



Australian Government

Australian Accounting Standards Board

EEG meeting, May 2018  
Agenda paper 2C

# Digital Currency

## A case for standard-setting activity

AASB

May 2018

**What are digital currencies?**

**Why is it important?**

**What are the accounting issues?**

**How did Japan address these?**

**What is the IASB looking at doing?**

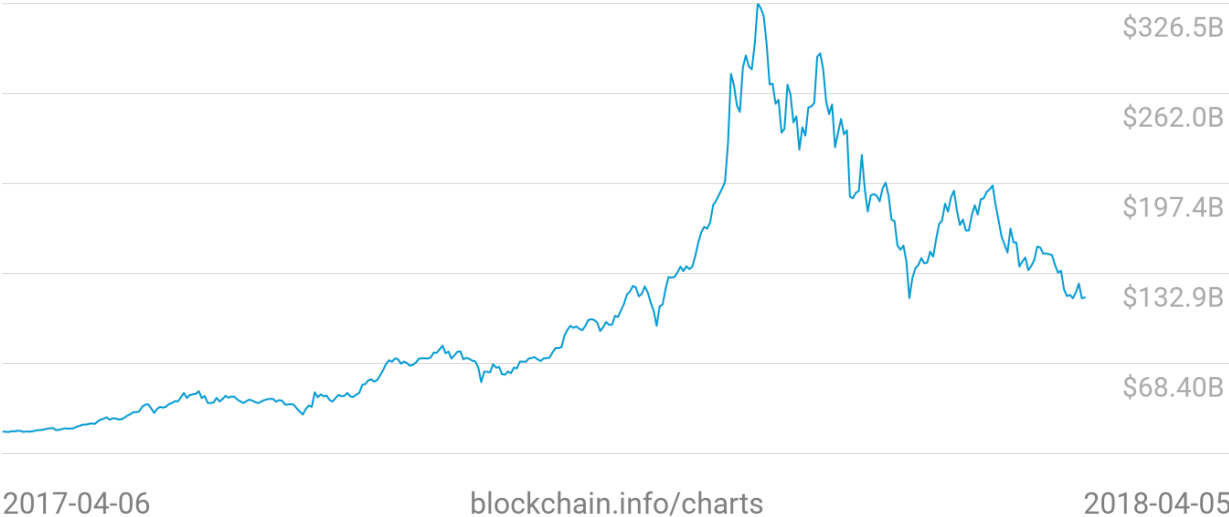
**What do the EEG want IASB to do?**

**AGENDA**

# **An overview of digital currencies**

# The growth of digital currencies

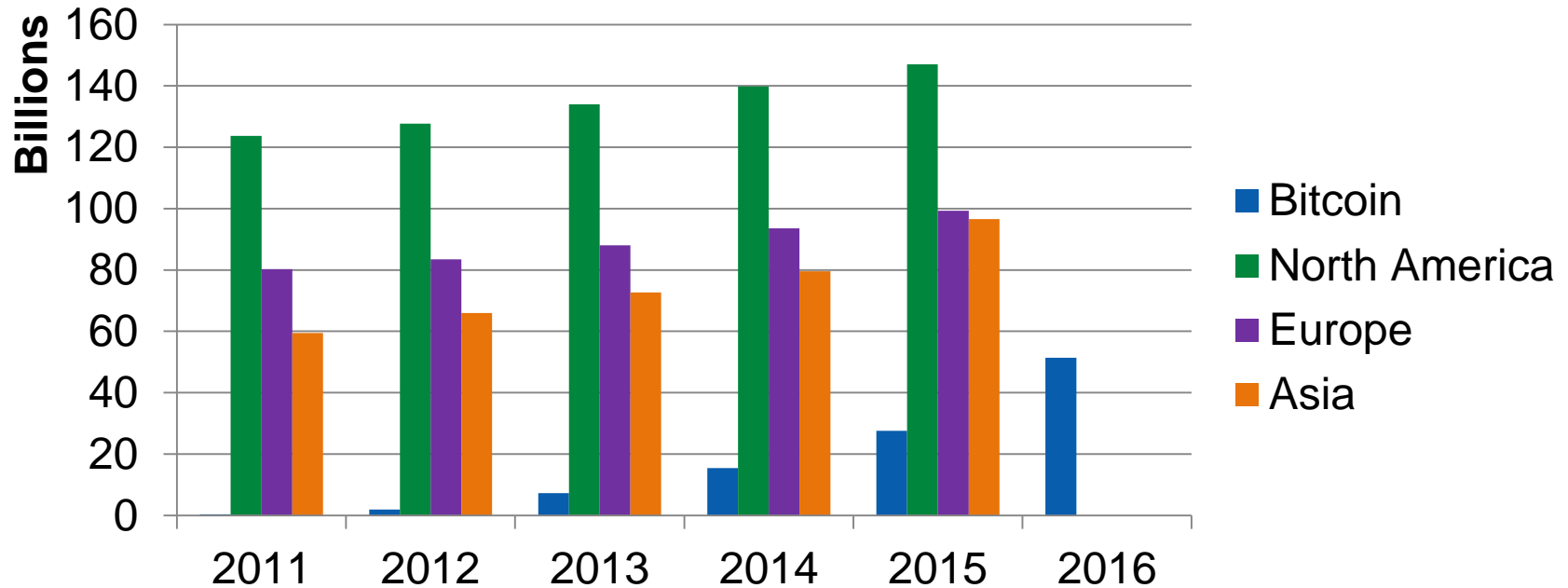
Market Capitalization  
\$115.8B



**Market capitalization has more than doubled in the last 12 months**

# How popular are digital currencies?

## Transaction volume



# Why use a digital currency?



**It's fast and cheap – transactions are instant and 'confirmed' in 10 minutes, usually for free**



**Your holding cannot be 'frozen' or appropriated (eg. 2012/13 Cypriot financial crisis)**



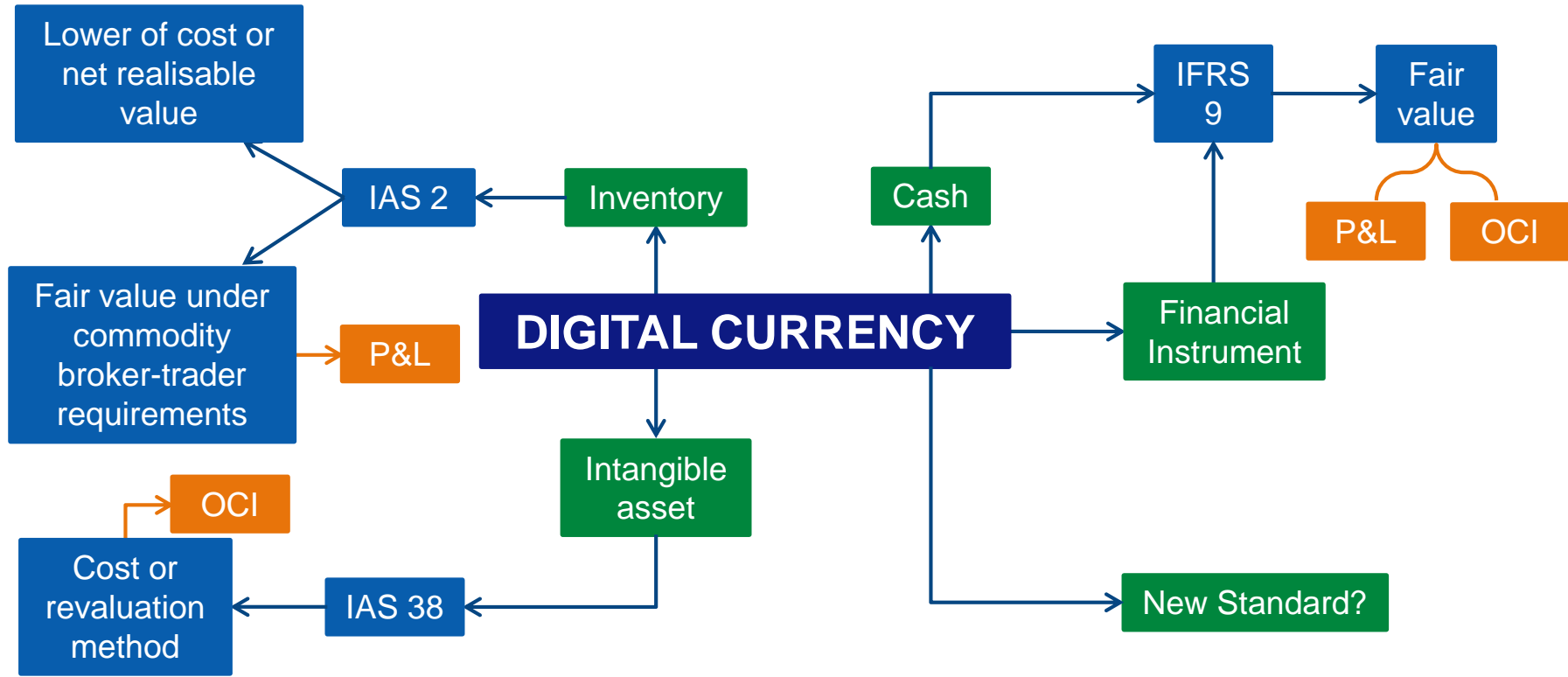
**No 'chargebacks', this aspect of credit card fraud does not exist for cryptocurrencies**



**Simple and fast cross-border transactions**

# **The accounting problem**

# How could digital currencies be treated?





# Is it cash or cash equivalents?

## CASH

What is the definition?

Some accepted characteristics:

- “Medium of exchange” [IAS 32:AG3]
- Stable value
- Supported by a central bank
- Provides a common base for prices



## CASH EQUIVALENTS

“Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value” [IAS 7:6]

# Why not cash?

Issues treating bitcoin as cash or cash equivalents



Regulation

- relationship to legal tender
- tax approach



Acceptance

- minimal acceptance
- not commonly quoted as price of good or service



Volatility

- inconsistent purchasing power
- fluctuating value against fiat currencies

**If we count  
Bitcoin as cash,  
where do we  
stop?**

# Other treatments

Financial instrument	Intangible asset	Inventory	Commodity broker-trader
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**Where do you think digital currencies fit in?**

# Broader Issue

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Other assets held for investment purposes, similar to digital currencies:

## INTANGIBLES

- ▶ Emission rights
- ▶ Water rights

## COMMODITIES

- ▶ Gold
- ▶ Diamonds
- ▶ Other minerals

# Moving forward



Amend the definition of a financial asset



Develop a new IFRS



Amend the definition of cash or cash equivalents



Amend the measurement guidance in IAS 2 and IAS 38

# Discussion

**Thank you**







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