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ACCOUNTING & AUDIT

FASB Decides on Accounting Method for Crypto Assets

Companies should measure crypto assets, like Bitcoin and Ethereum, using fair value accounting, the FASB said.

Jason Bramwell • Oct. 13, 2022



The Financial Accounting Standards Board (FASB) on Oct. 12 determined that companies should measure cryptocurrency assets, like Bitcoin and Ethereum, using

fair value accounting, with gains and losses recorded in current period comprehensive income.

Although the FASB is still a ways away from finalizing regulations for crypto assets, yesterday's decision is a big development because there currently are no accounting or disclosure rules specifically for crypto assets. Most crypto assets are accounted for as indefinite-lived intangible assets, [like trademarks](#), in the absence of crypto-specific US GAAP, KPMG noted in an [executive summary](#).

“While this may seem like a minor technical shift, it will actually be a major change for enterprises and for digital assets in general, since enterprises will no longer be required to list Bitcoin and other crypto assets at their lowest value since purchase on their balance sheets. In short, this will be a major new driver for crypto adoption,” Pat White, CEO and co-founder of Bitwave, said in an emailed statement.

In its discussion Wednesday on [accounting for and disclosure of crypto assets](#), the FASB decided to require a company to:

- Measure crypto assets at fair value, using the guidance in Topic 820, *Fair Value Measurement*.
- Recognize increases and decreases in fair value in comprehensive income each reporting period.
- Recognize certain costs incurred to acquire crypto assets, such as commissions, as an expense (unless the entity follows specialized industry measurement guidance that requires otherwise).

KPMG noted in a [brief about the FASB's decision](#) that the fair value measurement for crypto assets would be applied by both public and private companies.

During an invitation to comment period in 2021 on what types of projects FASB should prioritize, more than 400 of the 500 or so comment letters the FASB received were about the accounting for crypto assets, according to KPMG:

Nearly all the ~500 digital asset commenters suggested the FASB undertake a project to require or permit crypto assets with a “readily determinable fair value” like bitcoin to be measured on a recurring basis at fair value, with realized and unrealized gains and losses recognized in current period earnings. Principally, these respondents commented that the ASC 350-30 indefinite-lived intangible asset

accounting model results in accounting and reporting that is not decision-useful to investors and other users of the financial statements because it does not reflect the economic nature of these assets or companies' reasons for investing in them.

Based on the feedback it received, the FASB added a project to its technical agenda in May to improve the accounting for and disclosure of certain crypto assets.

In late August, the **board determined five criteria** that crypto assets held by an entity must meet to be within the scope of FASB's cryptocurrency project. Bitcoin and Ethereum would fall within those guidelines, but nonfungible tokens (NFTs) and certain stablecoins would not.

The FASB will consider what would need to be included in the presentation and disclosures of crypto assets at a future meeting.

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