√	N/A	N/A	N/A	√	√	√	X	X
2.	Online advertising		N/A	√	√	√	√	√	N/A	N/A	N/A	√	√	√	X	X
3.	Coupon and events (gift)		N/A	√	√	√	√	√	N/A	N/A	N/A	√	√	√	X	X
4.	SEO		N/A	√	√	√	√	√	N/A	N/A	N/A	√	√	√	X	X
5.	Marketing fees		N/A	√	√	√	√	√	N/A	N/A	N/A	√	√	√	X	X

The conclusion from the analysis is that the costs associated with the Z.com have fulfilled paragraphs 8-21 but cannot meet paragraphs 22 and 23. Therefore, the costs related to the

website cannot fulfil paragraph 18 PSAK 19. When it cannot fulfil paragraphs 18 PSAK 19, the costs cannot be capitalized according to the statement on ISAK 14 website fees paragraph 9 letter d.

TABLE IV. WEBSITE COSTS FOR 2016 AND 2017 AND THE ACCOUNTING TREATMENT

Account No.	Account Name	Balance 2016	% expense income	Description	Balance 2017	% expense income	Network Advantages	Accounting Treatment in PT X	PSAK 19 and ISAK 14
614001	Website Advertising	11.871.395	1%	blog placement and blog writing	984.384.624	11%	Media visibility	Expensed in current period	Expensed in current period
614002	Facebook Advertising	1.072.426.175	53%	Advertisement in Facebook	1.600.226.070	19%	Media visibility	Expensed in current period	Expensed in current period
614003	Channeling	222.118.859	11%	Advertisement in chat application	1.615.646.216	19%	Referral program	Expensed in current period	Expensed in current period
614004	Online Advertising	580.233.500	29%	Advertisement in online media affiliate	1.571.501.000	18%	Referral program	Expensed in current period	Expensed in current period
614005	Offline Advertising	5.000.000	0%	Offline advertisement	235.000.000	3%	X	Expensed in current period	Expensed in current period
614006	Promotions - Coupon	3.844.678.436	189%	Coupon	10.094.415.731	117%	Media visibility	Expensed in current period	Expensed in current period
614007	Promotions and Events	29.381.959	1%	Promotions and Events	19.173.652	0%	Media visibility	Expensed in current period	Expensed in current period
614008	Search Engine Optimization	14.296.606	1%	SEO	18.115.755	0%	Media visibility	Expensed in current period	Expensed in current period
614009	Television Advertising	500.000.000	25%	Advertisement in TV	696.454.546	8%	X	Expensed in current period	Expensed in current period
614010	Marketing Fees	5.675.000	0%	Commission to affiliate	1.011.624.117	12%	Referral program	Expensed in current period	Expensed in current period
614011	Google AdWords	289.138.240	14%	Advertisement in Google AdWords	1.649.402.967	19%	Media visibility	Expensed in current period	Expensed in current period
614012	Fees	-	0%	Commission to affiliate	987.814.042	11%	Referral program	Expensed in current period	Expensed in current period
612005	Website Improvement Costs	344.012.252	17%	Professional fee	1.120.073.279	13%	Professional fee	Expensed in current period	Expensed in current period
Total		6.918.832.40			21.603.831.997				

B. Discussion

To gain confidence that PT X obtained future economic benefits from both costs, an interview with an auditor stated that a projection of future benefits for these costs is needed. In terms of PSAK 19 and ISAK 14, a certain degree of certainty for future economic benefits is needed in order to be classified into intangible assets. PT X has no projections and estimates of whether these costs have future benefits against revenue.

PSAK 19 and ISAK 14 have not regulated about how to assess the existence of network advantages that occur in e-commerce companies. Costs that is bring in the traffic can generate network advantages for a website. Network advantages on a website are not disclosed in financial statements [2] which caused the intangible assets value and website costs on operation phase of an e-commerce company are not representative. Therefore, it is difficult to determine the website costs whether the costs are capitalized or expensed in the current year.

Bookkeeping for website costs during operation phase refers to the Accounting Standards because there are no specific tax regulations regarding website costs in accordance

with article 28 paragraph (7) of the KUP Law. The accounting standard refer to ISAK 14 website costs and PSAK 19 Intangible assets. As discussed before, the reporting of website costs is in accordance with PSAK 19 and ISAK 14. But there is a possibility that the costs associated with the operation phase of the website are capitalized to the intangible assets as long as the fulfilment of the requirements of paragraph 18 PSAK 19 Intangible Assets where PT X must prepare the calculation of the future economic benefits.

V. CONCLUSION

PT X record all website costs as expenses whereas according to PSAK 19 Intangible Assets and ISAK 14 website costs, costs that has useful life more than 1 year should be capitalized as long as the fulfilment of the requirements of paragraph 18 of PSAK 19 Intangible Assets where PT X must prepare the calculation of the future economic benefits. Because the tax regulations have not specifically regulated, it should follow PSAK 19 and ISAK 14 as stipulated in the Explanation of Article 28 of the KUP Law, costs that have a useful life of more than 1 year should be capitalized as long as the fulfilment of the requirements of paragraph 18 PSAK 19

Intangible Assets where PT X must prepare the calculation of the future economic benefits. The limitation of the study is not many e-commerce companies are willing to provide data so that the research design should be single-case study.

PT X should make a projection of future benefits to income so that significant expenses in the form of professional expenses and network advantages can be ascertained whether these expenses should be capitalized or fully expensed. Without these projections, PT X cannot fulfil all the guidelines as stipulated by ISAK 14 and PSAK 19.

The DGT should made rules regarding which costs should be capitalized and expensed in the current year so that taxpayers who carry out similar business activities do not experience any confusion. Regarding the rules, the DGT can imitate other countries or can directly adopt ISAK 14.

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