

ACCOUNTING TREATMENT OF WEB DESIGN ACCORDING TO INTERNATIONAL STANDARDS OF FINANCIAL REPORTING IAS / IFRS. AN INTERNATIONAL AND NATIONAL APPROACH

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Great think regarding the Internet is the speed with which it has penetrated into our daily lives. History of the Internet began in 1960 but only in the early'90 the Internet has evolved to the point that we see today. An open society means also the right to communicate freely and free access to information. Specialists speak for a long time about the so-called Internet Revolution, which does not refer to simply surf on the Internet but in a new form of doing business, to sell. Ways of doing business is changing every second “The Internet has changed everything!” said Larry Ellison, Oracle chairman, one of the world heavy industry software for databases, and Andy Grove, general manager of Intel, the world leader in the production of microprocessors, go ahead and say: “all companies will be Internet companies or they will not be at all”.

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The main features of the Internet as a business environment

The Internet is a business environment particularly advantageous. Characterized by speed, ubiquity (eliminating the barriers of space and time), interaction and flexibility, the Internet has now become an effective instrument for implementing of the marketing strategies.

Some authors consider the Internet as an ideal business environment in which small and medium businesses have the chance to compete successfully with large multinational companies. The research undertaken shows that these advantages are not so obvious for small and medium enterprises or that, ultimately, they can be operated only by the choice and implementation of optimal marketing strategies.

Advantages of the Internet considered as a new marketing environment are:

Internet facilitates direct communication and interaction with current and potential consumers. It is the ideal environment for the development of direct marketing;

-Internet allows a precise targeting and direct mail marketing to certain individuals, especially individuals who have been identified and characterized based on their behavior on the Internet. It provides a real opportunity to implement individual marketing techniques (one-to-one-marketing);

- Internet Users have the freedom to choose promotional messages or information they wish to access, so their involvement in pre- transactional process is much greater;

- The Internet offers the possibility of obtaining instant feedback from users is extremely efficient in providing services with direct impact on fidelity of consumers;

- The number of Internet users is growing rapidly and continues;

- Web sites provide more information on companies and products, in comparison with the classical instruments of trade information (brochures, posters, etc.)

The explosions of Internet and electronic commerce have led to most of the business to have its own website. A company may hire internal costs for development and operation of its website. The website can be designed for internal access (in which case it can be used for the presentation of policies and data storage on customers) or for external access (they are created and used for promotion and advertising of products and services company).

A. International Approach

Given the substantial costs incurred by many companies for the creation and operation of websites, it became necessary to develop an accounting standard on accounting treatment of such transactions. In this regard was published in March 2002 SIC 32 - Intangible Assets-Costs associated with creating websites.

According to SIC 32 for costs associated with developing and maintaining websites are internally generated intangible assets falling under the governance of International Accounting Standard 38 - Intangible assets.

According to it, to be capitalized, the costs must be related expenditure "development phase" as described above. Must be strictly complied the conditions with the qualification phase of development and the ability to generate future economic benefits⁴⁷⁰.

Thus, if a company will develop a website primarily for advertising and promoting its products and will not likely that this site will generate future economic benefits from its use, then these costs will be recognized as expense in the results(the profit and loss account) in period which they were made. On the other hand if your site will be used to take orders for delivery, the probability to generate future economic benefits are obvious and the costs will be fixed in accordance with IAS 38.

SIC 32 - Intangible Assets-Costs associated with the creation of websites provides a description of the phases of developing a website. They are:

Planning.

This phase includes the initiation of feasibility studies, defining objectives and specifies, evaluating of the alternatives and selecting preferences;

<i>PLANNING</i>	<i>ACCOUNTING TREATMENT</i>
<ul style="list-style-type: none"> - <i>Initiation of feasibility studies (cost of salaries of the specialists who prepared the feasibility studies,etc.)</i> - <i>Defining hardware specifications (configuration PC and other hardware components) and software (software used, etc.)</i> - <i>Evaluation of alternative products and suppliers;</i> - <i>Selecting preferences</i> 	<p><i>The costs of the planning phase are not recognized as intangible assets. They are specific to the "research phase" and are recognized according to IAS 38, as spending in that period took place.</i></p>

Application development and infrastructure.

This stage includes operations related to the domain name, purchase hardware components and operating software, installing developed applications and testing reliability.

⁴⁷⁰ Future economic benefits associated with the use of a website may be assessed when the website can be profitable.

APPLICATION DEVELOPMENT AND INFRASTRUCTURE.	ACCOUNTING TREATMENT
<p>- Acquisition hardware components</p> <p>- Develop operating software (the software regarding operating system, software for creating and managing the site)</p> <p>- Develop application code (the salaries of specialists)</p> <p>- Installing the software developed by the web server (cost of salaries of specialized staff, consumable materials:</p> <p>- Reliability testing</p>	<p>For this operation will apply the requirements of IAS 16 – Tangible assets. Hardware components will be recognized as tangible assets and will be assessed in accordance with IAS 16.</p> <p>If the expense can not be directly attributed to preparing the website for operating it will be recognized as a period cost.</p> <p>If the expense can be directly attributed to preparing the website for operating in the manner intended by management and the website meets the criteria for recognition under IAS 38, then the costs will be capitalized (recognized as an intangible assets.</p>

Develop graphic design.

At this stage is included the work of design of how the presentation of web pages.

GRAPHIC DESIGN OF WEB PAGES.	ACCOUNTING TREATMENT
<p>-the design graphic presentation of how the presentation of web pages</p> <p>- the choice of format page</p> <p>- the choice of colors, etc</p>	<p>At this stage the afferent costs should be recognized as intangible assets. However, if the expenditure can not be directly attributed to preparing the website for operating in the manner intended by management and are not satisfied the requirements of IAS 38, they will be recognized in the results account of the expends of period.</p>

Develop the content of website.

This includes creating, purchasing, training and rescue of the information.

DEVELOP THE CONTENT OF WEBSITE	ACCOUNTING TREATMENT
<p>- Creating, acquitting, preparing information (identification tags, links, etc.).</p> <p>- Saving information either as text or as graphics on the website before the website</p>	<p>1. If the website content is developed with the purpose of advertising and promotion of products and services, then costs associated with these activities will be classified as period costs.</p> <p>2. If expenditure generated in this phase are directly attributable to preparing the website for operating</p>

<i>development;</i> - <i>Content Information:</i> - <i>products or services offered by the entity</i> - <i>information about the company</i> - <i>Sections that subscribers access</i> - <i>contact details and correspondence</i>	<i>in the manner intended by management and the website meets the conditions for recognition under IAS 38 (ability to generate future economic benefits and can be rated as reliable) will then be recognized as intangible assets.</i>
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After completion the stage of development of the website begins the operational phase. In this phase, the entity maintains and develops software, infrastructure, graphics and content of the website. Expenses incurred during the operating cost should be recognized as a period in which they occurred, unless it met the recognition criteria set out in Standard. Specify the activities of this phase are listed below⁴⁷¹:

<i>THE OPERATIONAL PHASE THE WEBSITE</i>	<i>ACCOUNTING TREATMENT</i>
- <i>Update graphics and content review</i> - <i>Registration the website through search engines</i> - <i>Adding new functions, features and content (links to other sites, etc.)</i> - <i>Securing information</i> - <i>Analyze the use of the site (count the number of visitors)</i> - <i>Review how to access safety</i>	<i>The costs of these activities, if fulfill the conditions for recognition under IAS 38, will increase the value of the website. If you do not meet the conditions to be fixed will be recognized as expenses in the period in which they occurred.</i>

Other costs such as general administration costs, with training of employees on the use of the website will be recognized as expenses in the period indifferently if made during the development or phase of operation.

Recognizing further websites

Will apply the rules according to International Accounting Standard 38 - Intangible assets. Due to the technical characteristics and function of a website, some issues need to be nuanced.

Subsequent expenditure relating to the improvement or maintenance of their website has more to maintain the future economic benefits arising from the website, than to increase these benefits. This aspect will be further costs rarely restrained.

Another aspect to be shaded is about life. Because culminant progress in the field, websites likely to be very quickly outdated in terms of technology. Thus, entities must estimate the useful life on a prudent basis.

To further evaluate recognition initial moment, it is difficult for an entity to apply the revaluation model. To apply the revaluation, fair value should be estimated by reporting to an active market, or website is unlikely to have an active market. To these considerations is the best implementation model based on cost.

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B. National approach

National regulations do not provide rules or recommendations regarding the accounting treatment of the creation and development of websites. In the absence of legal regulations, there may be two options on the accounting treatment of the creation and development of websites.

-The first variant involves the classification of costs by their nature, and in research expenditure and development expenditure⁴⁷². Costs of research will be recognized as expenses in the period, while development expenditure will be restrained.

-The second variant implies recognition of the cost of production, applying the same accounting treatment of software created in the enterprise.

Conclusions

The economic entities often spend their resources or to attract acquisition debt, development, maintenance or expansion resources intangible assets such as scientific or technical knowledge, design and implement processes and systems, including among them and is web site. Because these elements can be recognized and valued in a accounting entity, must meet the definition of tangible assets and identifiable character, control over a resource and existence of future economic benefits. In case the item is gained through a combination of enterprises, it is a part of goodwill, recognized at data acquisition.

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472 Development costs will be classified appropriately only if the conditions laid down in national regulations