Discussion on the Problem of Income Recognition in B2C E-commerce Enterprises

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***Abstract*—B2C e - commerce has received much attention for its high innovation and growing transaction scale. Different from the business model of offline transaction, the variety of sale promotion mode of B2C e - commerce makes the revenue of the electronic commerce business enterprise raises many disputes. It brings lots of inconvenience to the accounting practice work. Based on analyzing the revenue recognition time point and distinguishing the business characteristics of different promotion means, combining with the relevant provisions of the new income criterion, this paper gives some corresponding suggestions.**

Keywords—Ecommerce enterprise; B2C; Recognition of income; New income criterion

I. Introduction

The convenience of online shopping and the continuous innovation of Internet technology make the E-commerce industry develop rapidly. B2C model is one of the most common e-commerce models. The goal of the enterprise is profit, the income is the important factor to form the enterprise profit, and the rationality of its confirmation has an important influence on the objectivity and validity of the enterprise financial information. However, since the profit mode of B2C ecommerce is very different from that of traditional enterprises, there are many problems in its revenue recognition in practice. Therefore, it is more and more important to analyze the related revenue recognition in B2C e-commerce profit mode.

II. Business Process of B2C E-Commerce Enterprises

In B2C e-commerce enterprises, different transaction processes and revenue recognition points (not considering return) are different.

A. Direct sales can be divided into three main categories according to the terms of payment

Pay for delivery. The process of payment and delivery is as follows: the first step is to place an order with the buyer, and the payment will be paid to the seller; the second step, the seller will send the goods through the logistics company; and the third step, the buyer will get the goods. Because the probability of goods being damaged or lost during physical distribution transportation is relatively small, so, when the seller receives the payment and sends out the goods, we think that the seller has realized the transfer of controlling over the goods, and the income should be recognized.

Payment on delivery. The process of delivery payment is as follows: the first step, the buyer orders online; the second step, the seller sends out the goods according to the order information; the third step: the logistics delivery personnel deliver the goods to the buyer, the buyer signs and receives the payment to the express delivery company; Step 4: express delivery company will pay the seller. In this case, it is generally believed that when the buyer signs the goods and pays the goods to the express company, the control of the goods has been transferred from the seller to the buyer, and this is the time when the seller income is recognized.

Transactions secured through third party payments. This mode is the most commonly used trading mode for e-commerce enterprises. The process of payment through a third party is as follows: first, the buyer orders online and pays the payment to the third party payment platform; the second step, the third-party payment platform notifies the seller to deliver the goods after receiving the payment; the third step, The seller sends the goods through the logistics company; the fourth step, the buyer receives the goods,; acknowledge receipt of goods .the fifth step, the third party payment platform who has received the buyer confirmation information will pay the money to the seller. From the point of view of this article, the seller still retains the ownership and control of the goods before the buyer receives the goods, and the buyer has the right to reject the goods in the event of physical distribution damage. Therefore, revenue should be recognized when the buyer confirms receipt of the goods.

B. Good commission

The entrustment sale is divided into the consignment of the consignment and the charge of the charge for the purchase of the consignment. The consignment of a buyer means that the principal shall collect the money from the trustee in accordance with the agreed price in the agreement. The difference between the actual sales revenue and the agreed payment is all to the trustee. In this case, the principal is equivalent to the sale of the goods to the principal. The income confirmation of the trustee is the same as the direct sales method. The entrustment sale of the charge is that the trustee sells the goods to the consumer in accordance with the price specified by the principal, and accounts for the payment of the goods according to the list of goods according to the list of goods and the Commission fee. In this case, the control of the goods is not transferred to the subject. The trustee cannot confirm the income when the client sends the goods to the trustee. The principal shall confirm that the time of the income shall be the time when the trustee provides the list of goods, and the trustee confirms the fee income [4].

III. B2C THE PROBLEM OF CONFIRMING THE INCOME OF ELECTRIC BUSINESS ENTERPRISE

A. Confirmation of sales receipts of goods with questionable return rights

The first issue is the estimation of the return on sales income: the factors that affect whether the buyer returns are various, not only the quality problem, transportation breakage, etc., but also the subjective factors such as customer mood. This makes returns Rate is difficult to is reasonable estimate, also gave the financial personnel to change the return rate, change the income situation of the enterprise in the current period of opportunity, affecting the authenticity of corporate financial statements. In accordance with article 32nd of the new revenue guideline" It is expected that the amount returned by the sale will be recognized as a liability" is not a reversal of income, there may be an overvalued income, the income is overvalued, naturally based on the overvalued amount of calculation and pay taxes. In order to pay less tax, businesses will naturally reduce the "amount of money expected to be charged" and increase Amount expected to be refunded as a result of sales return。

The second problem is income Confirmation of the problem: for sellers who cannot reasonably estimate the return rate, the confirmation of income after the expiry of the return is equivalent to the implementation of the system, which is not in conformity with our current implementation of the accrual basis, and is equivalent to the overall delay in revenue and does not reflect the transaction substance [3]. If the seller in the issue of goods to confirm income is equivalent to the early confirmation of income, also can not reasonably reflect the income and financial situation of the enterprise

B. Common revenue recognition problems with promotional activities

Coupon: Usually coupons are divided into coupons issued prior to the transaction and coupons issued after the transaction. Coupons issued before the transaction can be used directly in this transaction, like commercial discounts, should be analogous to discount sales processing. Coupons issued after the transaction usually have a certain period of validity, overdue automatically void. For handing Easy to issue coupons the way there are two views: A view that the transaction does not consider the amount of coupons offered, hospitality Households later When the coupon is used, the transaction price is deducted from the coupon amount and treated as income; Another view is that, based on the principle of prudence, the coupons presented in this transaction should be credited to the current sales fee and a projected liability. When the coupon is overdue, the cost of the current period is reduced, and if the coupon is used during the validity period, the expected liabilities of the current period are reduced [1].

Gift points: gift points are points that are given to the buyer after purchase or evaluation according to the amount of the transaction. The points are accumulated to a certain number. The buyer may directly exchange or offset the goods or service price of the merchant or third party. This approach has played a role in maintaining customer loyalty and expanding commodity sales. At present, there are two ways to recognize the income of the points: one is to treat the points given away as the cost that the merchant pays to promote sales, so that the cost of converting the points will be counted into the sales expenses. At the same time, due to the uncertainty of the amount and convertibility after the credits, the expected liability is credited when the sales expenses are recognized. Another view is that the points are also regarded as commodities purchased by consumers, because the points have the particularity of deducting the transaction price later. In the current period of the transaction, the points are recorded as deferred income, and the income is recognized only when the points are used.

Gift buying: a gift promotion usually refers to other goods that can be given away by a merchant when a customer buys one or more items. The dispute about the recognition of the income from the purchase and gift activities is mainly about the treatment of the gift: does the gift need to be recognized separately from the goods sold [2]?

IV. SUGGESTIONS ON REVENUE RECOGNITION OF B2C E-COMMERCE ENTERPRISES UNDER THE BACKGROUND OF NEW INCOME GUIDELINES

A. Recommendation for sales revenue recognition with sales return clause

For sales with sales return clauses, Article 32 of the ‘Accounting Standards for Enterprises No. 14-income’, which came into effect on January 1, 2018, clearly states that enterprises shall, when the customer acquires control of the relevant commodity, act in accordance with the amount of value expected to be collected for the transfer of the goods to the customer is recognized as income, The liability is recognized on the basis of the amount expected to be refunded due to the return of sales, and at each balance sheet date, the enterprise shall reassess the return of future sales. We therefore recommend that:

For large and large sales enterprises, if their development has become stable and long enough to make a reasonable estimate of the size and probability of the return, then it can refer to the guidelines. For sales that can reasonably estimate the return rate, the seller will be able to reasonably estimate the goods when the buyers sign the goods. The income and cost of the part of the return will not be confirmed, and the corresponding accounting treatment will be carried out according to the actual return condition after the unconditional return expires.

For other ecommerce enterprises which cannot reasonably estimate the return situation, the income should be confirmed when the customer confirms the receipt of the goods or the expiration of the unconditional return. This is not only in line with the requirements of the principle of prudence, but also conducive to the cash flow management of enterprises, so that there will not be a situation where early recognition of income requires early payment of taxes. It would also avoid the possibility of a reduction in the amount of "expected entitlement to consideration" and an increase in the amount expected to be refunded as a result of sales return, which may occur in the implementation of section 32 of the new guideline. Also can avoid the unconditional return of goods may be due to early recognition of income (actually should not be recognized income) and income, profit is overestimated, tax overpayment.

B. Revenue recognition recommendations for common promotional activities

The new revenue guidelines provide clearer guidance on the accounting treatment of contracts involving multiple transaction arrangements, requiring enterprises to evaluate the contracts on the commencement date of the contracts and identify individual performance obligations contained in the contracts. The transaction price is apportioned to the individual performance obligations according to the relative proportion of the individual selling price of the goods (or services) promised by each individual performance obligation, and the corresponding income is recognized when each individual performance obligation is fulfilled, Helps to resolve the revenue recognition problem of such contracts.

In the case of a gift coupon, if the use of the coupon is not conditional (without threshold coupons), it can be clearly distinguished from other commitments, and it is a single obligation to perform according to the relevant provisions of the new income guidelines. Income should not be recognized until the individual performance obligation is fulfilled, i.e. the coupon is not used and the customer does not receive the asset. Revenue is recognized only after the customer uses the coupon or the coupon expires. At this point, the merchant deducts the coupon amount of the transaction price as the transaction price recognition income. If the coupon is subject to use restrictions (for example, when a certain amount of money is available or can only be used for a particular commodity), it does not meet the requirements of the new guidelines that goods can be clearly distinguished, and therefore is not a single obligation to perform. From the point of view of accrual basis and prudence, this paper holds that the discount amount indicated on the coupon should be included in the current sales expenses, and an estimated liability should be recognized at the same time. If the buyer uses this coupon to purchase during the later period, the estimated liability of the corresponding coupon amount shall be deducted in the use of the coupons in the current period when the coupons are overdue and invalidated and the sales expenses for the current period of invalidation are reduced.

For the points given away, the e-commerce enterprises will generally inform consumers of the conversion ratio between the credits and the deductible price, that is, the transaction price that the unit integral can deduct is clear, and in general, there are no restrictions on the use of the points under specific conditions. Consumers can choose whether to use points to offset the corresponding transaction price. Thus it can be seen that merchants sell goods or services and merchants give points are two independent contracts, merchants give points and promise consumer points can be deducted from the transaction price is a single performance obligation. In accordance with the relevant provisions of articles 9 and 14 of the new income guidelines, the enterprise shall measure its income at the transaction price apportioned to each individual performance obligation, and shall recognize the income separately when fulfilling each individual performance obligation, that is, When giving away the points, the merchant shall recognize the income at the transaction price after deducting the convertible deductible amount of the gift points, and record the points as deferred income, Revenue is recognized when the consumer uses the points or when the points are invalid in future transactions.

The treatment of gifts in the purchase of gifts needs to be determined on the basis of the nature of the gift, and whether or not it is clearly distinguishable is confirmed in accordance with the relevant provisions of article 10 of the new income guidelines on clearly distinguishable goods, In order to determine whether it is a single performance obligation. If the customer can benefit from the gift itself or from the use of the gift in conjunction with other readily available resources and

If the customer can from the gift itself or from the gift, together with other readily available resources use benefit and enterprise to the customer commitment and contract of assignment of the gift of other commitments to distinguish should speak gift from goods sold separately to confirm different income .For example, the seller sells the video course while giving away the related books free of charge, the book is clearly distinguishable goods, should share the total transaction amount according to the market price ratio to the video course separately to confirm the income.

V. CONCLUSION

B2C e-commerce has rapidly developed into a new business model, and its diversified and innovative business cooperation has brought great challenges to traditional revenue recognition. At present, China has not issued a unified accounting standard system for e-commerce to regulate the recognition of its trading revenue. Therefore, this article is based on the existing income criterion, in the business process of B2C electrical contractor, on the basis of analysis, combining with the principle of caution, is proposed for attached returned to the terms and conditions of the sales, if the return rate to reasonably estimate, B2C electronic business enterprise can according to the part affirm income after deducting the return rate; If the return rate cannot be reasonably estimated, for the principle of prudence, B2C e-commerce enterprises should confirm the income after the return period expires. For common business promotion, this paper put forward by the new income principles of individual performance obligation as the breakthrough point, analyze the sales promotions of the substance, if the promotion business belongs to a single performance obligation should affirm income respectively when by the performance of an obligation; If the promotion is not a single performance obligation, it should be handled on the basis of the accrual basis and the principle of prudence.

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