

#7

ELECTRONIC COMMERCE

A matter of trust



CPA... Imagine the possibilities!

Learning Activity

Evaluating the Quality of Technology: *Students rate web sites using principles and criteria developed by the AICPA.*

Learning Objectives

1. Understand that WebTrust is an extension of assurance services provided by CPAs.
2. Learn that CPAs embody the characteristics and possess the skills and knowledge needed to provide WebTrust services.
3. Learn the criteria for evaluating the business practices and disclosures of web sites.
4. Learn the manner in which business is conducted via the Internet.

Academic Standard

“Analyze information systems using developmental tools.” (NBEA)

“Design and implement security plans and procedures for information systems.” (NBEA)

“Establish and use a personal code of ethics for information systems and management.” (NBEA)

Assessment

Students will (1) rate web sites based on their business practices and disclosures, information integrity, and information protection and privacy, (2) sequence and diagram e-commerce business transactions, (3) design a web-based business using their knowledge of business practices and e-commerce transactions.

Business Skill

Technology and Assurance Services: CPAs conduct independent examinations of Internet-based systems that carry the professional equivalent of a financial statement audit. WebTrust, an assurance service, is designed to build confidence among consumers and businesses purchasing goods and services over the Internet.

Procedure

Distribute a copy of the Topic Overview to your students and explain any terms or concepts they are unfamiliar with.

Compare and contrast the manner in which business is traditionally transacted and the manner in which business is transacted over the Internet through web sites. For example, compare and contrast the purchase of merchandise such as clothes at a retail store and the purchase of the same item over the Internet.

Visit www.webtrust.org to learn more about WebTrust.

Distribute copies of Activity #7 to your students and assist them in identifying two web sites to visit and evaluate. Use the Business Practice Disclosure criteria to explain how the availability of this information provides consumers with confidence when transacting business over the Internet, which in turn can increase the company's volume of business.

The Order of Business

Have students sequence and diagram the order in which business is transacted when a music CD is purchased on a web site.

On-line Entrepreneur

Have students sequence and diagram “the order of business” for web-based grocery shopping. Assist students in identifying and sequencing the activities of both the shopper and the grocery store in order to design and diagram their web-based business.

TEACHING-TIPS

Obtain a copy of the August 2001 *Kiplinger's Personal Finance* (www.kiplinger.com) magazine and distribute copies of the article “Groceries To Go” for your students to read.

For a complete lesson and activity on the services provided by CPAs, see Activity #12, *A Day in the Life*.

Overview

As business was changing and expanding in the early 1900's, the public sector and the government turned to **Certified Public Accountants (CPAs)** to protect the interest of investors and the general public by requiring all public companies to undergo an annual audit of their financial statements in order to "assure" the financial integrity of the company. CPAs were—and still are—charged with this responsibility because they are known for their integrity, independence and objectivity as well as their business expertise. Once again, due to changes in business practices, specifically the evolution of technology and the role the Internet plays in business today, CPAs are being called upon to protect and serve the public interest.

The expansion and advancement of the Internet has allowed an increasing number of companies and consumers to transact business over the Internet. The buying and selling of products and services online is known as electronic or "e"-commerce.

However, as has been shown by the setbacks to "dot com" companies, success is far from guaranteed. One reason is that some consumers are uncertain about "doing business" over the Internet and therefore avoid doing so. Consumers, for instance, have concerns about the privacy of their transactions, the confidentiality and security of their personal information—such as a credit card number—and even the legitimacy of the company on a web site.

WebTrust was created by the **American Institute of Certified Public Accountants (AICPA)** and the **Canadian Institute of Chartered Accountants (CICA)** to meet the needs of businesses and consumers concerned about issues such as security and privacy when shopping, banking and engaging in other personal or business transactions over the Internet. The objective of WebTrust is to build confidence among consumers and businesses "doing business" over the Internet.

WebTrust is a natural extension of the services provided by CPAs. An assurance service, WebTrust involves a mix of technology, consulting and traditional auditing skills. In addition, since the CPA is known as a trustworthy professional, the general public is confident in their work.

Through WebTrust, CPAs conduct an examination of web sites and online businesses and verify that the business and its operations comply with WebTrust Principles and Criteria. If a business does comply with all WebTrust Principles and Criteria, the business and its web site are given a **WebTrust seal of approval**, which is intended to provide assurance to consumers that they can transact business electronically with confidence on the web site.

In assessing an e-commerce site, the CPA examines the manner in which business is transacted, such as the taking and fulfilling of orders. The CPA will also assess the transaction integrity of the business by determining whether consumers receive the item ordered based on the agreed-upon price and within the specified time period. In addition, the CPA assesses whether personal and confidential information is transmitted securely and kept private.

When a business and its web site earn the WebTrust seal, consumers can view the WebTrust seal, the CPA's report, criteria used to evaluate the web site, date the seal was awarded, and other web sites that have earned the WebTrust seal.

If a web site does not pass the CPA's exam, a seal will not be issued. Due to the dynamic nature of the Internet, the WebTrust seal is valid for a limited period of time, usually six months. The web site and business must then undergo another audit to earn a new WebTrust seal.

For more information about WebTrust, including a list of the web sites that have passed the WebTrust examination, WebTrust providers and a case study, visit www.WebTrust.org.



Activities

It's a Matter of Trust

Visit at least two web sites that you have purchased merchandise from or, if you have not purchased merchandise on the Internet, find two retailers that do business using a web site.

Evaluate the Business Practices Disclosure of each site by scoring the Business Practices Criteria listed below. When you complete the scoring, total the points and rate the web sites chosen according to the Web Site Rating Schedule below.

Score each criteria as: 5 = excellent, 3 = good, and 1 = poor. If you are unable to find this information on the site, enter a zero in the appropriate column.

Business Practice	Web site #1	Web site #2
Time frame for fulfillment of orders for goods or services		
Time frame and process for informing customers of back orders or other order exceptions and the customer options made available		
Normal method of delivery, including customer options, if any		
Payment terms, including customer options, if any		
Electronic payment methods and related charges to customers		
How the customer may cancel recurring charges, if any		
Product return policies, if any		
Condition of goods (i.e., new, used, or reconditioned)		
Street address (not a post office box or e-mail address)		
Telephone number (a number to reach an employee on a timely basis; not a voice mail system or message machine)		
Days and hours of operation		
Total Points		

Web Site Rating Schedule

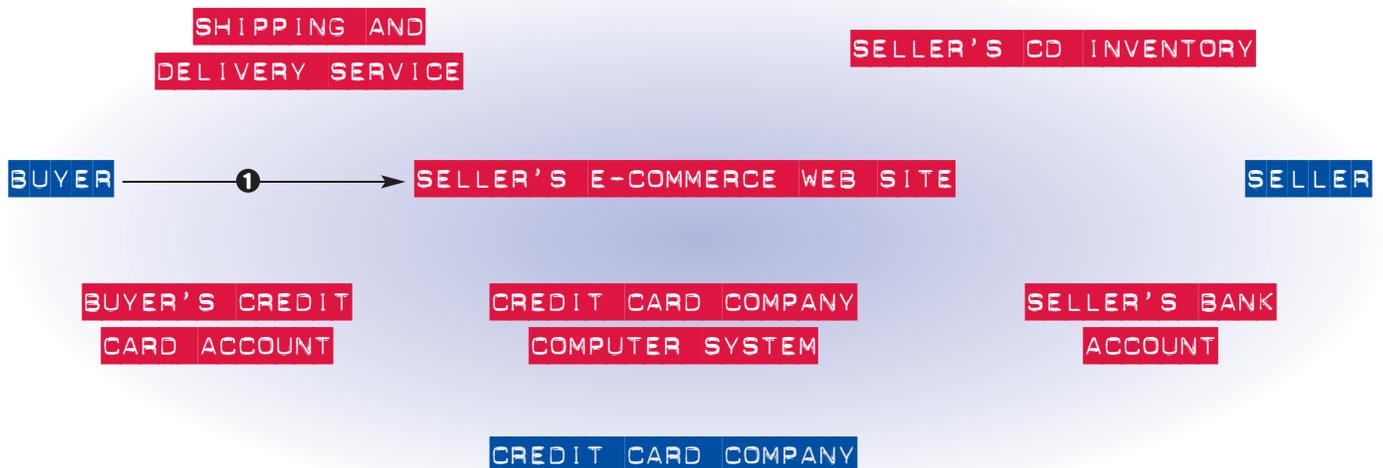
Points	Business Practice Disclosure
50 or more	Excellent
44 to 49	Above Average
38 to 43	Average
32 to 37	Below Average
26 to 31	Poor
25 or less	<i>Does the business exist?!</i>



The Order of Business

Assume that you have visited the Web site of a music retailer and have ordered a CD on-line. Use the list below to sequence the events that take place and then diagram the sequence to illustrate the “order of business.”

Sequence	Event
	CD arrives at buyer’s home
	Buyer’s credit card account is debited (charged)
	Seller processes order
	Seller packages CD and sends to delivery service
1	Buyer searches for CD on seller’s Web site
	Seller’s bank account is credited
	Buyer decides whether site provides secure transmission of information
	Seller verifies that buyer’s credit card is valid
	Service fees are paid to credit card company
	Buyer enters credit card number



On-line Entrepreneur

Using your knowledge of Business Practice Disclosures and the “order of business” as it is transacted over the Internet, design a “new” web-based business for grocery shopping.

First, list the traditional steps and activities of both the shopper and the grocery store. Then diagram the activities of each in their proper sequence and explain how the activities of the grocery store are carried out. Use this information and your diagram to design a web site that will allow shoppers to place an order via the web site and receive the groceries—in a reasonable amount of time—without ever leaving their home.

Answers

Sequence	Event
10	CD arrives at buyer's home
5	Buyer's credit card account is debited (charged)
7	Seller processes order
9	Seller packages CD and sends to delivery service
1	Buyer searches for CD on seller's Web site
6	Seller's bank account is credited
2	Buyer decides whether site provides secure transmission of information
4	Seller verifies that buyer's credit card is valid
8	Service fees are paid to credit card company
3	Buyer enters credit card number

