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current cost-less-impairment model.

Jason Bramwell • Mar. 24, 2023

The Financial Accounting Standards Board (FASB) on Thursday published an exposure draft of its proposed accounting rules on how companies should report certain types of crypto assets and digital currencies.

Last October, the FASB recommended that fair value accounting was the right method for crypto assets, which was a noteworthy 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,

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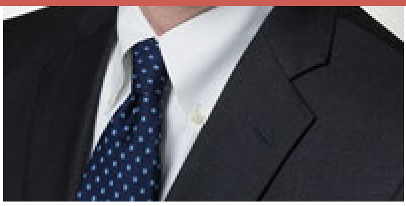

Richard Jones

"During the FASB's recent agenda consultation process, stakeholders from all professional backgrounds identified digital assets as a top priority area for the board to address," FASB Chair Richard Jones said in a statement. "We responded to that feedback with the proposed ASU, which would provide investors greater transparency into the fair value of crypto assets held by entities, as well as additional disclosures about the types of crypto assets held and changes in those holdings."

The FASB said it received feedback that accounting for crypto assets as indefinite-lived intangible assets, which is a cost-less-impairment model, does not provide investors, lenders, creditors, and other allocators of capital with decision-useful information or reflect the underlying economics of those assets.

The exposure draft states:

> Specifically, reflecting only the decreases, but not the increases, in the value of crypto assets in the financial statements until they are sold does not provide relevant information that reflects (1) the underlying economics of those assets and (2) an entity's financial position. Certain investors also requested additional disclosures about the types of crypto assets held by entities and changes in those holdings.
>
> In addition to better reflecting the economics of crypto assets, measuring those assets at fair value would potentially reduce cost

> and complexity associated with applying the current cost-less-

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3. Are created or reside on a distributed ledger based on blockchain technology;
4. Are secured through cryptography;
5. Are fungible; and
6. Are not created or issued by the reporting entity or its related parties.

Bitcoin and Ethereum would fall within those guidelines, but nonfungible tokens (NFTs) and certain stablecoins would not.

The proposed rules would improve the accounting for certain crypto assets by requiring an entity to measure those crypto assets at fair value each reporting period with changes in fair value recognized in net income, according to the FASB. The exposure drafts also states:

> An entity would be required to recognize transaction costs to acquire a crypto asset, such as commissions and other related transaction fees, as an expense as incurred, unless applicable industry-specific guidance requires that the entity capitalize those costs.
>
> The amendments in this proposed Update also would require that an entity present (1) crypto assets measured at fair value separately from other intangible assets in the balance sheet and (2) changes in the fair value measurement of crypto assets separately from changes in the carrying amounts of other intangible assets in the income statement (or statement of changes in net assets for not-for-profit organizations).
>
> While the amendments in this proposed Update would not otherwise change the presentation requirements for the statement of cash

> flows, if crypto assets are received as noncash consideration in the

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FASB.

Stakeholders are encouraged to review and provide comments on the proposed ASU by June 6.

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