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frequently. CPAs must become cryptocurrency experts to protect their clients' assets and ensure ...

Justin Hatch • Jan. 06, 2022



CPAs are accustomed to new technology, changing regulations, and other evolutions in the industry, but even the most seasoned accountants may not know much about a rapidly growing asset class: cryptocurrency. Cryptocurrency has been around for more than a decade, but its use has picked up significantly in recent years. A recent survey found that **13 percent** of Americans invested in cryptocurrency over a 12-month period between 2020 and 2021. Of those investors, 61 percent began investing

in cryptocurrency in the previous six months. Like it or not, you can't afford to

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Put simply, cryptocurrency is a form of online payment that uses blockchain technology. Cryptocurrencies have varying values depending on the kind, and the values can change constantly. While the currencies can potentially be lucrative, they must be exchanged for traditional currency to use the cash.

Cryptocurrency is a relatively new concept, but it is becoming well-known fast thanks to some big gains in value that some kinds have experienced. [Bitcoin](#) and [Ethereum](#) are among the most widely-used kinds of cryptocurrency, but there are many to choose from.

## What are the benefits?

Cryptocurrency has become popular across industries, and it has many possible benefits for businesses. Some businesses are starting to use cryptocurrency for [payroll](#) as employees look to get involved in the new asset.

Cryptocurrency is also an enticing investment, as the value of some types of currency have skyrocketed. In just [five years'](#) time, Bitcoin has increased in value from \$500 to more than \$50,000. Ethereum jumped from \$11 to about \$4,000 over the same time period. For early adopters, this investment has been extremely profitable.

Accepting cryptocurrency as a [form of payment](#) can be potentially lucrative for companies, as it may attract new customers who are interested in using the asset. One study found that customers who paid with cryptocurrency had purchase amounts twice that of credit card users. Businesses that accept cryptocurrency can potentially make more money over time if the asset increases in value, while cash may decrease in value over time.

## What are the risks?

Just as the rapid increase in cryptocurrency value can make an investor's mouth

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another dramatic drop of **20 percent** in a single day in December 2021.

While Bitcoin is a well-publicized example, these spikes and dips can happen with any cryptocurrency. That kind of volatility can present major risks to individuals and businesses who want to invest in these assets. Depending on how the asset is protected, something as simple as a **lost password** can be costly.

## What does this mean for CPAs?

As with any new technology or financial asset, cryptocurrency can provide a host of challenges for CPAs. One difficulty with these assets is determining their **classification**—an important factor for a business's balance sheet. According to the American Institute of CPAs, cryptocurrency cannot be classified as a tangible asset or cash equivalent, and it does not fit into most categories. AICPA classifies cryptocurrency as an intangible asset, which may not always paint an accurate picture on the balance sheet. It can be hard to account for the actual value of cryptocurrency when its valuation can change in a heartbeat.

Cryptocurrency also has tax implications. In 2020, the **IRS** began asking on tax forms about virtual currency transactions. As the currency's use becomes more widespread, rules and regulations will continue to evolve along with it. It is vital for CPAs to be up to date on financial reporting practices and laws concerning the assets to best serve their clients.

Cryptocurrency can be a complicated asset for businesses that are interested in using it. CPAs who understand the technology and are experienced in new guidance and laws concerning cryptocurrency can provide valuable insight for clients as they dive into these new waters.

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Justin Hatch is the CEO and co-founder of [Reach Reporting](#).

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