

**THE ROLES OF GOOGLE GIFT CARD AND GOOGLE WALLET IN
ACCOUNTING AND BUSINESS**

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Abstract

The main purposes of this paper are to explain the business process that occurs in Google Gift Card and Google Wallet; the accounting treatment for the type of transactions, the issues that are related to the transaction in Google Play Store, in-app purchase and the use of Google Gift Card, and the effects of Google Gift Card and Google Wallet in business process. We do the library research in order to achieve the objective of this study. Google Gift Card is a Business-to-Consumer e-Commerce model based on online transaction process system. The balance of Google Gift Card itself is integrated with Google Wallet. Accounting treatment for Google's revenue from Google Gift Card refers to IFRS 15 according to Ernst & Young's and Deloitte guidelines; PSAK 23 according to Indonesia's statement of financial accounting standards. The issues that occur related the use of Google Gift Card are overbilling, age restriction, overpricing, tax, and accounting issues for seller. Besides of those issues, Google Gift Card is one of the new methods that provides convenience in making payment.

Keywords : Google Gift Card, Google Wallet, issues, accounting, IFRS, PSAK.

JEL Classification: M15, Q55



INTRODUCTION

Because of the development of technology, business will grow rapidly developed. In the present application of this developing industry, especially for smartphone platform, Android based on Open Source makes the application developers compete to make application compatible with Android because Android gives easiness to disseminate his application.

Since February 2014, in Indonesia officially Google has provided the services that developers application be able to sell his application in Playstore as well as sell goods in-app purchases. The developers application in Indonesia became more motivate to continue working, but also they could get income of the application they had made.

At the beginning of 2016, Google officially introduced Google Gift Card for the Indonesian region. This increased the developers and the communities motivation because it would be give the ease transaction and especially in Google Play Store and better income.

The writer are interested in this topic, especially for the young people who spend the money for purchasing virtual goods in game. It is interesting to know the process of the transaction between the buyers and Google, the accounting treatment as well. As they will be affected by this kind of business model.

LITERATURE STUDY

The Transaction Processing Cycle

Transaction processing system capture and process data describing business transactions, update organizational databases, and produce a variety of information products (O'Brien & Marakas, 2009).

1. Data Entry

The first step of the transaction processing cycle is the capture of business data. For example, transaction data may be collected by point-of-sale terminals using optical scanning of bar codes and credit card readers at a retail store or other business. Transaction data can be captured at an e-commerce Website on the Internet.



2. Transaction Processing

Transaction processing systems process data is divided into: (1) **batch processing**, where transaction data are accumulated over a period of time and are processed periodically, and (2) **real-time processing**, where data are processed immediately after a transaction occurs.

3. Database Maintenance

Organization's databases must be updated by its transaction processing systems so that they are always correct and up-to-date. Therefore, transaction processing systems serve to assist in maintaining the corporate databases of an organization and to reflect changes resulting from day-to-day business transactions.

4. Document and Report Generation

Transaction processing systems produce a variety of documents and reports. Transaction reports might take the form of a transaction listing such as a payroll register, or edit reports that describe errors detected during the processing.

5. Inquiry Processing

Many transaction processing systems allow to use the Internet, intranets, extranets, and Web browsers or database management query languages to make inquiries and receive responses concerning the results of transaction processing activity.

Business to Consumer (B2C)

Business to Consumer (B2C) is the kind of buying and selling of products involving companies the seller and the end of consumers taken all of a electronic (O'Brien & Marakas, 2009). Characteristic of B2C E-commerce is to open to the public, where information distributed to public. Service is generally given in nature (generic) with a mechanism that can be used by their common people. For example, because of Web systems common use and service given with Web-based, service is given based on the request (on demand). Consumers do the initiative and providers of services or goods should be ready to respond according to the request. Client or Server Approach is often used where taken the assumption client



(consumer) utilizes this system minimal (Web-based) and the processing (business procedure) is laid out at the sides server.

NFC Technology

As in modern computers and interfaces, increasing mobility of computing devices provided by mobile communications is also an important step in the development of NFC. Near-Field Communications (NFC) is a short-range high frequency wireless communication technology that enables the exchange of data between devices over about a 10 centimeters distance (Coskun, Ok, & Ozdenizci, 2013). The main vision of NFC is the integration of personal and private information, such as credit card or cash card data into the mobile phones. NFC is an upgrade of the existing proximity card standard (RFID) that combines the interface of a smartcard and a reader into a single device. It allows the users to seamlessly share content between digital devices, to pay bills wirelessly or even to use their cellphone as an electronic traveling ticket on existing contactless infrastructure which has been use for public transportation.

The significant advantage of NFC over Bluetooth is the shorter set-up time. Instead of performing manual configurations to identify Bluetooth devices, the connection between two NFC devices is established at once (under a 1/10 second). Due to its shorter range, NFC provides a higher degree of security than Bluetooth and makes NFC suitable for crowded areas where correlate a signal with its transmitting physical device (and by extension). Its user might otherwise prove impossibility. NFC can also work when one of the devices is not powered by a battery (e.g. on a phone that may be turned off, a contactless smart credit card, etc.).

Google Gift Card

Google Gift Card is one of a payment method used to purchase an application or services that is in Google Play Store. In Indonesia, before Google Gift Card comes and becomes one of alternatives payment method, purchases an application and in-app purchase can only be made with credit card and carrier mobile's balances. In Indonesia, Google Gift



Card officially introduced in early 2016 and it can be purchased in the local convenience store called Indomaret with the amount of Rp150.000, Rp300.000, and Rp500.000.

Google Wallet

Google Wallet is a peer-to-peer payments service developed by Google that allows people to send and to receive money from a mobile device or desktop computer at no cost to either a sender or a receiver (Handa, Maheshwari, & Saraf, 2011). The applications is available for devices running minimum Android 4.0 and for iOS devices running iOS 7.0. Google Wallet itself still developed by Google and has not been operated completely yet in whole world. In Indonesia, Google Wallet can be used as a tool to view detail of our previous transaction on Google Play Store and in-app purchases, and to transfer money to the bank.

RESEARCH METODOLOGY

Descriptive study is the purpose of the study that we used in this research. Descriptive study is often designed to collect data that describe characteristics of people, events, or situation (Sekaran & Bougie, 2013). We describe the advantages as well as the disadvantages of using Google Products generally. Google Products that will be discussed are Google Gift Card and Google Wallet. Those two products of Google are the object of our study. We will discuss more about the advantages of Google Gift Card and Google Wallet in accounting and business specifically.

In doing this research, we did library research as the data collection technique. The data that we used were secondary data. The data of this study were obtained from various sources that had already existed. We used scientific journals, textbooks, and websites that conducted to our current study.

DISCUSSION AND RESULT

Online Transaction Process System

Transaction of buying an app in Google Play Store or purchase virtual goods that exists within an application (in-app purchase) uses a real-time system to capture and to



processed transaction on the spot. Some basic activities related to the transaction processing cycles are Data Entry, Transaction Processing (in this case the real-time processing), Database Maintenance, Document and Report Generation, and Inquiry Processing.

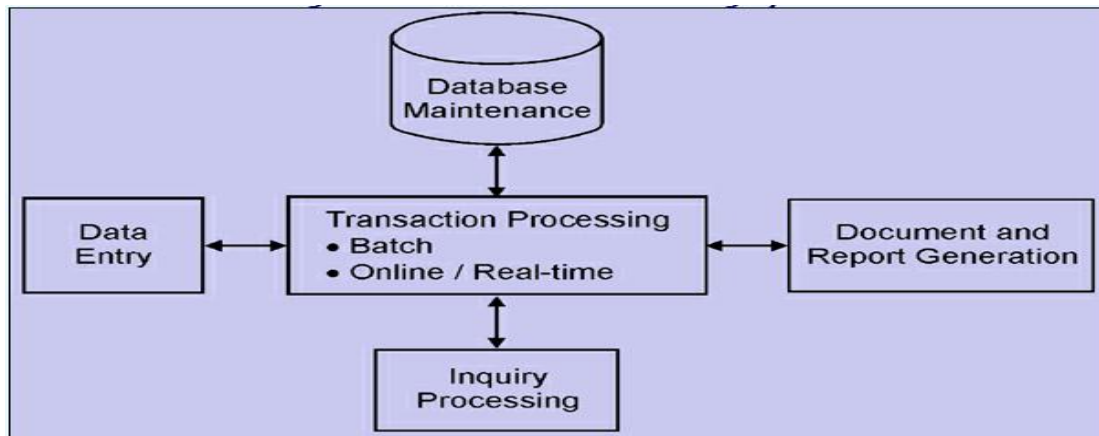


Figure 1. Transaction Processing Cycle

Source: <http://www.expertsmind.com/>

Business to Consumer (B2C) e-Commerce & Payment System

In this type of transaction, we can put Google Play Store in either of two sides of business process. One is when we buy an application in Google Play Store, Google Play Store provides a place to make the developer of the application and the buyer meet. The other one is when we buy virtual goods inside an application (in-app purchase), Google Play Store makes itself as third party payment service provider (in this case by using Google Gift Card).

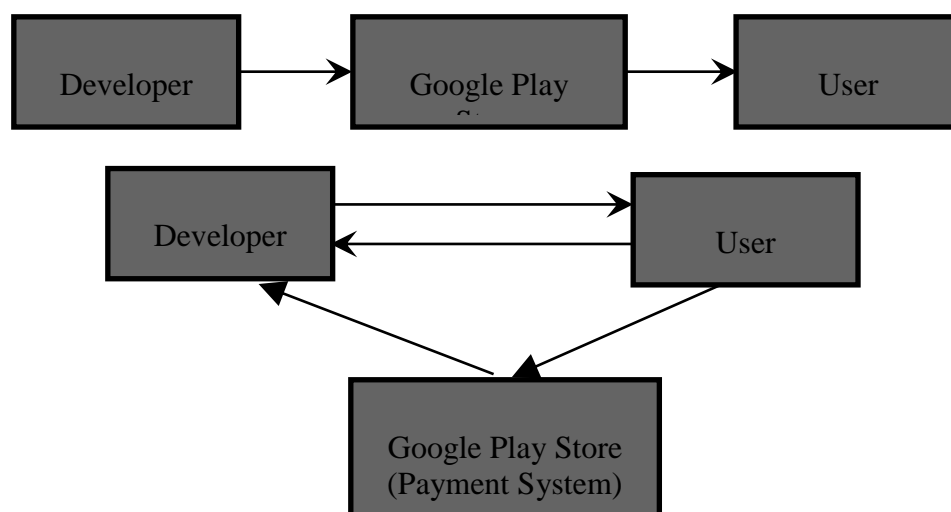


Figure 2. Difference Function of Google Play Store

Source: Writer

Business Process in Google Play Store

To be one of seller in Google Play Store, first step we should register as a developer in the Google Play Developer Console and should pay the registration fee of 25 USD via Credit Card. After this step actually we can publish our application but the application that we release only can be categorized as free application. We have to register as a merchant in Google Wallet in order to release the paid content. After that we can upload the apk. files and in Google Play Developer Console we can arrange all the prices about our application and products inside the application. Google Play Store sets a condition in determining the price. Google Play Store will take 30% of the price we set as a transaction and operational cost in each transaction we make.

Accounting Policy about Digital Payment

Based on the guidelines issued by Ernst & Young, accounting treatment of revenue related with the technology, was written in IFRS 15 on Revenue from Contracts with Customers. This standard is not specific to mobile application transaction. A customer here can focus more on business to business transaction, and the discussion about the contract, the implementation of the bonds in the contract, the determining the transaction price, the

allocation to the transaction price, the recognition of revenues, and the general things that applicable in all entities.

Meanwhile, Deloitte as one public accounting firm that audited several enterprise application developers issued guidelines based on IFRS 15 together with more detail explanation of the digital goods which explains the eligible criteria of goods or services as digital goods, and the debt instruments on the voucher as well. As for Indonesian Standards (PSAK), the closest one is PSAK 23 regarding revenues, but there is no specific section that explains the digital payment transaction activities.

Issues related Google Gift Card

This section are a few of issues that are related transaction in Google Play Store, in-app purchase and the use of Google Gift Card :

1. Overbilling

Before Google Gift Card came, payment which was related to Google Play Store had been made by Credit Card. This became a problem in society when consumption was not limited, this might increase billing of the credit card to become unpredictable amount and high for some people.

Then Google implements another payment method for purchasing application and other virtual goods with balance of mobile carrier. The overbilling problem with this new method for some people was solved, but for people who uses post-paid method for their carrier mobile billing the overbilling still become one of their issues. And then Google Gift Card launched easier and more secure method because it's integrated with Google itself and can solve the overbilling issues.

2. Age Restriction

The lack of Google Play Store is inappropriate for under-age because the content may contain violence. Previously, the control of age of the user who purchase, can be controlled because they must use credit card to make their own purchases. But when Google Gift Card was introduced to the user, this issue comes up because a lot of under-age can access the Google Gift Wallet easily in local convenience



store. Overbilling issue may be solved with Google Gift Card but this Age Restriction issue comes up.

3. Overpricing

For some people especially in Indonesia the price that set by Google Gift Card may be too high. Meanwhile, the price of the application is lower than the minimum amount offered by Google Gift Card and making a lot of balance remain worthless.

4. Tax

With this new method many people especially in Indonesia about the tax. When mobile carrier balance can be used as one of the payment method all of prices in Google Play Store and virtual goods, which are set before value-added tax, so at the end they charge more than the prices that are displayed.

After Google Gift Card become one of the payment method, value added tax has already applied when people buy the gift card from convenience store. So when people buy application or virtual goods, they will pay exactly the same amount which is displayed on their phones.

In few countries that apply tax sales, Google automatically takes the tax sales from the prices offered by developer. So at the end the developer will get 70% minus tax sales that is applied in each country.

Meanwhile, in Indonesia tax sales are not described full details. On Google's website, Indonesia is not one of the countries which is included in the automatic tax sales system.

5. Accounting Issue for Sales

There's no specific standard that describes about how accounting principles should be applied for this type of transaction. Lot of problems happen especially how to manage the cash flow, and how to measure the income and the profit because some aspects like overhead cost can't be measured easily.



Effect of Google Gift Card and Google Wallet in Business Process

This new method of business can motivate the developers and the business users. They should be creative and should participate in this business type. Terms and requirements are easily can be considered from so many applications in Google Play Store now.

Other than applications, Google Play Store now gives the access to people to subscribe magazines, to buy books and films. This is an opportunity for people to participate.

Applications of Google Gift Card are mainly to do transaction inside Google Play Store easier. In the future Google Wallet will affect business process significantly because it can be used to buy various goods in convenience store.

In America and Britain, using Google Wallet as a payment instrument need some requirements. One is a device. The device which can be used as a tool is a device that has NFC technology and is already integrated and approved by Google.

Until now, only Nexus 5 and Nexus 6 that can be used as means of payment google wallet, although some other devices have already had NFC technology, but Google has not verified it yet, so other devices will fail when they try to use Google Wallet.

On the other hand, the store must have a tool that can get the payment of authorized use google wallet. In America and Britain, not all stores have these devices, so that it is necessary to adapt and to adjust if the store wants to use this technology.

These things are the business challenges in the future, especially if Indonesia wants to implement it. Smartphone vendors will try to meet the requirements for technology (in this case the NFC) and to receive the approval from google so that the device they have made can be used for Google Wallet. On the other hand, the stores and other businesses must provide the tools whereby Google Wallet can be used in their shops.

However, the most difficult is to change Indonesian people's habits. Payment methods like this is a new thing. Although impressed by the high-tech, but if the people themselves are not ready to implement the method like this, it will not run properly and effectively in line with expectations of the company.

On the other hand for accountants, this field is a new field, there is no specific standard that describes the accounting treatment for these types of transactions like this.



Some websites provide accounting services for e-commerce and it is an opportunity for accountants to work in this field.

CONCLUSION

Conclusion

Use of Google Gift Card as one of the new methods of making payments makes people easy to make the payment. This is an opportunity for developers and businesses to take the plunge and sell its products in the Google Play Store. However, it must still be considered the issues that will arise after applying this method. Especially in the field of accounting because there is no specific standards about regulating this issue.

Recommendation

Google Gift Card and especially Google Wallet are believed in the future will be implemented in Indonesia even though according to the author, it is not in a short time. However, the businesses should be aware of this new payment technology quick adaptation and adjustment when the technology is finally implemented. Adequate preparation will be required when this kind of technology applies in Indonesia. So every people will be ready when it happens.

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