Snapshot

ASU 2023-08 clarifies accounting for certain crypto assets

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Snapshot 2023-14

The FASB recently issued ASU 2023-08, *Accounting for and Disclosure of Crypto Assets*, which provides accounting and disclosure requirements for certain crypto assets. The amendments in the ASU are designed to enhance decision-useful information about such assets and to better reflect the underlying economics of cryptocurrency transactions. The amendments provide guidance on the scope, subsequent measurement, presentation, and disclosure of in-scope crypto assets, but they do not provide guidance on the recognition, initial measurement, and derecognition of the crypto assets within its scope.

Scope

The guidance applies to all entities that hold a crypto asset meeting all of the following criteria:

1. Is an intangible asset;
2. Does not provide the asset holder with enforceable rights to, or claims on, underlying goods, services, or other assets;
3. Is created or resides on a distributed ledger based on blockchain or a similar technology;
4. Is secured through cryptography;
5. Is fungible; and
6. Is not created or issued by the reporting entity or its related parties.

Scope clarifications

Paragraph 17 in the Basis for Conclusions (BC) of ASU 2023-08 clarifies that when assessing the scope of ASU 2023-08, a reporting entity that mines or validates, and ultimately receives, newly created crypto assets is not considered the creator of the crypto assets that it receives as consideration for performing services if mining or validating is the only way that an entity is involved in creating the asset.

The second scoping criterion in the preceding list excludes any crypto asset that provides the holder with enforceable rights to another asset. In BC21 in ASU 2023-08, the FASB notes that crypto assets that provide rights to other crypto assets should be excluded from the scope of the guidance under that criterion.

Subsequent measurement

The amendments in ASU 2023-08 requires entities to measure crypto assets within the scope of ASC 350-60 at fair value in accordance with ASC 820, *Fair Value Measurement,* and to include the gains and losses from remeasurement in net income.

Fair value of crypto assets

During the 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments, the staff of the SEC's Office of the Chief Accountant (OCA) provided insight into determining the fair value of crypto assets, discussing considerations related to the principal or most advantageous market, assets with low trading volume, non-orderly transactions, and related-party transactions. For more information, see NDS 2023-03, "Highlights of the 2023 AICPA & CIMA Conference on Current SEC and PCAOB Developments."

Costs to acquire crypto assets

The amendments in ASU 2023-08 do not provide any new guidance on the accounting for costs to acquire a crypto asset.

Grant Thornton insight

Because the amendments in ASU 2023-08 do not address how to initially measure in-scope crypto assets, we would expect entities to follow the general guidance in ASC 350-30-30-1, which requires entities to capitalize the cost of acquiring intangible assets as part of the initial carrying value of the asset.

Presentation

The amendments in ASU 2023-08 require entities to present crypto assets separately from other intangible assets on the balance sheet. Entities also have the option to present crypto assets on the face of the balance sheet on a disaggregated basis (for example, by crypto asset type or by individual crypto asset held).

Gains and losses from the subsequent remeasurement of crypto assets should be presented in the income statement separately from the changes in the carrying value of other intangible assets.

In addition, entities should classify cash derived from crypto assets that are received as noncash consideration for transactions conducted in the ordinary course of business and converted "nearly immediately" into cash in operating activities on the statement of cash inflows. The amendments state that the term "nearly immediately" for this purpose refers to hours or a few days rather than weeks.

Disclosures

The amendments introduce new disclosure requirements relating to in-scope crypto assets. For both interim and annual reporting periods, an entity should disclose the following information:

- Name, cost basis, fair value, and number of units held for each significant crypto asset, with significance determined based on fair value
- Aggregate cost bases and fair values for crypto assets that are not individually significant
- Fair value of crypto assets subject to contractual sale restrictions, the nature and remaining duration of the restriction(s), and circumstances that might cause the restrictions to lapse. Entities that have multiple crypto assets subject to contractual sale restrictions should consider the needs of financial statement users in determining how much aggregation and disaggregation to disclose.

Additional disclosures are required for only annual financial reporting periods, including the following information:

- A reconciliation of the opening and closing balances of crypto assets, as well as separate disclosures of additions, dispositions, and gains and losses determined on a crypto-asset-by-crypto-asset basis. Crypto assets received as noncash consideration in the ordinary course of business (or as contribution by a not-for-profit entity) that are immediately converted to cash may be excluded from the reconciliation.
- A description of the types of activities resulting in additions (purchases, receipts from customers, or mining activities) and dispositions (sales or payments for goods and services)
- The method used by the entity to determine the cost basis in calculating gains and losses, such as specific identification, FIFO, average cost, or other method

Effective date and transition

The amendments are effective for all entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption as of the beginning of the fiscal year is permitted for both interim and annual financial statements that have not yet been issued or been made available for issuance.

Entities should use a modified-retrospective method to adopt the amendments in ASU 2023-08 by recording a cumulative-effect adjustment to retained earnings (or other appropriate components of equity) as of the beginning of the annual reporting period in which the guidance is adopted. The cumulative-effect adjustment should be calculated as the difference between the carrying amount and the fair value of the crypto assets as of the end of the previous annual financial reporting period.

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