

FASB ISSUES NEW ACCOUNTING STANDARD FOR CERTAIN CRYPTO ASSETS

DECEMBER 2023

SUMMARY

The FASB recently issued a new U.S. GAAP standard on the accounting for and disclosure of certain crypto assets. More specifically, all public and private entities holding crypto assets that meet certain criteria will measure those crypto assets at fair value, with changes recognized in net income every reporting period. Additionally, the new standard will require enhanced disclosures on those crypto assets in annual and interim reports.

The new standard applies to fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. The new standard must be applied on a modified retrospective basis with a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the adoption fiscal year. Early adoption is permitted.

SCOPE

ASU 2023-08 (the “ASU”) introduces a new Subtopic 350-60 on crypto assets. The ASU only applies to crypto assets that:

- ▶ Meet the definition within U.S. GAAP of an intangible asset
- ▶ Do not give the asset holder enforceable rights to, or claims on, underlying goods, services, or other assets
- ▶ Are generated or reside on a distributed ledger based on blockchain or similar technology
- ▶ Are secured through cryptography
- ▶ Are fungible
- ▶ Are not generated or issued by the reporting entity or any of its related parties

The new standard does not apply to nonfungible tokens or to digital assets subject to other existing U.S. GAAP, such as stablecoins.

MEASUREMENT

The ASU does not give guidance on the initial measurement, recognition and derecognition of crypto assets. Accordingly, entities must apply other U.S. GAAP, such as ASC 350-30, *Intangibles – Goodwill and Other*; ASC 805, *Business Combinations*; ASC 606, *Revenue from Contracts with Customers*; or ASC 610-20, *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets*.

After acquisition, crypto assets are measured at fair value, with changes recognized in net income every reporting period.

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PRESENTATION

The following table summarizes the presentation of crypto assets in financial statements:

BALANCE SHEET	Present crypto assets separately from other intangible assets. Entities can present crypto assets by individual crypto asset holding, intangible asset class, or on a more disaggregated basis.
INCOME STATEMENT	Present changes (gains and losses) in the fair value of crypto assets included in net income separately from changes in the carrying value of other intangible assets.
STATEMENT OF CASH FLOWS	Present the sale of crypto assets that were received as noncash consideration in the ordinary course of business and nearly immediately ¹ converted into cash as cash flows from operating activities. The ASU does not give other guidance on cash flow presentation and instead refers entities to ASC 230, <i>Statement of Cash Flows</i> .

Investment companies subject to ASC 946, *Investment Companies*, and not-for-profit entities subject to ASC 958, *Not-For-Profit Entities*, will continue to present their financial statements in accordance with those respective standards.

DISCLOSURES

At each interim and annual reporting period, entities must disclose the following for each significant crypto asset holding:

- ▶ Name
- ▶ Cost basis
- ▶ Fair value
- ▶ Number of units held

For crypto asset holdings that are not individually significant, entities must disclose their aggregated cost basis and fair values.

In addition, the following disclosures are required for crypto assets subject to a contractual sale restriction at each interim and annual reporting period:

- ▶ Fair value
- ▶ Nature of the restriction
- ▶ Remaining duration of the restriction
- ▶ Conditions to meet to remove the restriction

At each annual reporting period, entities must disclose the following information:

- ▶ An aggregate rollforward of activity in the reporting period for crypto asset holdings, including additions, dispositions, gains and losses, along with the nature of the additions and disposals
- ▶ The difference between the disposal price and the cost basis and a description of the dispositions of crypto assets
- ▶ If not presented separately, the line item in the income statement that includes the gains and losses from crypto asset holdings
- ▶ The method used to determine the cost basis for crypto assets (for example, specific identification or first-in, first-out)

¹ The ASU refers to the term “nearly immediately” as a short time period (for example, hours or a few days rather than weeks).

EFFECTIVE DATES AND TRANSITION

The following table summarizes transition for the ASU:

ALL ENTITIES	
EFFECTIVE DATE	Fiscal years beginning after December 15, 2024, including interim periods within those fiscal years
EARLY ADOPTION	Permitted in any interim or annual period for which an entity’s financial statements have not been issued (or made available for issuance) as of the beginning of the annual reporting period
TRANSITION	Modified retrospective with a cumulative-effect adjustment to the opening balance of retained earnings as of the beginning of the adoption fiscal year

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Please refer to the following publications for additional guidance:

Links to [the ASU](#)

BDO publication: [Accounting for the Purchase, Sale and Receipt of Cryptocurrencies](#)

BDO publication: [Staff Accounting Bulletin No. 121: Safeguarding Crypto Assets](#)

BDO publication: [2022 AICPA SEC & PCAOB Conference Highlights](#)

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