



Financial Transparency for Crypto Assets

Key Aspects of ASU 2023-08:

ASU 2023-08 Intangibles, Goodwill and Other, and Crypto Assets (Subtopic 350-60) provides guidance on accounting for and disclosure of crypto assets. This ASU applies to crypto assets that are intangible, mutually interchangeable or replaceable by another identical item (fungible), secured by cryptography, exist on a distributed ledger, and are not created or issued by the reporting entity or its related parties. Certain crypto assets must be measured at fair value with changes recognized in net income each period. Crypto assets must be presented separately from other intangible assets.

Situational Example #1 – Measurement Example:

A company acquires 10 Bitcoin for \$400,000. At quarter-end, fair value is \$450,000. The company remeasures to \$450,000 and recognizes a \$50,000 gain in net income.

Situational Example #2 – Presentation Example:

A company holds both Bitcoin and a patent. Bitcoin is presented as a separate line item from the patent (other intangible asset) on the balance sheet. Gains/losses from Bitcoin remeasurement are presented separately from patent amortization or impairment on the income statement.

Situational Example #3 – Recognition of Loss Example:

If the fair value of Bitcoin drops from \$450,000 to \$420,000 in the next quarter, the \$30,000 loss is recognized in net income and presented separately from other intangible asset changes.

Situational Example #4 – Annual Reconciliation Example:

At year-end, the company reconciles beginning and ending balances of crypto assets, discloses additions (purchases, mining), dispositions (sales), and net income gains/losses by assets.

Situational Example #5 – Noncash Consideration Example:

A not-for-profit receives a crypto asset as a donation. The Organization would record the crypto asset and related contribution at fair value at the date it was donated.



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Required Disclosures:

- Name, cost basis, fair value, and number of units held for significant holdings.
- Aggregate cost bases and fair values for insignificant holdings.
- Cost basis methodology (FIFO, specific identification, LIFO, etc.) and income statement/statement of activities line for remeasurement gains/losses.
- Annual reconciliation of crypto asset balances detailing additions, dispositions, realized gains/losses, including a description of the activities leading to additions and disposals.
- Fair value, nature, duration, and conditions of the restriction for assets with contractual sale restrictions.
- Fair value measurement information as required by ASC 820, Investments.
- Crypto assets and intangible assets and their related activity must be presented separately on the balance sheet and income statement.

Summary:

ASU 2023-08 requires qualifying crypto assets to be measured at fair value with changes recognized in net income, requires separate presentation from other intangible assets, and detailed disclosures about significant holdings and activity. The effective date of ASU 2023-08 is for annual periods beginning after December 15, 2024, with a cumulative-effect adjustment to retained earnings upon adoption.