

ACCOUNTING FOR CRYPTOCURRENCY

Shehnaaz Suleman



PRESENTER

SHEHNAAZ SULEMAN, PARTNER

Shehnaaz is a partner in BDO Financial Services in the IFRS Technical department at BDO South Africa. She has 10 years' experience in the technical accounting space, with a focus on financial service entities. She has previously worked in the departments of professional practice in two of the big 4 audit firms and was a key member of the technical accounting team. She was responsible for providing technical accounting guidance and supported the audit teams across Africa as well as in the UK. Part of this role involved heading up an IFRS 17 Centre of Excellence globally where practical challenges and differences in interpretation of the new requirements were discussed and debated.

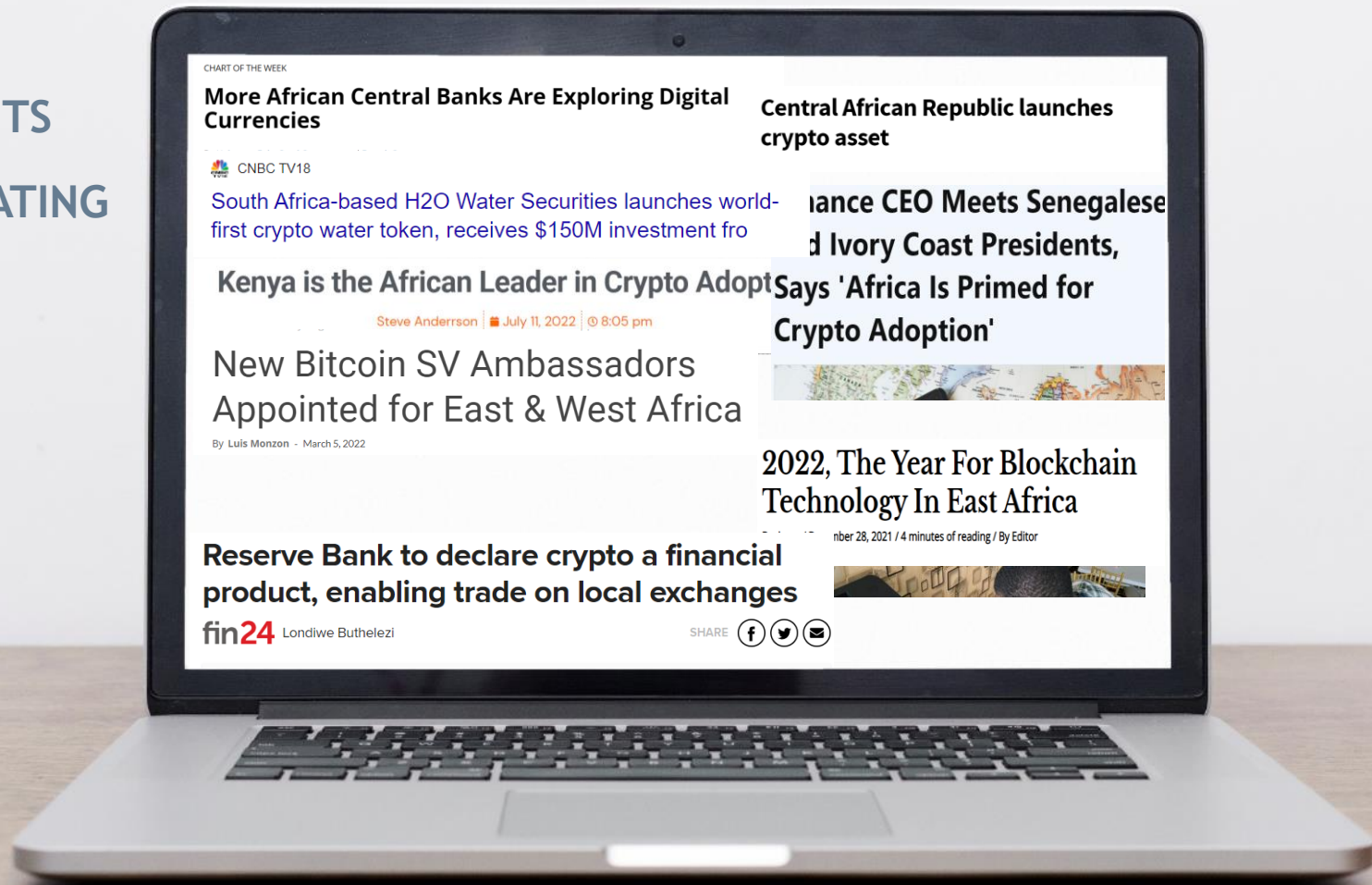


AGENDA

1. BDO'S Crypto credentials
2. Accounting considerations for crypto & NFTs
 1. IFRS considerations
 2. IASB view on crypto



OUR CLIENTS ARE MIGRATING



THE BDO SA CRYPTO DESK

TEAM

01



4 Partners | 2 ADs | 15 Staff

COUNTRIES

02



Indonesia | Australia | SA | Dubai

EXPERIENCE

03



Partner sign-off on a
Crypto Fund

EXPERIENCE

04



External Audit Crypto & NFT work:
- SA
- Globally

SERVICES

05



Mandatory Consults
on Crypto

SERVICES

06



Crypto Forensic engagements
Technical Accounting

SERVICES

07



Due Diligence
Internal Accounting
Valuations

EMBRACING CRYPTO ADVISORY AS A REVENUE STREAM

A NEW SERVICE OFFERING

CRYPTO EXCHANGES | CRYPTO FUNDS | CRYPTO CUSTODIANS | DIGITAL MARKETPLACES | NFT CREATORS | MARKETPLACE OPERATORS |
LENDING/DEFI | DERIVATIVES | STABLE COINS & TOKENIZATION

AUDIT | ADVISORY | TAX

INTERNAL
AUDIT
REVIEWS

AUDIT
OPINIONS

SECONDMENTS

VALUATIONS

ASSURANCE
OPINIONS

TAX ADVICE

QUALITY
REVIEWS

REGULATORY

TECH DUE
DILIGENCE

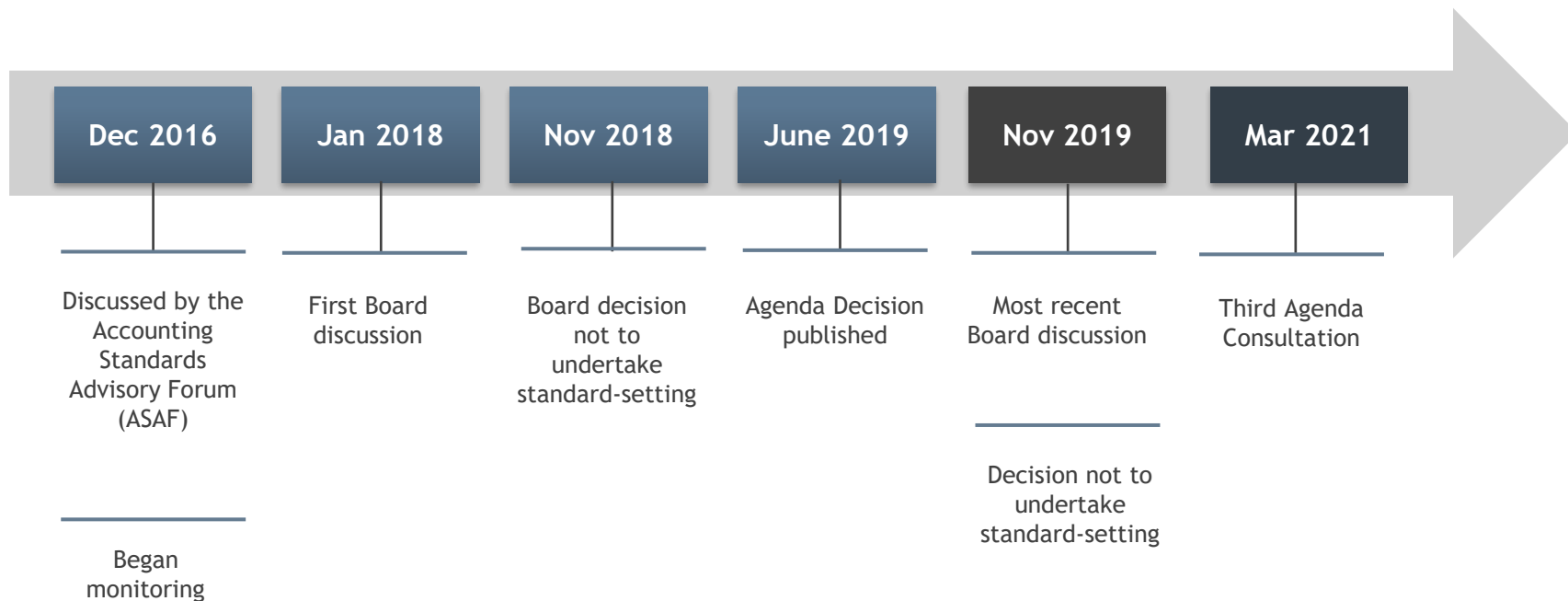
ACQUISITION
DUE
DILIGENCE

TECHNICAL
ACCOUNTING
OPINIONS

EDUCATION/
WORKSHOP
SESSIONS

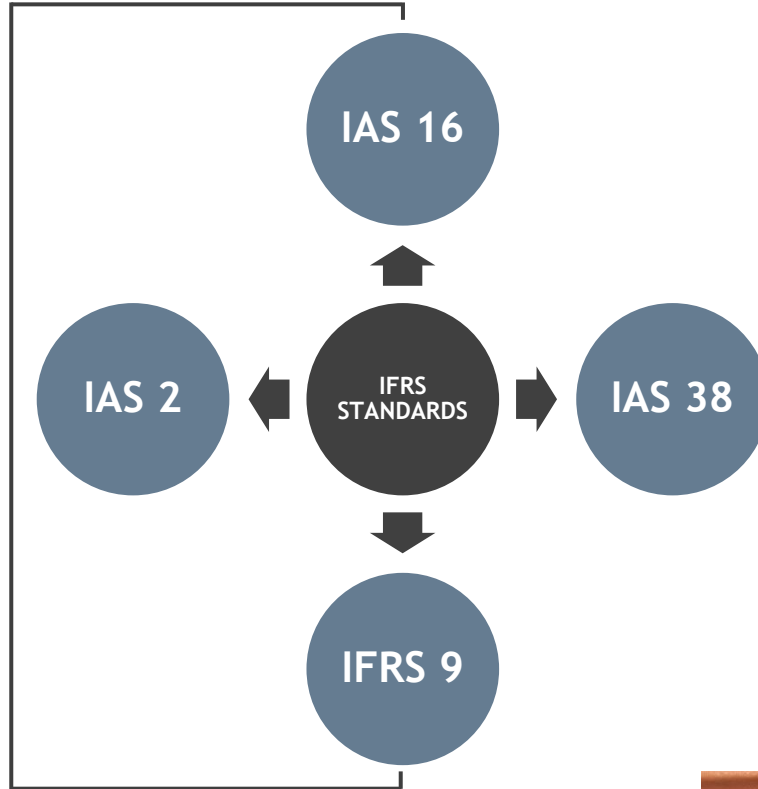
TECHNOLOGY SALES: B-CRYPT

HISTORY OF THE BOARD'S DISCUSSIONS

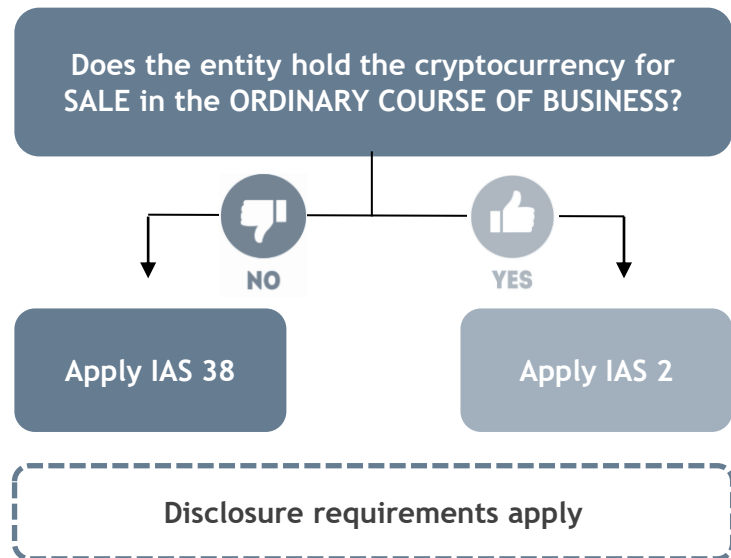


WHICH STANDARDS COULD APPLY?

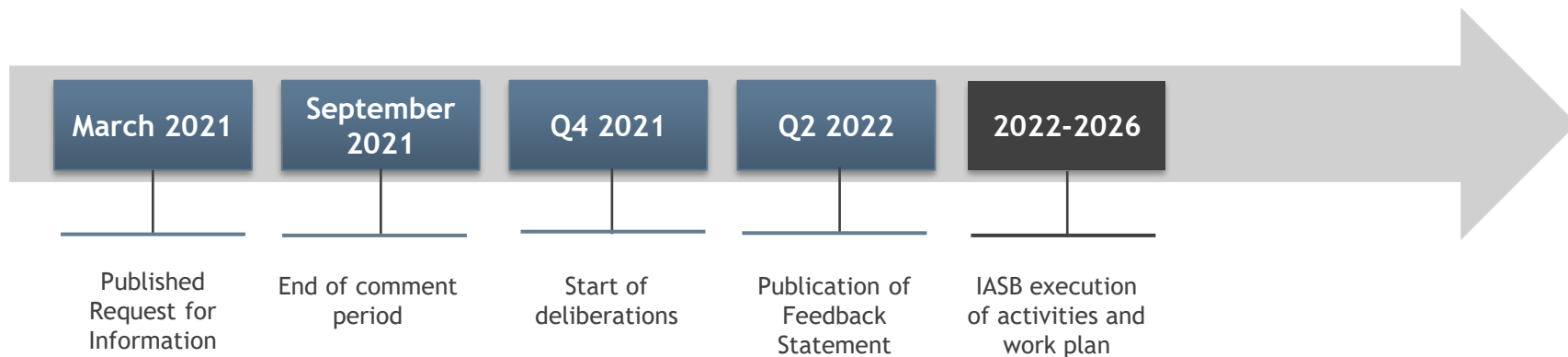
*I*nternational
*F*inancial
*R*eporting
*S*tandards



AGENDA DECISION: HOLDING OF CRYPTOCURRENCIES



DEFINING THE IASB WORK PLAN FOR 2022 - 2026



Objective of the agenda consultation

To seek views on

- ▶ The strategic direction and balance of the IASB's activities
- ▶ The criteria for assessing the priority of financial reporting that could be added to the work plan
- ▶ New financial reporting issues that could be given priority in the IASB's work plan

TOP FIVE PANEL DISCUSSION CONSIDERATIONS



El Salvador now
accepts crypto
as legal tender



Crypto held for
trading



STO vs ICO



Preparation of
Annual
Financial
Statements



Users of Annual
Financial
Statements

HOLDER ACCOUNTING

DEVELOPING IFRS REQUIREMENTS

Guidance for when
cryptoassets are
non-financial
assets held as
investments

Limitations of IAS
2 and IAS 38
measurement
requirements

Intermediary
holders (i.e.
custodians,
brokers,
exchanges)

Update of
“financial assets”
definition

Update of “cash
and cash
equivalents”
definition

Utility tokens
when considered
as prepayments

Updates to IFRS

Clarification of IFRS



ISSUER ACCOUNTING

WHICH IFRS STANDARDS COULD APPLY?

In the absence of specific IFRS guidance, ICO issuing entities can apply one or a combination of the following IFRS standards:

IFRS 9

Financial liability
for issuance of
security and asset-
based tokens

IAS 32

Equity instrument
for issuance of
security and asset-
based tokens

IFRS 15

Prepayment for
future goods or
services for
issuance of utility
tokens

IAS 37

Obligation leading
to a provision
(such as a
constructive
obligation)

If one of the above standards are applied, then the entity may not elect the path through IAS 8 - in which the entity develops its own accounting policy.



VALUATION METHODS



Cryptoassets in early stages of development makes it hard to derive a robust valuation methodology

Many cryptoassets show a high intra-day volatility of prices

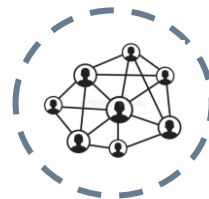
Establishing whether an active market under IFRS exists might be challenging



Cost of
Production



Equation of
Exchange



Network Value
to
Transactions
Ratio

APPROACHES TO THE CLARIFICATION OR DEVELOPMENT OF IFRS

OPTION 1

No change to existing IFRS requirements

OPTION 2

Clarify/amend existing IFRS requirements

OPTION 3

Develop a new standard on cryptoassets or broader category of digital assets





SHEHNAAZ SULEMAN
PARTNER
BDO SOUTH AFRICA
E: SSuleman@bdo.co.za

Jaltech Contact:
andoni@jaltech.co.za
www.jaltech.co.za