

Research on the Value Accounting of Free Internet Service

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1. Introduction

As a means of commercial promotion, "free" is often considered as "bait" or cheap accessories. But in the new era of continuous innovation and development of Internet technology, free business model has gradually become the inevitable basis of the new economic paradigm. Especially for Internet enterprises, with the emergence of new economy and new forms of business, such as "Internet +", and the prosperity of bilateral and multilateral markets, buyer's interests have gradually developed into the dominant force of the market. The prevalence of free business model indicates that new production and consumption cooperation has emerged and is reconstructing the business ecological environment of enterprises. While the free business model has been innovated, it has also had a great impact on the consumption habits of residents in their daily life. A large number of Netizens have more or less obtained non-physical products through the Internet at free or insignificant prices, such as wechat, QQ and other instant messaging services. These products can be collectively referred to as free Internet services, which provide great convenience and richer experience for residents. At present, some scholars and institutions are studying whether GDP should be adjusted based on the value of free Internet services and how to calculate its value under the FRAMEWORK of GDP accounting. This research project will present the value transaction process of Internet free service, so as to put forward its value accounting scheme.

2. Problem Statement

Free Internet services provide a large number of information and entertainment services. But under the current accounting framework, its value is not reflected in the current accounting results, due to the lack of fixed or referable market prices and appropriate accounting methods. However, these temporarily unaccounted values have had a huge impact on consumer behavior and business practices that cannot be ignored. In the field of management research, the innovation and development of the Business model of Internet enterprises is a hot topic attracting much attention. The research results concerning the profit model of Internet free service are increasingly rich and mature, but it is difficult to be reflected in the accounting data, and the innovation of the profit model brings challenges to the accounting theory. In summary, there is a need for a better understanding of what is the real value of free Internet services and how to measure it. More specifically, the following research questions need to be addressed:

- 1- Should advertising revenue be seen as the equivalent of most free Internet services? Is customer value a more reasonable equivalent of a free Internet service?
- 2- If the free Internet service is included in the accounting, what will be the impact on the account?
- 3- What is the specific way to calculate the value of free Internet service?

3.Objectives

The long term goal of the research is to make the SNA a more comprehensive reflection of social and economic development, in particular the contribution and participation of free services. The objective of the current study is to put forward the methods and ideas to calculate the value of free Internet services under realistic conditions. Particularly, the study has the following sub-objectives:

- 1-Analyze the value transaction process of Internet free service
- 2-Identify the equivalent of free Internet services
- 3-Propose a feasible accounting scheme

The result of this study will reduce the undervaluation of services and provide a clearer picture of the specific impact of free services on various aspects.

4.Preliminary Literature Review

Free Internet services are often included in the discussion of GDP contribution due to their relationship with the digital economy. It also evaluates the free digital economy based on GDP and production account perspectives. Besides, Advisory Expert Group on National Accounts has provided guidance on recording and valuing free digital products under the SNA Central framework and SNA satellite accounts. However, it is worth carrying out further research based on the actual situation.

5.Methodology

The primary research method for this study is literature review and make related definitions more clearly. Defining the concept of free Internet services and determining the scope of accounting is the very first. Based on this understanding, this study will analyze the value transaction under different Internet free service transaction modes. In the second stage of this study, this study needs to analyze the free business model in the context of the current Internet economy, so as to discuss how the calculation of the value of free Internet services will affect the original accounting system. Finally, it will put forward an accounting scheme on the value of free Internet services.

References

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