KPMG

Crypto intangible assets

Issues In-Depth

Accounting by entities that are not broker-dealers or investment companies

December 2024

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Contents

An evolving landscape

Digital asset use cases and offerings continue to evolve and proliferate but there remains only limited US GAAP that explicitly addresses the accounting for digital assets. In this publication, we provide our perspectives on accounting for crypto intangible assets (a subset of all digital assets) by commercial and not-for-profit entities and summarize the guidance that applies to them. This publication is supplemented by our other digital assets publications (see Additional resources).

The issues and considerations we identify herein are not exhaustive, and our views and observations may not reflect the only acceptable ones in practice in this evolving area. Our perspectives may change as practice continues to develop, if the FASB expands or amends US GAAP on the accounting for crypto intangible assets, or if the SEC staff expresses views. We encourage entities to discuss their accounting for crypto intangible assets (and other digital assets) and their specific facts and circumstances with their auditors or other accounting advisors.

Scott Muir

Department of Professional Practice, KPMG LLP

About this publication

The purpose of this Issues In-Depth is to assist commercial and not-for-profit entities (NFPs) in accounting and reporting for crypto intangible assets (Chapter 1 explains what this population of assets encompasses).

Organization of the text

Our commentary is referenced to the FASB's Accounting Standards Codification® and to other literature, where applicable. The following are examples:

— 350-60-15-1 is paragraph 15-1 of ASC Subtopic 350-60 (crypto assets)

— ASU 2023-08.BC13 is paragraph 13 of the basis for conclusions to Accounting Standards Update 2023-08

— CON 8.E17 is paragraph E17 of FASB Concepts Statement No. 8

— SAB 121.Q1, n9 is Question 1, note 9 of SEC Staff Accounting Bulletin 121 (SAB 121)

— AICPA Digital Asset Guide Q10 is Question 10 of AICPA Practice Aid: Accounting for and Auditing of Digital Assets (hereafter, the AICPA Guide)

December 2024 edition

The December 2024 edition of this Issues In-Depth builds on the inaugural February 2024 edition with additional insights from our:

— experience with entities accounting for crypto intangible assets and implementing ASU No. 2023-08, *Accounting for and disclosure of crypto assets*;
— participation in industry forums (e.g. the AICPA Digital Assets Working Group); and
— interactions with the FASB and SEC staffs.

Future editions of this publication may refer to additional US GAAP or SEC staff guidance and/or include new and/or updated interpretive guidance.

New Questions and/or Examples added in this edition are identified with ****** and items or sections that have been significantly updated or revised in this edition are identified with **#**.

Always check KPMG Financial Reporting View for the latest news on financial reporting developments and to ensure you are using the current version of this Issues In-Depth.

Pending content

This publication reproduces amendments to US GAAP made by ASU No. 2023-08, *Accounting for and disclosure of crypto assets*. Although these amendments are not mandatorily effective until fiscal years beginning after December 15, 2024, they are reproduced and discussed as if they are current content. See chapter 8 for further effective date and transition information.

Future developments

Subtopic 350-60 (crypto assets), created by ASU 2023-08, constitutes the first US GAAP explicit to the accounting for and reporting of digital assets. Subtopic 350-60 addresses the subsequent measurement, financial statement presentation and disclosure of digital assets in its scope. Its scope does not capture all digital assets, nor does it define the term 'crypto assets' used therein (see chapter 1 for the terms we use in this publication to delineate between various classes of digital assets). The Subtopic also does not address recognition, derecognition or initial measurement of even those digital assets in its scope. Therefore, additional guidance from the FASB and/or the SEC staff may be forthcoming. In addition, because the accounting and reporting for crypto intangible assets is an evolving area, some of our positions in this publication may change, and positions on new or previously unidentified issues may emerge.

Abbreviations

We use the following abbreviations in this publication:

BTC	Short for bitcoin, the native crypto token of the Bitcoin blockchain
CBDC	Central Bank Digital Currency
DeFi	Short for decentralized finance
ETH	Short for ether, the native crypto token of the Ethereum blockchain
NFP	Not-for-profit entity
NFT	Nonfungible token
USDC	USD Coin, a 'stablecoin' whose value is pegged to the U.S. Dollar and that is fully backed by highly liquid cash and cash equivalent assets
USDT	Also known as Tether, a 'stablecoin' pegged to the U.S. Dollar
WETH	'Wrapped' ETH
WBTC	'Wrapped' BTC

In a snapshot

Crypto intangible assets are a subset of digital assets more broadly (this is explained in chapter 1). After the adoption of Subtopic 350-60 (crypto assets), crypto intangible assets will fall into two categories: (1) those in the scope of Subtopic 350-60 ('in-scope crypto intangible assets'), and (2) those that are not ('out-of-scope crypto intangible assets'). An entity's accounting for out-of-scope crypto intangible assets will be unchanged by the new subtopic. *All* crypto intangible assets continue to be accounted for like out-of-scope crypto intangible assets until Subtopic 350-60 is adopted.

For **out-of-scope crypto intangible assets**, entities that purchase or otherwise acquire (e.g. as a payment from a customer) a crypto asset for the first time may be surprised to learn that the accounting and reporting that applies to that asset is much more closely aligned to that of a brand or trademark than to that of cash (including foreign currency), a cash equivalent or a financial asset or instrument.

This happens because such assets are accounted for as indefinite-lived intangible assets. Under the indefinite-lived intangible asset accounting model, crypto intangible assets are not amortized. Instead, they are written down (impaired) to fair value whenever their fair value falls below their carrying amount. These impairments, once taken, are never reversed, even if the fair value of the crypto intangible asset recovers during the same reporting period. For out-of-scope crypto intangible assets, this practically means they are written down to their lowest fair value each reporting period if that amount is less than their carrying amount.

For **in-scope crypto intangible assets**, Subtopic 350-60 requires these crypto intangible assets to be measured at fair value after acquisition, with fair value changes recorded in net income of the period in which the fair value change occurs.

Subtopic 350-60 also establishes prescriptive financial statement presentation and significant new disclosure requirements. Entities may find that it takes considerable effort to comply with the disclosure requirements.

The guidance around recognition, derecognition and initial measurement is the same for **all crypto intangible assets**. This is because Subtopic 350-60 does not provide such guidance for in-scope crypto intangible assets; instead, entities apply the same general guidance on intangible assets in Subtopic 350-10 (for derecognition) and Subtopic 350-30 (for recognition and initial measurement) that applies to out-of-scope crypto intangible assets. And because all crypto intangible assets are nonfinancial assets, sales are subject to the nonfinancial asset sale guidance in Topic 606 (revenue from contracts with customers) or Subtopic 610-20 (gains and losses from the derecognition of nonfinancial assets).

Central bank digital currencies (CBDCs) are not crypto intangible assets, and neither are other digital assets that meet the US GAAP definition of a financial asset, financial instrument or security (e.g. *some* 'stablecoins'). And in the case of nonfungible tokens (NFTs), an entity must generally look *through* the token to its underlying rights and obligations (and account for those).

This Issues In-Depth outlines the accounting and reporting for crypto intangible assets by commercial entities and NFPs that are not investment companies or broker-dealers. See Additional resources for other KPMG publications on topics such as accounting for crypto intangible assets by investment companies, accounting for NFTs and applying SAB 121.

1. What is a 'crypto intangible asset'?

Detailed contents

1.1 Overview

This chapter explains this publication's use of the following terms:

— 'Digital asset'
— 'Crypto intangible asset'
— 'In-scope crypto intangible asset'
— 'Out-of-scope crypto intangible asset'.

1.2 'Digital assets'

The definition of 'digital asset' is crucial to defining a crypto intangible asset. Accepting that there is no US GAAP or 'generally accepted' definition of the term 'digital asset', for purposes of this publication, we use the term digital asset to mean any asset that both:

— is created or resides on a distributed ledger based on blockchain (or similar) technology; and
— is secured through cryptography.

Digital assets therefore include all the following (not exhaustive):

— 'cryptocurrencies' like bitcoin and ether;
— stablecoins that meet the US GAAP definition of a financial asset (e.g. USDC);
— CBDCs;
— NFTs; and
— various 'tokenized' securities (e.g. a token representing a fractionalized share of an underlying corporate bond).

Crypto intangible assets are a subset of digital assets. The accounting for all other digital assets will generally follow their nature. For example, an entity accounts for a financial asset stablecoin or a tokenized security based on the US GAAP that applies to financial assets, while an entity accounts for an NFT based on its underlying rights and obligations (see KPMG Issues In-Depth, Accounting for nonfungible tokens (NFTs)).

1.3 'Crypto intangible assets'

Crypto intangible assets are digital assets (as defined above) that also meet the US GAAP definition of an intangible asset (see section 2.2.10).

Many of the digital assets most commonly associated with the digital asset ecosystem (e.g. BTC, ETH, litecoin [LTC], bitcoin cash [BCH], solana [SOL], cardano [ADA]) meet this definition. This, in effect, happens by default because: [ASC Master Glossary]

— they do not meet the definitions of 'cash' or 'cash equivalents', 'financial assets' or 'financial instruments', or 'inventory' (see table that follows); and
— the definition of an 'intangible asset' is broad.

Classification	Meet the definition?	Rationale
Cash or cash equivalent	✗	These digital assets do not meet the definition of cash because they are not legal tender issued by a government. They also do not meet the definition of a cash equivalent because they have no maturity date at which they are readily convertible to a known amount of cash.
Financial instrument or financial asset	✗	These digital assets are not cash (see preceding row) and do not give the holder either (1) an ownership interest in another entity, or (2) a contractual right to receive cash or another financial asset or instrument.
Inventory	✗	A digital asset is not a tangible asset, so does not meet the definition of inventory.
Intangible asset	✓	These digital assets generally meet the definition of an intangible asset as an asset (other than a financial asset or goodwill) that lacks physical substance and meets the asset recognition criteria in the FASB's Conceptual Framework. [350-30-25-4]

1.4 In-scope vs out-of-scope crypto intangible assets

In-scope crypto intangible assets are crypto intangible assets that meet all of the scoping criteria in Subtopic 350-60 (see chapter 2).

Conversely, out-of-scope crypto intangible assets are crypto intangible assets that do not meet one or more of the scoping criteria in Subtopic 350-60 (see chapter 2).

2. Scope of Subtopic 350-60

Detailed contents

New item added in this edition: **
Item significantly updated in this edition: #

2.1 Applicability to entities

Excerpt from ASC 350-60

15 Scope and Scope Exceptions

General

> Entities

15-2 The guidance in this Subtopic applies to all entities that hold crypto assets.

Subtopic 350-60 applies to all entities (i.e. public, private, not-for-profit and across all industries); however, some of its requirements do not apply to entities that apply certain industry-specific US GAAP (e.g. Topic 946 on investment companies or Topic 958 on not-for-profit entities). See chapter 6 (presentation) and chapter 7 (disclosure). [350-60-15-2; ASU 2023-08.BC27, BC62]

2.2 Applicability to digital assets

2.2.10 In general

Excerpt from ASC 350-60

15 Scope and Scope Exceptions

General

> Overall Guidance

15-1 The guidance in this Subtopic applies to holdings of assets that meet all of the following criteria:

a. Meet the definition of **intangible assets** as defined in the Codification
b. Do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets
c. Are created or reside on a distributed ledger based on blockchain or similar technology
d. Are secured through cryptography
e. Are fungible
f. Are not created or issued by the reporting entity or its **related parties**.

20 Glossary

Intangible Assets

Assets (not including financial assets) that lack physical substance. (The term intangible assets is used to refer to intangible assets other than goodwill.)

Assets in the scope of Subtopic 350-60 are those that: [350-60-15-1]

— meet the US GAAP definition of an intangible asset;
— do not provide the asset holder with enforceable rights to or claims on underlying goods, services or any other asset(s) (*the 'other goods or services criterion'*);
— reside or are created on a distributed ledger (i.e. blockchain or similar technology);
— are secured through cryptography;
— are fungible; and
— are not created or issued by the reporting entity or its related parties.

If a digital asset does not meet any one (or more) of these criteria, it is outside the scope of Subtopic 350-60.

These scoping criteria appear to have been designed principally to capture crypto intangible assets like BTC and ETH. However, we believe these criteria will also capture many other lesser-known and smaller (by market capitalization) crypto intangible assets, such as (not exhaustive): cardano (ADA), polkadot (DOT), solana (SOL), litecoin (LTC) and bitcoin cash (BCH).

2.2.20 Specific cases

The questions and observations in this section address specific classes of digital assets.

Question 2.2.10#

Do NFTs meet the Subtopic 350-60 scoping criteria?

Interpretive response: No. NFTs are outside the scope of Subtopic 350-60 because they inherently fail the fungibility criterion. In addition, they also frequently fail the other goods or services criterion (e.g. NFTs may convey to the holder a license to IP or a right to a future service or to attend a future event). Lastly, an NFT may fail to meet the definition of an intangible asset (e.g. if the NFT is a financial asset such as a fractional share of a security). [350-60-15-1(a), 15-1(b), 15-1(e)]

See KPMG Issues In-Depth, Accounting for nonfungible tokens (NFTs), for guidance on accounting for NFTs.

Question 2.2.20

Do CBDCs meet the Subtopic 350-60 scoping criteria?

Interpretive response: Generally, no. This is because CBDCs will generally not meet the US GAAP definition of an 'intangible asset' because they are simply a digital, tokenized version of a country's fiat currency (i.e. merely a digital representation of cash). [350-60-15-1(a)]

Question 2.2.30

Do stablecoins meet the Subtopic 350-60 scoping criteria?

Background: Stablecoins 'peg' their value, typically, to a fiat currency (e.g. the US dollar) or commodity (e.g. gold or oil) and, in this way, differ substantially from digital assets like BTC or ETH. This peg has the goal of minimizing price volatility of the digital asset and is usually accomplished by the stablecoin issuer holding an appropriate reserve of the pegged asset. Examples of stablecoins include USDT, USDC and PAX Gold. Stablecoins are not the same as CBDCs (see Question 2.2.20) because they are not issued and regulated by a government's central bank or other monetary authority.

Interpretive response: It depends. Not all stablecoins are the same; a stablecoin may, depending on its specific attributes, be a crypto intangible asset or, instead, it may (not exhaustive) meet the definition of a financial asset or financial instrument (and if so, it may also meet the definition of a security).

Understanding the rights and obligations of the stablecoin holder and issuer and the other relevant facts and circumstances is vital to determining the appropriate classification (e.g. as a crypto intangible asset or financial asset) of, and therefore the accounting model to apply to, a stablecoin. Question 22 of the AICPA guide provides factors an entity might consider when making this determination for a particular stablecoin. Those include all the following (not exhaustive).

- Purpose of the stablecoin
- Nature and extent of collateralization
- How often and when it can be redeemed
- Effectiveness and design of the 'peg'
- Applicable laws and regulations
- Whether the coin conveys an interest in a legal entity issuer
- Credit or liquidity concerns

Subtopic 350-60

If a stablecoin is not a crypto intangible asset, it will not meet the first Subtopic 350-60 scoping criterion. And even if a stablecoin is a crypto intangible asset, its specific attributes may affect whether it meets all six Subtopic 350-60 scoping criteria. Therefore, there is no "one-size-fits-all" conclusion about whether stablecoins are in the scope of Subtopic 350-60. [350-60-15-1(a)]

Question 2.2.40

Do ‘wrapped tokens’ meet the scoping criteria in Subtopic 350-60?

Background: The proposed ASU stated that wrapped tokens may be outside the scope of the new Subtopic based on the other goods or services criterion. To many, this suggested that the FASB intended to scope out all wrapped tokens from the new Subtopic. However, there is no reference to wrapped tokens in Subtopic 350-60, nor are they discussed elsewhere in ASU 2023-08 (e.g. the basis for conclusions). We understand that the proposed ASU's basis for conclusions discussion was removed from the final ASU because stakeholders informed the FASB that:

— there is no generally accepted definition of a ‘wrapped token’ (i.e. such that there are diverse opinions thereon); and
— there are substantive differences among digital assets characterized as wrapped tokens.

Interpretive response: It depends. The absence of any guidance around the scoping of wrapped tokens in Subtopic 350-60 (or even any discussion elsewhere in ASU 2023-08) means those tokens are simply subject to the same Subtopic 350-60 scoping criteria as all other digital assets.

Some digital assets identified as wrapped tokens (noting that there is no generally accepted or consistently applied definition thereof) may not meet the US GAAP definition of an intangible asset and/or may not be fungible; and thus, would be outside the scope of Subtopic 350-60. [350-60-15-1(a), 15-1(e)]

We believe whether a wrapped token meets the Subtopic 350-60 scoping criteria will often hinge on the other goods or services criterion. That is, the scoping conclusion may ultimately depend on whether the wrapped token is determined to afford the holder an enforceable right to or enforceable claim on its underlying digital asset(s), in which case it would fail scope criterion (b), which may or may not be the case depending on the facts and circumstances. [350-60-15-1(b)]

Question 2.2.50**

Do ‘receipt tokens’ meet the scoping criteria in Subtopic 350-60?

Background: ‘Receipt token’ is not a defined term in US GAAP or subject to a uniform practical definition. However, we believe it commonly refers to a digital asset received in exchange for transferring (or depositing) a crypto intangible asset to (with) a DeFi protocol – e.g. a lending, trading or liquid staking protocol. For example, an entity receives an stETH receipt token for each ETH it stakes with the Lido liquid staking protocol and receives an aWETH receipt token for each WETH it lends through the Aave liquidity protocol.

In general, receipt tokens exist to permit an entity to redeem its transferred (deposited) crypto intangible assets.

Interpretive response: It depends. Like wrapped tokens (see Question 2.2.40), receipt tokens are not explicitly addressed in Subtopic 350-60; therefore, receipt tokens are simply subject to the six Subtopic 350-60 scoping criteria in section 2.2.10. We believe the considerations around those criteria mostly mirror those for wrapped tokens.

In particular, a receipt token, in general and by design, exists to permit the token holder to redeem the crypto intangible asset(s) for which it was exchanged. Because of this, we would generally expect a receipt token to fail the other goods and services criterion in paragraph 350-60-15-1(b), and thus be outside the scope of Subtopic 350-60, unless there is a basis to assert the redemption right is not enforceable (which is a *legal*, rather than an accounting, determination). [350-60-15-1(b)]

Observation

Tokens created or issued by the reporting entity (or its related parties)

The sixth scoping criterion requires that a crypto intangible asset not be created or issued by the reporting entity or its related parties. This means that the same crypto intangible asset may be an in-scope crypto intangible asset for one entity and an out-of-scope crypto intangible asset for another (i.e. the creator or issuer of the token). [350-60-15-1(f)]

By way of example, a gaming company may create its own crypto intangible asset. That crypto intangible asset may meet all six scoping criteria for another entity but fail the sixth criterion for the gaming company. Importantly, the crypto intangible asset will always fail that criterion for the gaming company; it does not matter, for example, how long the gaming company has held the asset, whether it is actively traded or how the gaming company obtained the token (e.g. whether it is a token newly minted by the gaming company or one that the gaming company received from a customer as payment for a good or service).

3. When you buy or otherwise acquire

Detailed contents

New item added in this edition: **

3.1 In-scope vs out-of-scope crypto intangible assets

Excerpt from ASC 350-60

05 Overview and Background

General

05-1 This Subtopic provides guidance on the subsequent measurement, presentation, and disclosure of crypto assets that are within the scope of this Subtopic.

05-2 This Subtopic does not address the initial measurement, recognition, and derecognition of crypto assets. Reporting entities shall account for the initial measurement, recognition, and derecognition of crypto assets in accordance with other generally accepted accounting principles (GAAP).

In-scope and out-of-scope crypto intangible assets are subject to the same recognition and initial measurement guidance when bought or otherwise acquired. This is because Subtopic 350-60 does not include any such guidance; it instead refers entities to other US GAAP. [350-60-05-2]

Meanwhile, Subtopic 350-30 expressly scopes recognition and initial measurement of in-scope crypto intangible assets within its remit. [350-30-15-4(e)]

3.2 How the crypto intangible asset is acquired

Excerpt from ASC 350-30

15 Scope and Scope Exceptions

> Transactions

15-4 The guidance in this Subtopic does not apply to the following:

a. Subparagraph not used.
b. Subparagraph superseded by Accounting Standards Update No. 2010-07.
c. Except for certain disclosure requirements as noted in paragraph 350-30-15-3, capitalized software costs
d. Except for disclosures required by paragraph 944-805-50-1 (however, an insurance entity need not duplicate disclosures that also are required by paragraphs 944-30-50-2A through 50-2B), intangible assets recognized for acquired insurance contracts under the requirements of Subtopic 944-805 944-805.
e. Crypto assets accounted for in accordance with Subtopic 350-60, except for recognition and initial measurement of crypto assets.

25 Recognition

General

25-1 An intangible asset that is acquired either individually or with a group of other assets shall be recognized.

25-4 Intangible assets that are acquired individually or with a group of assets in a transaction other than a business combination, an acquisition by a not-for-profit entity, or a joint venture upon formation may meet asset recognition criteria in FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*, even though they do not meet either the contractual-legal criterion or the separability criterion (for example, specially-trained employees or a unique manufacturing process related to an acquired manufacturing plant). Such transactions commonly are bargained exchange transactions that are conducted at arm's length, which provides reliable evidence about the existence and fair value of those assets. Thus, those assets shall be recognized as intangible assets.

30 Initial Measurement

General

30-1 An intangible asset that is acquired either individually or with a group of other assets (but not those acquired in a business combination) shall be initially measured based on the guidance included in paragraphs 805-50-15-3 and 805-50-30-1 through 30-4.

The recognition and initial measurement of a crypto intangible asset differs depending on how it is acquired.

3.2.10 Purchased for cash

An entity that purchases a crypto intangible asset for cash (e.g. on an exchange) records it at its cost, which includes any transaction costs or fees. [350-30-25-1, 30-1]

Transaction costs is not a defined term in US GAAP but is widely understood to refer to direct costs to acquire assets, and exclude indirect costs, such as G&A expenses (see Question 3.2.10 in KPMG Handbook, Asset acquisitions).

Observation
Accounting for transaction costs

The proposed ASU (i.e. that ultimately became ASU 2023-08) would have required transaction costs to be expensed as incurred (unless industry-specific US GAAP applies). [ASU 2023-08.BC33]

Subtopic 350-60 is silent with respect to the accounting for transaction costs. Therefore, unless industry-specific guidance applies (e.g. in Topic 946 on investment companies – see Additional resources), paragraph 350-30-30-1, which generally requires capitalization of transaction costs by way of reference to Subtopic 805-50, applies to all crypto intangible asset purchases. [350-30-15-4(e), 350-60-05-2]

Question 3.2.05**

Are 'gas fees' and other similar costs 'transportation costs'?

Background: Under Topic 820, transportation costs are not considered transaction costs (see Question E40 in KPMG Handbook, Fair value measurement). Examples of transportation costs include trucking, shipping, rail, pipeline, cartage and other costs incurred in the *physical movement* of an asset.

Despite Topic 820 not governing the initial measurement of crypto intangible assets, some have questioned whether 'gas fees' in particular can or should be excluded from the initial measurement of an acquired crypto intangible asset on the basis of being transportation, rather than transaction, costs.

Interpretive response: No. We do not believe 'gas fees' or other similar costs are or should be analogized to transportation costs, because they are not incurred in the *physical movement* of an asset. [820 Glossary, 820-10-35-9C]

3.2.20 Received as payment for a good or service

An entity that receives a crypto intangible asset from another entity as payment for a good or service, including as payment for a digital asset, applies either (1) Topic 606 if the good or service is being sold/provided to a 'customer' (a counterparty that has contracted with the entity to obtain a good or service that is an output of the entity's 'ordinary activities'), or (2) Subtopic 610-20 if the recipient of the good or service is *not* a customer. See section 2.2 in KPMG Handbook, Revenue recognition, for guidance on identifying whether a recipient of a good or service is a customer.

In either case, the crypto intangible asset received in exchange for the good or service is initially measured at its contract inception date fair value. Changes in the fair value of a crypto intangible asset after contract inception do not affect the amount of revenue (Topic 606) or gain (Subtopic 610-20) recognized for the sale of the good or service. [606-10-32-21, 610-20-32-1]

3.2.30 Purchased using another crypto intangible asset

An entity may pay for a crypto intangible asset with another crypto intangible asset (e.g. purchase BTC using ETH). The reason for the transaction may be for the entity to acquire the new asset (e.g. BTC), instead of to sell/transfer the asset (e.g. ETH) it is giving up. Despite this, unless the counterparty is a customer (if so, see section 3.2.20), Subtopic 610-20 on *sales* of nonfinancial assets governs: [350-10-40-1]

— whether and when to derecognize the crypto intangible asset relinquished; and
— that the crypto intangible asset acquired be measured at its contract inception date fair value.

3.2.40 Acquired in a business combination or asset acquisition

Excerpt from ASC 805-50

30 Initial Measurement

Acquisition of Assets Rather than a Business

> Determining Cost

30-1 Paragraph 805-50-25-1 discusses exchange transactions that trigger the initial recognition of assets acquired and liabilities assumed. Assets are recognized based on their cost to the acquiring entity, which generally includes the transaction costs of the asset acquisition, and no gain or loss is recognized unless the **fair value** of noncash assets given as consideration differs from the assets' carrying amounts on the acquiring entity's books. For transactions involving nonmonetary consideration within the scope of Topic 845, an acquirer must first determine if any of the conditions in paragraph 845-10-30-3 apply. If the consideration given is nonfinancial assets or **in substance nonfinancial assets** within the scope of Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets, the assets acquired shall be treated as noncash consideration and any gain or loss shall be recognized in accordance with Subtopic 610-20.

30-2 Asset acquisitions in which the consideration given is cash are measured by the amount of cash paid, which generally includes the transaction costs of the asset acquisition. However, if the consideration given is not in the form of cash (that is, in the form of noncash assets, liabilities incurred, or **equity interests** issued) and no other generally accepted accounting principles (GAAP) apply (for example, Topic 845 on nonmonetary transactions or Subtopic 610-20), measurement is based on either the cost which shall be measured based on the fair value of the consideration given or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and, thus, more reliably measurable. For transactions involving nonmonetary consideration within the scope of Topic 845, an acquirer must first determine if any of the conditions in paragraph 845-10-30-3 apply. If the consideration given is nonfinancial assets or in substance nonfinancial assets within the scope of Subtopic 610-20, the assets acquired shall be treated as noncash consideration and any gain or loss shall be recognized in accordance with Subtopic 610-20.

A crypto intangible asset acquired in a business combination is recognized and measured in the same manner as any other asset acquired in a business combination under Topic 805 (business combinations). This means a crypto intangible asset acquired in a business combination is measured at fair value.

See KPMG Handbook, Business combinations, for guidance on the accounting for business combinations broadly.

Conversely, a crypto intangible asset acquired in an asset acquisition is recognized and measured in the same manner as described in section 3.2.10 and section 3.2.30. However, because an entity does not recognize goodwill or a bargain purchase gain in an asset acquisition, the amount recorded for an acquired crypto intangible asset may, along with other acquired assets, be adjusted to its relative fair value.

3.2.50 Special cases

There may be additional scenarios, beyond those outlined in sections 3.2.10 to 3.2.40, under which an entity acquires a crypto intangible asset or will acquire one in the future. For example (not exhaustive):

- An entity may obtain a right to receive a crypto intangible asset in the future (i.e. a crypto intangible asset receivable). The entity may be entitled to that asset because it has provided a good or service to another entity but has not yet received it. The arrangement to receive the crypto intangible asset in the future is evaluated under Topic 815 (derivatives and hedging) to determine whether it is, or includes, a derivative (see KPMG Handbook, Derivatives and hedging).
- An entity may have a right to receive back in the future a crypto intangible asset it has loaned to another entity. See KPMG Hot Topic, Lenders' accounting for crypto intangible asset loans, for considerations around crypto intangible asset lending scenarios.
- An entity may receive a crypto intangible asset in a nonmonetary exchange subject to Topic 845 (nonmonetary exchanges). In certain circumstances under Topic 845, a received asset is measured at the recorded amount of the asset exchanged, instead of at its fair value.

In these and other possible acquisition scenarios, the initial recognition and measurement of an acquired crypto intangible asset could differ from the more common scenarios in sections 3.2.10 to 3.2.40.

3.2.60 Purchased directly into a third-party wallet

Entities frequently purchase crypto intangible (and other digital) assets in such a manner (e.g. on an exchange, through a custodian) that the purchase settles directly into a crypto wallet for which the entities do not control the private cryptographic keys.

An entity purchasing crypto intangible assets in this manner evaluates whether it has, in fact, acquired (i.e. owns) the assets for accounting purposes (see Question 3.2.10).

- If so, the entity accounts for the crypto intangible assets in the same manner it would any such assets it self-custodies, and the third party responsible for holding the crypto intangible assets is solely a custodial service provider. Despite not accounting for the digital assets themselves in this case, the third party needs to consider whether it is subject to SAB 121, and if so, whether it has a safeguarding obligation for those assets (see KPMG Hot Topic, SEC staff guidance on digital asset safeguarding obligations).

— If not, the entity instead has a crypto intangible asset receivable for which the third party is the obligor. The third party records the crypto intangible asset as its own and a liability to transfer that asset to the entity in the future. The entity's right to receive the digital asset in the future and the third party's obligation to transfer that asset to the entity in the future are both evaluated under Topic 815 to determine whether they are, or include, a derivative (see KPMG Handbook, Derivatives and hedging). Because the crypto intangible asset is the third party's for accounting purposes, the third party does not have a SAB 121 safeguarding obligation (see Question 20 in KPMG Hot Topic, SEC staff guidance on digital asset safeguarding obligations).

Question 3.2.10

How is the accounting ownership of third-party held digital assets determined?

Interpretive response: Currently, no explicit US GAAP exists on determining the accounting ownership of such digital assets. Therefore, entities generally look to the nonauthoritative guidance in Question 10 of the AICPA guide, regardless of whether the digital asset is a crypto intangible asset. Question 10 states that to make the accounting ownership determination, an entity generally evaluates which party – i.e. the entity (or 'depositor') or the third party (or 'custodian' as referred to in Question 10):

— 'controls' the asset under the Topic 606 principle of control (i.e. which party has the ability to direct the use of and obtain substantially all the remaining benefits therefrom); and [606-10-25-25]

— has a digital asset that meets the essential characteristics of an asset as described in the FASB's Conceptual Framework. [CON 8.E17]

In addition, Question 10 provides factors intended to assist entities in making this accounting ownership determination, including those that follow (not exhaustive). [AICPA Digital Asset Guide Q10]

Does depositor control when and whether to withdraw the assets?	Who has title, interest and legal ownership of the assets?	Does custodian obtain the right to sell, transfer, loan, encumber or pledge the assets?	What legal and regulatory frameworks apply?
Are the assets segregated from the custodian's own assets?	Are the assets segregated from other depositors' assets?	Are the assets isolated from custodian's creditors in event of bankruptcy, liquidation, otherwise?	Does depositor bear the risk of loss if the deposited asset is not retrievable by the custodian?

Although legal ownership does not necessarily determine accounting ownership, Question 10 highlights that legal ownership and other legal considerations may affect the determination. Accordingly, advice from legal counsel may be necessary.

Additional considerations

Beyond those enumerated above in Question 10 of the AICPA guide, we have observed the following considerations (not exhaustive) also affect and/or assist in making the above-outlined accounting ownership determination in practice. These additional, practical considerations are intended to supplement, and generally work in concert with, those outlined above; however, judgment and the specific facts and circumstances will continue to affect the accounting ownership evaluation.

- **Protective rights.** The agreement between the entity and the third party may include provisions that ostensibly limit the entity's right to withdraw or transfer the digital assets. For example, the third party may have the right to (not exhaustive):

  - restrict the size of certain transactions (e.g. the entity could be precluded from withdrawing all of its digital assets in one transaction immediately);
  - reject transactions that conflict with or violate applicable laws/regulations; and
  - refuse transactions in response to a subpoena or other government order.

  We have also observed broader contractual language, such as "The custodian reserves the right to cancel or reject any trade order, in whole or in part, for any reason."

  Entities should consider whether provisions like these:

  - are protective rights of the third party – e.g. to protect itself and personnel from legal liability or reputational damage; or, instead
  - *significantly* restrict the ability of the depositor to exercise control over the digital assets.

  In isolation, protective rights generally do not suggest the third party controls the digital assets.

- **Holding the private keys is not determinative.** When considering the effect on the accounting ownership evaluation of holding the private cryptographic keys (private key information) necessary to execute transactions from the wallet in which the digital assets are held, we believe an entity should *not* substantively weight that the third party could, by virtue of holding the private keys, decline to execute a valid transaction requested by the entity. Instead, an entity looks at the rights and obligations of the parties to execute transactions and assumes both parties to the custodial service agreement will abide by its terms and conditions.

- **Omnibus wallet considerations.** In a segregated wallet structure, the deposited digital assets are held in a separate wallet (or wallets) – i.e. with its (their) own cryptographic keys – from those of other depositors. In an omnibus wallet structure, the entity's digital assets are (1) commingled with those of other depositors in one or more wallets, and (2) typically acknowledged by both parties to be fungible with those of other depositors.

A segregated or omnibus wallet structure to the custodial service arrangement is not, in our view, determinative to the accounting ownership evaluation. A segregated wallet does not necessarily mean the depositor controls the digital assets, and an omnibus wallet does not necessarily mean the third party controls them. We do believe, however, that some additional considerations come into play in an omnibus wallet scenario when determining accounting ownership. These include whether (not exhaustive):

– the custodial service agreement requires a clear segregation of the entity's assets from other depositors' digital assets and those proprietary assets of the third party (if any); and

– the third party maintains a balance of digital assets (by type of digital asset deposit) greater than or equal to the total of its depositors' digital asset balances in its custodial accounts. This may be legally required of digital asset custodians in some jurisdictions.

Either of these increases the likelihood that the entity is the accounting owner of the digital assets.

— **Legal isolation of the entity's digital assets.** Question 10 of the AICPA guide includes as a factor to consider whether the entity's digital assets would be isolated from the third party's creditors in the event of bankruptcy, liquidation or otherwise. In addition to the potential for the conclusion to differ by legal jurisdiction, relevant statutory and case law may be undeveloped (or immature). Consequently, we have observed some entities decide to obtain legal advice when assessing this factor.

— **Control is binary.** The Question 10 framework, centered on the notion of control in Topic 606, *applies to both the entity and the third party even though Topic 606 only applies to the vendor in a sale transaction*. Topic 606 defines control as the ability to direct the use of, and obtain substantially all the remaining benefits from, an asset. This includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, that asset. By the nature of this definition, control is a binary concept when there are only two parties involved and both parties are subject to it. It is not possible for two unrelated parties to simultaneously control a single asset like a digital asset (or fractional unit thereof). In the context of this evaluation undertaken by both parties, either the entity controls the asset, or the third party does; not both.

Therefore, in situations where it is unclear whether one of the parties controls the digital asset, it may often be relevant to evaluate the position of the *other* party. For example, if evaluating whether a depositor controls a digital asset, and there is some measure of contrary or conflicting evidence, it may be useful to take the perspective of the third party holding the digital asset and consider instead what evidence supports that *it* controls the digital asset. When evaluating the issue this way, it may become clear that the third party does not control the digital asset, or at least the evaluation could indicate where the preponderance of the evidence lies in this binary evaluation.

Example 3.2.10
Omnibus custodial wallets

ABC Corp. acquires a material amount of BTC through Custodian to be held in a custodial account. ABC's BTCs are held in multiple omnibus wallets for which Custodian holds the private cryptographic keys, and ABC's BTCs are commingled with those of other custodial customers.

The following are additional relevant facts.

a. **Legal ownership.** The custodial service agreement indicates that ABC is the legal owner of the BTC; title and interest reside with ABC.

b. **Transfer and other rights.** Under the custodial service agreement, only ABC is permitted to sell, transfer, loan, encumber or pledge the deposited BTC; Custodian has no such rights.

c. **Cryptographic keys.** Custodian holds the private cryptographic keys to the custodial wallets; this means it must execute, and has the *capability* to reject, transactions requested by ABC. However, under the custodial service agreement, Custodian can only reject valid transaction instructions from ABC if they are improper; for other specified protective reasons to Custodian; or for practical, operational reasons (e.g. transaction size limitations).

d. **Access.** ABC can withdraw or sell/transfer its BTC at any time and for any reason. Custodian can only reject such requests as described in (c). ABC accesses a brokerage portal to submit transactions.

e. **Risks and rewards.** ABC bears all risk of loss associated with the BTC, except losses caused by Custodian's fraud, willful misconduct or gross negligence. ABC bears all risk and reward from fluctuations in the market price of BTC. ABC pays a fee for each purchase or sale of BTC processed by Custodian.

f. **Tracking.** While ABC's BTCs are held across multiple omnibus wallets, Custodian is required under the custodial service agreement to maintain a separate ledger for each custodial depositor, including ABC.

g. **Fungibility of BTC.** Each BTC owned by ABC and held in Custodian's omnibus custodial wallets is identical to and has the same fair value as any other BTC. Custodian is only obligated to return the same number of BTCs owned by the depositor; it is not obligated to return the same specific BTCs that were initially deposited by ABC.

h. **Legal advice.** ABC has obtained legal advice from qualified counsel that under the terms of the custodial service agreement and in the jurisdiction governing that agreement, counsel (1) expects that ABC's BTC would be isolated from Custodian's creditors in the event of Custodian bankruptcy or receivership, and (2) believes Custodian is effectively required to maintain sufficient BTC holdings to cover all depositors' BTC holdings on a one-to-one basis.

Accounting analysis

ABC evaluates whether it controls the BTCs held in the custodial wallets to determine whether it:

- recognizes those BTCs; or
- recognizes a BTC receivable from Custodian that could potentially contain an embedded derivative under Topic 815.

ABC considers all of the facts presented and concludes that it, and not Custodian, 'controls' the custodied BTC in its name. In reaching this conclusion, ABC places the most emphasis on facts (b) and (d), which most directly align to the definition of control (i.e. to ability to direct the use of, and obtain substantially all the remaining benefits from, the asset). Accordingly, ABC recognizes the BTC as a crypto intangible asset.

Question 3.2.20**

When is custody of digital assets a promised good or service?

Interpretive response: As evidenced by the fact that many entities offer digital asset custodial services for a fee, and many entities engage for such services in explicit custodial service agreements, digital asset custodial services have value to individuals and entities. In those arrangements, custodial services are clearly a promised service to the entity engaging for them.

However, in many scenarios, an entity (e.g. an exchange, a marketplace) will hold a customer's digital asset acquired thereon on an ongoing basis for no consideration beyond the transaction fee (or digital asset purchase price, if the entity is determined to be the principal to the digital asset sale) charged on the digital asset transaction. The customer has the right to withdraw the digital asset (e.g. from the exchange platform) without substantive penalty at any time.

The customer's right to continue holding the digital asset with the entity in these scenarios may constitute a 'material right' to obtain free custodial services, to which a portion of the earned transaction fee (or purchase price of the digital asset) must be allocated under Topic 606.

- **No material right.** Some exchanges or marketplaces offer digital asset custodial services to noncustomers for free; customers can transfer their digital assets acquired *elsewhere* into the exchange's/marketplace's custody before, and irrespective of whether, the customer enters into a purchase or sale transaction that generates revenue for the exchange/marketplace. When that is the case, we believe the customer's right to free custodial services exists independently of the contract to acquire the digital asset, and the right to the free custodial services is *not* a material right under Topic 606. [TRG 4-16.54]
- **Material right.** By contrast, if custodial services are *only* offered to customers for digital assets acquired on the exchange/marketplace, or only to customers that have already transacted thereon, the right to free custodial services will generally be a material right. As such, the

exchange/marketplace allocates a portion of its transaction fee (or digital asset) revenue to the material right.

Chapter 8 in KPMG Handbook, Revenue recognition, discusses the identification of and accounting for material rights in further detail.

Question 3.2.30**

Are custodial services distinct from other promised goods and services in digital asset transactions?

Interpretive response: Material rights, to digital asset custodial services or otherwise, are always distinct, and never 'immaterial in the context of the contract'. [606-10-25-16B, 55-42]

For the following reasons, a promised digital asset custodial service is generally distinct from other promised goods and services in a contract.

- Digital asset custodial services are generally 'capable of being distinct' as evidenced by the fact that there are numerous entities that sell, or offer for free, these services such that they are 'readily available'. [606-10-25-20]
- A promise to provide digital asset custodial services is generally 'separately identifiable' because: [606-10-25-21, 606-10-55-150C]
  - it and the other promises with which it is typically bundled (e.g. a promise to execute a digital asset transaction, a promise to transfer a digital asset) can be fulfilled independently of each other; and
  - neither the custodial service, nor the goods or services with which it is bundled, significantly modify or customize the other, or give rise to a combined, integrated output.

Section 4.3 in KPMG Handbook, Revenue recognition, discusses identifying distinct performance obligations in detail.

4. While you hold a crypto intangible asset

Detailed contents

New item added in this edition: **
Item significantly updated in this edition: #

4.1 Out-of-scope crypto intangible assets

4.1.10 Finite vs indefinite useful life

Excerpt from ASC 350-30

35 Subsequent Measurement

General

> Determining the Useful Life of an Intangible Asset

35-1 The accounting for a recognized intangible asset is based on its useful life to the reporting entity. An intangible asset with a finite useful life shall be amortized; an intangible asset with an indefinite useful life shall not be amortized.

35-4 If no legal, regulatory, contractual, competitive, economic, or other factors limit the useful life of an intangible asset to the reporting entity, the useful life of the asset shall be considered to be indefinite. The term indefinite does not mean the same as infinite or indeterminate. The useful life of an intangible asset is indefinite if that life extends beyond the foreseeable horizon—that is, there is no foreseeable limit on the period of time over which it is expected to contribute to the cash flows of the reporting entity. Such intangible assets might be airport route authorities, certain trademarks, and taxicab medallions.

The holder of an out-of-scope crypto intangible asset must determine whether that asset has a finite or indefinite useful life.

Crypto intangible assets are typically determined to have an indefinite useful life because there are no legal, regulatory, contractual, competitive, economic or other factors that limit their useful life to the holder. This has generally been the conclusion reached for holdings of common crypto intangible assets like BTC and ETH. [350-30-35-4]

If an out-of-scope crypto intangible asset is determined to have an indefinite useful life, it is not amortized. It is tested for impairment in accordance with the guidance that applies to all indefinite-lived intangible assets. [350-30-35-1, 35-15]

4.1.20 Impairment

Excerpt from ASC 350-30

35 Subsequent Measurement

General

> Intangible Assets Not Subject to Amortization

35-18 An intangible asset that is not subject to amortization shall be tested for impairment annually and more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired.

35-19 The quantitative impairment test for an indefinite-lived intangible asset shall consist of a comparison of the fair value of the asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an entity shall recognize an impairment loss in an amount equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the intangible asset shall be its new accounting basis.

35-20 Subsequent reversal of a previously recognized impairment loss is prohibited.

> Unit of Accounting for Purpose of Testing for Impairment of Intangible Assets Not Subject to Amortization

35-21 Separately recorded indefinite-lived intangible assets, whether acquired or internally developed, shall be combined into a single unit of accounting for purposes of testing impairment if they are operated as a single asset and, as such, are essentially inseparable from one another.

35-24 Indicators that two or more indefinite-lived intangible assets shall not be combined as a single unit of accounting for impairment testing purposes are as follows:

a. Each intangible asset generates cash flows independent of any other intangible asset (as would be the case for an intangible asset licensed to another entity for its exclusive use).
b. If sold, each intangible asset would likely be sold separately. A past practice of selling similar assets separately is evidence indicating that combining assets as a single unit of accounting may not be appropriate.
c. The entity has adopted or is considering a plan to dispose of one or more intangible assets separately.
d. The intangible assets are used exclusively by different asset groups (see the Impairment or Disposal of Long-Lived Assets Subsections of Subtopic 360-10).
e. The economic or other factors that might limit the useful economic life of one of the intangible assets would not similarly limit the useful economic lives of other intangible assets combined in the unit of accounting.

The following table summarizes the impairment model that applies to out-of-scope crypto intangible assets that are determined to have an indefinite useful life.

Area	Application
Measuring impairment	The indefinite-lived intangible asset impairment model is a one-step comparison of the asset's carrying amount to its fair value determined in accordance with Topic 820 (fair value). Any excess is recognized as an impairment loss. [350-30-35-19] Determining the fair value of a crypto intangible asset involves judgment, typically more so for newer or obscure assets. Judgments include

Area	Application
	determining whether a principal (or most advantageous) market exists and assessing the reliability of the information therefrom. For widely held crypto intangible assets (e.g. BTC and ETH), there is typically a principal market accessible to the entity, such as a large cryptocurrency exchange, from which the entity can obtain reliable, quoted prices for identical assets to establish the fair value of its own crypto intangible assets. Question 4.1.10 highlights additional considerations when determining the principal market for a crypto intangible asset. Question 4.2.10 discusses the effect of entity-specific restrictions on the fair value of a crypto intangible asset. KPMG Handbook, Fair value measurement, provides detailed guidance on fair value measurement under Topic 820 more broadly.
When to test	Indefinite-lived intangible assets, including out-of-scope crypto intangible assets, are required to be tested for impairment annually. However, impairment testing may occur more frequently if impairment indicators ('triggers') are identified between annual testing dates. [350-30-35-18, 35-18B] For out-of-scope crypto intangible assets, consistent with SEC staff comments we have observed, entities should write them down to fair value whenever there is an observable transaction in which an identical asset (e.g. another BTC) is bought/sold in the entity's principal market at a price less than its carrying amount. This is true even if that lower price is an 'intra-day' price that recovers later that same day. Therefore, an entity that holds out-of-scope crypto intangible assets needs to carefully monitor for observable transactions in its principal market throughout the entire reporting period (including "intra-day" transactions) to determine whether an out-of-scope crypto intangible asset has been impaired.
Reversing an impairment loss	Reversing an impairment loss is prohibited, even if the crypto intangible asset's fair value recovers by the end of the reporting period in which the impairment was identified. [350-30-35-20]

Area	Application
Unit of account	In general, each unit (or fractional unit) of a crypto intangible asset held by the entity is its own unit of account. This is because entities can usually sell or otherwise dispose of each unit (fractional unit) separately. [350-30-35-24] This means it is not appropriate to evaluate different crypto intangible assets (e.g. BTC and ETH) or multiple units (or fractional units) of a single crypto intangible asset (e.g. different BTCs or fractional units thereof) that have different carrying amounts for impairment as a group. Simply put, an average costing approach, which may offset an indicated loss in one crypto asset unit (or fractional unit) with an indicated gain in another, is not allowed when assessing impairment of out-of-scope crypto intangible assets. Question 4.1.20 and Example 4.1.10 discuss unit of account in further detail.
Presenting an impairment loss in the income statement	See section 6.3 on income statement presentation.

Question 4.1.10

What challenges commonly arise when determining the principal market for a crypto intangible asset?

Background: A fair value measurement ordinarily assumes sale of the crypto intangible asset in its principal market (if one exists), or the most advantageous market if a principal market does not exist. The principal market is that with the greatest volume and level of activity. The most advantageous market is that in which the entity would maximize its sale proceeds, net of any transaction or transportation costs. [820-10-35-5]

Absent evidence to the contrary, the market that an entity normally transacts in for the relevant asset is presumed to be its principal market (or most advantageous market in the absence of a principal market). An exhaustive search of all possible markets is not necessary, but an entity should consider all information that is reasonably available. [820-10-35-5A]

If there is a principal market it should be used in the fair value measurement, even if the price in a different market is more advantageous at the measurement date. [820-10-35-6]

For a market to be considered the principal (or most advantageous) market, the entity must be able to access it at the measurement date. Because of this, the principal (or most advantageous) market for the same asset may vary from entity to entity. [820-10-35-6A]

Interpretive response: As stated in the background, principal (or most advantageous) market assessments can vary from entity to entity, including for the same crypto intangible asset (e.g. bitcoin, ether), and be challenging for crypto intangible assets because of one or more of the items in the following table. This table lists the most common challenges we have observed entities encounter and how we believe entities should generally respond to each one.

Challenge	Response
An entity may 'normally transact' in, and therefore have readily available pricing information for, a market (e.g. a cryptocurrency exchange) that is smaller – i.e. has a lower trading volume and level of activity for the relevant crypto intangible asset – than other markets the entity can access.	Topic 820 permits an entity to presume its primary transactional market is its principal market for an asset unless there is reasonably available information to the contrary. [820-10-35-5A] Because exchange volume and activity data for at least the more common crypto intangible assets (e.g. bitcoin, ether) *is* generally reasonably available, we believe an entity would typically not *presume*, without undertaking further evaluation, that any cryptocurrency exchange on which it primarily transacts is its principal market. Inappropriately relying on the presumption may lead to incorrect fair value measurements. In practice, we have observed that an entity's primary transactional market for a crypto intangible asset is often not the entity's principal market under Topic 820 for that asset.
An entity may 'normally transact' in multiple markets for the same crypto intangible asset, such that no one exchange qualifies as the market in which the entity normally transacts.	An entity may not have a market to which to apply the presumption described above if it regularly transacts in multiple markets for the same crypto intangible asset. If there is not readily available information about other markets accessible to the entity, and therefore the entity would usually conclude its primary transactional market is its principal market, we believe it may be appropriate to consider:

Challenge	Response
	— which of the markets in which the entity normally transacts has a greater volume and level of trading activity for the asset; and — if all of the markets in which the entity normally transacts are of a similar size (or the relative size of those markets is not known), which market it would intend to access for a hypothetical sale of its entire holding of the asset on the measurement date.
An entity may primarily (or exclusively) transact through a single third-party liquidity provider, but not have visibility into which market(s) the third party is regularly accessing.	In this case, due to the lack of visibility, we believe the entity would assess its principal market without consideration to whether or where the third-party liquidity provider transacts.
Accurate volume and activity data may be difficult to obtain and/or be of questionable reliability. Conflicting volume data often exists, and the cryptocurrency market has been fraught with fraudulent trading and volume data.	An entity will need to exercise judgment in determining the appropriate sources for, and reliability of, digital asset volume and activity data. It may want to ensure it obtains market data from multiple sources when assessing the principal market for a crypto intangible asset, and that those sources are substantially corroborative of each other. In the absence of reliable volume and activity data, we believe an entity would generally revert to the presumption that its primary transactional market for the asset is its principal market. Entities should develop and maintain a rational, repeatable and sustainable process to assess whether, and if so what, market information is available, relevant and reliable.
An entity may not be able to access a particular market for a crypto intangible asset, even if reasonably reliable volume and activity data suggests it has the greatest trading	The principal market for an asset under Topic 820 must be accessible to the entity as of the measurement date. Therefore, an entity needs to consider any legal, practical and/or economic restrictions on its ability to

Challenge	Response
volume or level of activity for the asset. For example, a US entity may not be permitted to access an exchange because the exchange does not accept US individual or entity customers. In addition, there may be other factors that individually or in combination preclude an entity legally or practically accessing a particular market.	access a particular market. All relevant facts and circumstances should be considered; accessibility does *not*, however, consider an entity's intent to trade in a particular market. Consistent with the example provided in the Challenge column, an entity may not be able to access the market with the greatest volume and level of activity for the crypto intangible asset. In that case, the principal market is the one with the greatest volume and level of activity *that the entity can access at the measurement date*. Applied differently, the accessibility requirement also means that if an entity has determined that it cannot access a market, it is not necessary to obtain data about the market's trading volume and level of activity because, regardless, it cannot be the entity's principal market.
The crypto market is growing and changing at a rapid pace; the principal market for a crypto intangible asset may change between measurement dates.	An entity should revisit its principal (or most advantageous) market conclusion whenever facts or circumstances change that could affect that conclusion; for example, if: — the entity begins to transact for the crypto intangible asset in other markets; — available data evidences that the existing principal market has shrunk, or that alternative markets accessible to the entity have emerged with a greater volume and level of activity than the existing principal market; or — a previously inaccessible market becomes accessible to the entity (e.g. an exchange obtains the license or other regulatory approvals necessary to now operate in the entity's jurisdiction).

Question 4.1.20

Is it acceptable to co-mingle multiple units of a crypto intangible asset for purposes of assessing impairment?

Interpretive response: In general, no. Each unit (or fractional unit) of a crypto intangible asset held by an entity is its own unit of account for assessing impairment. This is because entities can usually sell or otherwise dispose of each unit (fractional unit) separately. [350-30-35-24]

This means it is not appropriate to evaluate different crypto assets (e.g. BTC and ETH) or multiple units (or fractional units) of a single crypto intangible asset that have different carrying amounts for impairment as a group. Simply put, an average costing approach, which may offset an indicated loss in one crypto intangible asset unit (fractional unit) with an indicated gain in another, is not allowed.

Nevertheless, co-mingling multiple units (or fractional units) of a single crypto intangible asset (e.g. BTC) for impairment testing purposes will have no practical effect on the testing outcome if those units have the same adjusted carrying amount at the impairment testing date. Multiple units may have the same carrying amount at an impairment testing date if they were purchased at the same price, or if they have previously been impaired down to the same adjusted carrying amount.

While we generally do not think doing so will meaningfully reduce an entity's efforts to assess impairment, there may be some recordkeeping or other administrative benefit to, for example, recognizing all units of a crypto intangible asset purchased at the same time and for the same price as a single unit of account instead of maintaining a record of each unit separately. Similarly, if an entity changes accounting systems, there may be a recordkeeping or migration benefit to recording a single asset for all units of a crypto intangible asset that have the same carrying amount at that date.

Example 4.1.10 below illustrates (1) assessing impairment for multiple tranches of an acquired crypto intangible asset, and (2) selling a portion of an entity's holdings thereof.

Example 4.1.10

Multiple purchased tranches of BTC – impairment and sale

ABC Corp. acquires multiple BTCs at the dates indicated in the table below. The current, total carrying amount of each tranche reflects its original cost less any impairments taken to date.

Tranche	Purchase Date	Number of units	Carrying amt / unit	Total carrying amt
1	January 15, 20X1	125	$ 19,500	$ 2,437,500
2	July 1, 20X1[1]	30	33,500	1,005,000
3	July 15, 20X1[1]	20	33,500	670,000
4	April 15, 20X2	100	63,000	6,300,000
5	October 1, 20X2	75	53,500	4,012,500
		350		$ 14,425,000

Notes:

1. The July 1 and July 15 units were initially purchased at $40,000 and $41,000 per unit, respectively. These units were impaired to their current carrying amounts as a result of a previous impairment, taken after the purchase dates.
2. The weighted average carrying amount per BTC is $41,214 ($14,425,000 / 350 BTCs).

Scenario 1: Indicated impairment

On November 15, 20X2, ABC observes a precipitous drop in the quoted price of BTC in its principal market (a large cryptocurrency exchange) to $50,000 per unit.

ABC records a total impairment loss as of that date of $1,562,500 ($1,300,000 on the 100 Tranche 4 units and $262,500 on the 75 Tranche 5 units). It is not relevant that the weighted average carrying amount of all ABC's BTCs is $41,214 – i.e. less than the $50,000 fair value of a BTC on that date.

The November 15 impairment recorded by ABC is not reversed, even if the fair value of a BTC recovers before the end of ABC's current reporting period (December 31, 20X2).

Scenario 2: Sale of 150 BTCs

After recording the impairment in Scenario 1, ABC sells 150 BTCs on December 15, 20X2 at a price of $51,000 per unit. There were no indications of impairment between November 15 (Scenario 1 impairment date) and December 15.

Because there is no way to specifically identify one BTC from another, ABC must apply a reasonable, rational and consistent method to derecognize 150 of its BTC holdings and calculate the gain on sale (note: ABC concludes that selling BTC is not one of its 'ordinary activities', and therefore the sale of the 150 BTCs is subject to Subtopic 610-20 instead of Topic 606). ABC elects to use a first-in, first-out (FIFO) method in this respect. This means that ABC derecognizes all 125 Tranche 1 BTCs and 25 Tranche 2 BTCs. Consequently, ABC recognizes a gain on the sale of $4,375,000, calculated as follows.

Tranche	Number of units sold	Ext. carrying amount (A)	Sale proceeds (B)	Gain on sale (B) – (A)
1	125	$ 2,437,500	$ 6,375,000	$ 3,937,500
2	25	837,500	1,275,000	437,500
		$ 3,275,000	$ 7,650,000	$ 4,375,000

4.2 In-scope crypto intangible assets

Excerpt from ASC 350-60

35 Subsequent Measurement

General

35-1 An entity shall measure crypto assets at fair value in the statement of financial position. Gains and losses from the remeasurement of crypto assets shall be included in net income.

After their acquisition, all in-scope crypto intangible assets are measured at fair value under Topic 820, with fair value changes recorded in current period earnings (see section 6.2 for income statement presentation of fair value remeasurement gains and losses). No exceptions apply. [350-60-35-1]

Subtopic 350-60 does not include any specialized fair value measurement guidance or examples for in-scope crypto intangible assets. KPMG Handbook, Fair value measurement, provides guidance on applying Topic 820; see also Question 4.1.10 addressing principal market considerations that apply equally to in-scope and out-of-scope crypto intangible assets.

Observation

Fair value measurement applies to all in-scope crypto intangible assets

During the project that created Subtopic 350-60, some FASB stakeholders suggested Topic 820 fair value measurement not apply to all in-scope crypto intangible assets. For those without readily determinable fair values or that are not traded in active markets, suggestions included: [ASU 2023-08.BC30]

— retaining the historical cost less impairment measurement approach in Subtopic 350-30 (see section 4.1.20);
— using net realizable value; or
— simply assigning a carrying amount of $0.

The FASB declined, observing that the existing guidance in Topic 820 is sufficient to permit fair value measurement even for those crypto intangible assets. [ASU 2023-08.BC32]

Question 4.2.10**

Do entity-specific restrictions affect the fair value measurement of a crypto intangible asset?

Interpretive response: No. Entity-specific restrictions – e.g. on sale or transfer because the entity elected to stake its crypto intangible assets – do not affect the fair value measurement of a crypto intangible asset. In contrast, any asset-specific restrictions *would* affect the crypto intangible asset's fair value measurement (see Question C30 in KPMG Handbook, Fair value measurement).

4.3 Transfers to third-party wallets

An entity may transfer a crypto intangible asset it has appropriately recognized on its balance sheet to a third party to hold. For example, an entity may transfer a crypto intangible asset it has recognized on its balance sheet from an exchange wallet to a third party. In that case, the question arises about whether the entity should derecognize the transferred crypto intangible asset.

- If not (i.e. because the entity remains the accounting owner), the entity continues to account for the crypto intangible asset as its own, in the same manner as any owned crypto intangible assets it self-custodies, and the third party is solely a custodial service provider. Despite not accounting for the crypto intangible asset itself in this case, the third party needs to consider whether it is subject to SAB 121 and, if so, whether it has a safeguarding obligation for that asset (see KPMG Hot Topic, SEC staff guidance on digital asset safeguarding obligations).
- If so (i.e. because the third party becomes the accounting owner), the entity has, in effect, transferred accounting ownership of the crypto intangible asset to the third party. In place of the transferred asset, the entity records a crypto intangible asset receivable for which the third party is the obligor. The third party records the crypto intangible asset as its own and a liability to transfer that asset to the entity in the future. The entity's right to receive the digital asset in the future and the third party's obligation to transfer that asset to the entity in the future are both evaluated under Topic 815 to determine whether they are, or include, a derivative (see KPMG Handbook, Derivatives and hedging). Because the crypto intangible asset is its own for accounting purposes, it does not have a SAB 121 safeguarding obligation (see Question 20 in KPMG Hot Topic, SEC staff guidance on digital asset safeguarding obligations).

Question 4.3.10#

Should an entity derecognize a crypto intangible asset transferred to a third-party wallet?

Background: Subtopic 610-20 governs whether to derecognize a crypto intangible asset, including in this scenario. [350-10-40-1, 40-3]

Subtopic 610-20 relies on the transfer of control guidance in Topic 606 to determine when to derecognize an asset in its scope. Under Topic 606's control transfer guidance, control over an asset does not transfer when the transferor (i.e. the depositor in this scenario) has the substantive right to repurchase that asset (or a substantially equivalent asset – e.g. a fungible digital token). The transferee is constrained in its ability to direct the use of, and obtain substantially all the remaining benefits from, the asset because of the transferor's repurchase right. [606-10-55-66, 55-68; 610-20-25-6 – 25-7; ASU 2014-09.BC424]

Interpretive response: In the case of a custodial service arrangement, by design, the depositor typically has the substantive right (other than for 'protective' reasons – see Question 3.2.10) to withdraw the digital assets held by the third party. We understand there to be diversity in views about the effect of the depositor's return right on this question.

View 1 – the return right precludes control transfer

The depositor's return right is, in effect, a call option (i.e. a repurchase right) such that the third party *cannot* obtain control of the crypto intangible asset, *even if* the third party can direct the use of the entity's crypto intangible asset while in its custody. Therefore, the depositor does not derecognize the crypto intangible asset. [606-10-55-66, 55-68; 610-20-25-6 – 25-7]

View 2 – the return right alone does *not* preclude control transfer

The depositor's return right is substantively no different than a crypto intangible asset lender's return right in a callable loan, which the SEC staff concluded was *not* akin to a call option or any other repurchase agreement of the nature contemplated in Topic 606 (see KPMG Hot Topic, Lenders' accounting for crypto intangible asset loans). Therefore, the return right, on its own, does not mean the depositor should continue to recognize the crypto intangible asset.

Entities should instead consider:

- the guidance in Question 3.2.10 around determining the accounting ownership of digital assets purchased directly into a third-party wallet; and
- the SEC staff's views on when to derecognize loaned crypto intangible assets (see KPMG Hot Topic, Lenders' accounting for crypto intangible asset loans).

Consideration of the two views

At present, it remains an open question just how broadly and when entities can or *should* analogize to the SEC staff's crypto intangible asset lending guidance in scenarios that are not explicitly crypto intangible asset loans (see Question 5.1.10). We are not aware of the SEC staff opining on, or of a consensus in practice about, analogizing to that guidance in this question's scenario. Therefore, entities should consult with their auditors or other accounting advisors about the views expressed above. In the absence of further guidance from the FASB or from the SEC staff, we believe either View 1 or View 2 is acceptable if applied consistently.

However, as a practical matter, we believe that as long as the third party entrusted to hold the crypto intangible asset does *not* have the right to rehypothecate or otherwise direct the use of the asset, the depositor would generally not derecognize it under either view. It is only when the third party *does* have such rights that we believe a difference in accounting result could arise between the views.

4.4 Staking crypto intangible assets

See KPMG Hot Topic, Accounting for staking activities, for considerations around the staking of crypto intangible assets.

4.5 Stablecoins

Because stablecoins may not be crypto intangible assets (see Question 2.2.30), they may not follow the accounting considerations outlined in the preceding sections of this chapter while they are held by the entity.

Entities that invest in stablecoins that are not crypto intangible assets need to account for their stablecoin holdings in a manner consistent with their classification under US GAAP (e.g. as financial assets, if applicable). This Issues In-Depth does not discuss the accounting an entity would apply while it holds a stablecoin under other subsequent measurement models.

5. When you sell or otherwise transfer

Detailed contents

New item added in this edition: **
Item significantly updated in this edition: #

5.1 In-scope *and* out-of-scope crypto intangible assets

Excerpt from ASC 350-60

05 Overview and Background

General

05-2 This Subtopic does not address the initial measurement, recognition, and derecognition of crypto assets. Reporting entities shall account for the initial measurement, recognition, and derecognition of crypto assets in accordance with other generally accepted accounting principles (GAAP).

Excerpt from ASC 350-10

40 Derecognition

General

> Transfer or Sale of Intangible Assets

40-1 An entity shall account for the derecognition of a nonfinancial asset, including an in substance nonfinancial asset, within the scope of this Topic in accordance with Subtopic 610-20 on gains and losses from the derecognition of nonfinancial assets, unless a scope exception from Subtopic 610-20 applies. For example, the derecognition of a nonfinancial asset in a **contract** with a **customer** shall be accounted for in accordance with Topic 606 on revenue from contracts with customers.

40-3 If an entity transfers a nonfinancial asset in accordance with paragraph 350-10-40-1, and the contract does not meet all of the criteria in paragraph 606-10-25-1, the entity shall not derecognize the nonfinancial asset and shall follow the guidance in paragraphs 606-10-25-6 through 25-8 to determine if and when the contract subsequently meets all of the criteria in paragraph 606-10-25-1. Until all of the criteria in paragraph 606-10-25-1 are met, the entity shall continue to do any of the following, as applicable:

a. Report the nonfinancial asset in its financial statements
b. Recognize amortization expense as a period cost for those assets with a finite life
c. Apply the impairment guidance in Section 350-30-35
d. For crypto assets accounted for in accordance with Subtopic 350-60, recognize gains and losses from remeasurement.

5.1.10 Sales of crypto intangible assets

Topic 606 applies to the sale of any crypto intangible asset (in scope of Subtopic 350-60 or not) if the counterparty is a customer (i.e. selling crypto assets is an ordinary activity of the entity); otherwise Subtopic 610-20 applies (unless one of that Subtopic's specific scope exceptions applies). Question 9 of the AICPA guide expresses this same view.

Many entities that hold crypto intangible assets for investment purposes will conclude that sales of some or all their holdings are not sales to customers, and therefore will recognize the gain (loss) on sale under Subtopic 610-20. However, applying Subtopic 610-20 instead of Topic 606 affects only income statement presentation – i.e. gross (revenue and cost of sales) versus net (gain or loss). The timing and measurement of the sale should not be affected because the recognition and measurement principles are the same under Subtopic 610-20 and Topic 606.

KPMG Handbook, Revenue recognition, provides in-depth guidance on applying both Topic 606 and Subtopic 610-20, and determining which Topic applies.

5.1.20 Other transfers#

Entities may also transfer crypto intangible assets in transactions that are, objectively, not 'sales'. For example, an entity may transfer crypto intangible assets to a custodian in a 'wrapping' transaction (see Question 2.2.40) or when participating in certain DeFi protocols.

Under Subtopic 350-10, an entity derecognizes a transferred crypto intangible asset in such scenarios if it transfers control of the asset under the guidance in Subtopic 610-20. In making this evaluation about whether to derecognize the transferred assets, we believe it may be reasonable to consider, and analogize to, the views of the SEC staff with respect to crypto intangible asset lending (see section 5.2). [350-10-40-1]

Question 5.1.10**
When is it appropriate to analogize to the SEC staff's views on derecognizing loaned crypto intangible assets?

Interpretive response: To date, we have observed entities analogize to the SEC staff's views, and we believe it is reasonable for them to do so, with respect to derecognizing loaned crypto intangible assets in the following scenarios:

- when 'wrapping' a crypto intangible asset like BTC and ETH;
- when transferring a crypto intangible asset to a DeFi lending or trading protocol; and
- when staking a crypto intangible asset with a 'liquid staking' protocol (see KPMG Hot Topic, Accounting for staking activities).

Whether it is appropriate or acceptable to analogize to the SEC staff's views on derecognizing loaned crypto intangible assets in other scenarios (e.g. see Question 4.3.10) is presently an unsettled question. Therefore, entities should consult their auditors or other accounting advisors about their specific facts and circumstances before analogizing to the SEC staff's views.

Question 5.1.20**

What is recognized in place of a crypto intangible asset derecognized by analogy to the SEC staff's crypto intangible asset lending guidance?

Interpretive response: In each of the scenarios presented in Question 5.1.10, we have observed the entity recognize the 'receipt token' (see Question 2.2.50) received in exchange for the derecognized crypto intangible asset. In those scenarios, the entity recognized:

Wrapping transaction	The WBTC and WETH obtained in exchange for a BTC and ETH, respectively
Transferring the crypto intangible asset to a DeFi lending or trading protocol	The protocol or LP token obtained in exchange for the crypto intangible asset
Staking the crypto intangible asset with a liquid staking protocol	The liquid staking token received in return for the crypto intangible asset

Like any other noncash consideration received in return for transferring a nonfinancial asset, the receipt token is initially recorded at its fair value as of contract inception. Determining when contract inception occurs may require judgment, but we believe that if the entity was not required to transfer the derecognized crypto intangible assets before actually doing so, contract inception is likely when (i.e. the point in time) the transfer occurs.

Despite analogizing in these scenarios to the SEC staff's views on loaned crypto intangible assets with respect to derecognition, we understand that the SEC staff would *object* to accounting for the receipt tokens as 'crypto intangible asset loan receivables'. If the receipt token is determined to be outside the scope of Subtopic 350-60 (see Question 2.2.50), the cost-less-impairment subsequent measurement of the receipt token (see section 4.1.20) will substantially differ from how it would be measured if accounted for as a crypto intangible asset loan receivable (i.e. at the fair value of the underlying crypto intangible assets – see section 5.2).

Sections 6.3.30 and 6.3.40 address (1) whether the exchange transaction should be accounted for under Topic 606 or Subtopic 610-20 and (2) the resulting income statement presentation.

5.1.30 Income statement presentation

The sale or transfer of a crypto intangible asset may give rise to a net gain or loss (e.g. for a difference between the cash or noncash consideration received and the carrying amount of the crypto intangible asset sold/transferred) or revenue and cost of sales. See section 6.3 for guidance on income statement presentation for sales of crypto intangible assets.

5.2 Loaned crypto intangible assets

The SEC staff has provided explicit views about whether and when a lender of crypto intangible assets should derecognize those assets. KPMG Hot Topic, Lenders' accounting for crypto intangible asset loans, details the SEC staff's views, and provides additional guidance on lenders' accounting for these loans.

5.3 Other digital assets

For sales of digital assets that are *not* crypto intangible assets, US GAAP other than Topic 606 or Subtopic 610-20 may apply. For example, the sale of a digital asset that meets the definition of a financial asset will fall under Subtopic 860-20 (sales of financial assets). KPMG Handbook, Transfers and servicing of financial assets, provides guidance on applying that Subtopic.

6. Financial statement presentation

Detailed contents

New item added in this edition: **

6.1 Overview

The financial statement presentation requirements differ for in-scope and out-of-scope crypto intangible assets.

— In-scope crypto intangible assets are subject to the presentation requirements in Subtopic 350-60.

— Out-of-scope crypto intangible assets remain (as all crypto intangible assets are before the adoption of Subtopic 350-60) subject to the general intangible asset presentation requirements in Subtopic 350-30.

This chapter summarizes those requirements.

6.2 Balance sheet

Excerpt from ASC 210-10

20 Glossary

Current Assets

Current assets is used to designate cash and other assets or resources commonly identified as those that are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business. See paragraphs 210-10-45-1 through 45-4.

Operating Cycle

The average time intervening between the acquisition of materials or services and the final cash realization constitutes an operating cycle.

45 Other Presentation Matters

General

> Classification of Current Assets

45-3 A one-year time period shall be used as a basis for the segregation of current assets in cases where there are several operating cycles occurring within a year. However, if the period of the operating cycle is more than 12 months, as in, for instance, the tobacco, distillery, and lumber businesses, the longer period shall be used. If a particular entity has no clearly defined operating cycle, the one-year rule shall govern.

Excerpt from ASC 350-30

45 Other Presentation Matters

General

> Statement of Financial Position

45-1 At a minimum, all **intangible assets** shall be aggregated and presented as a separate line item in the statement of financial position. However, that requirement does not preclude presentation of individual intangible assets or classes of intangible assets as separate line items.

Excerpt from ASC 350-60

45 Other Presentation Matters

General

> Statement of Financial Position

45-1 Crypto assets shall be presented separately from other **intangible assets** in the statement of financial position. An entity is permitted to present crypto assets on a more disaggregated basis (for example, by individual crypto asset holding or **intangible asset class**).

Neither Subtopic 350-30, nor Subtopic 350-60, address classification of in-scope crypto intangible assets as current or noncurrent on the balance sheet. Therefore, entities should apply the existing guidance in Topic 210 (balance sheet) to determine whether crypto intangible assets should be classified as current or noncurrent. Section 3.3.30 in KPMG Handbook, Financial statement presentation, provides guidance on balance sheet classification of assets. [ASU 2023-08.BC43]

Observation
Current classification of crypto intangible assets

While intangible assets are *generally* classified as non-current assets on a classified balance sheet (see Question 3.3.60 in KPMG Handbook, Financial statement presentation), some entities classify crypto intangible assets as current assets.

We have observed the SEC staff comment on entities' classification of crypto intangible assets as current assets when the entity's basis for that classification is either not disclosed or does not appear anchored to the US GAAP definition of 'current assets'. In the latter case, the SEC staff has, for example, questioned entities' current classification when the entity's disclosures refer only to an "intent" to liquidate its crypto intangible asset holdings and/or the highly liquid nature thereof, but do not refer to whether the entity 'reasonably expects' to liquidate those holdings during its normal operating cycle or one year, whichever is longer (see Question 3.3.40 in KPMG Handbook, Financial statement presentation).

Entities should (1) be careful to classify crypto intangible assets as current assets only when they meet the definition thereof, observing that may be all or only a portion of an entity's holdings at the balance sheet date, and (2) ensure their disclosures reflect that. [210-10 Glossary]

Question 6.2.10

Is it acceptable to present out-of-scope crypto intangible assets together with in-scope crypto intangible assets on the balance sheet?

Interpretive response: No. We believe that Subtopic 350-60 intentionally creates a distinction between in-scope and out-of-scope crypto intangible assets. Specifically, when paragraph 350-60-45-1 states that "Crypto assets shall be presented separately from other intangible assets in the statement of financial position," we believe the reference to 'crypto assets' is limited to in-scope crypto intangible assets, while out-of-scope crypto intangible assets would be considered 'other intangible assets'.

Therefore, we believe in-scope and out-of-scope crypto intangible assets are prohibited from being presented together on the balance sheet.

6.3 Income statement

6.3.10 Impairment losses – out-of-scope crypto intangible assets

Excerpt from ASC 350-30

45 Other Presentation Matters

General

> Income statement

45-2 The amortization expense and impairment losses for intangible assets shall be presented in income statement line items within continuing operations as deemed appropriate for each entity.

Excerpt from ASC 360-10

45 Other Presentation Matters

General

> Long-Lived Assets Classified as Held and Used

• > Presentation of Impairment Loss for Long-Lived Assets to Be Held and Used

45-4 An impairment loss recognized for a long-lived asset (**asset group**) to be held and used shall be included in income from continuing operations before income taxes in the income statement of a business entity. If a subtotal such as income from operations is presented, it shall include the amount of that loss.

Question 6.3.10

How should impairment losses on out-of-scope crypto intangible assets be presented in the income statement?

Interpretive response: Out-of-scope crypto intangible assets are subject to the financial statement presentation requirements that apply to intangible assets in general. Question 4.6.50 in KPMG Handbook, Financial statement presentation, outlines that impairment losses on intangible assets may be presented: [350-30-45-2 – 45-3, 35-11, 50-3]

— as a separate income statement caption; or

— together with amortization in the relevant income statement caption based on the use of the asset – e.g. cost of sales if the asset is a patent used in production (see Question 4.6.20 in KPMG Handbook, Financial statement presentation). The amount of the impairment loss and the caption that includes the loss are disclosed.

Question 4.6.50 also states our view that such impairment losses should be included in operating income (loss), if such a subtotal is presented by the entity. [360-10-45-4]

6.3.20 Remeasurement gains (losses) – in-scope crypto intangible assets

Excerpt from ASC 350-60

45 Other Presentation Matters

General

> Income statement

45-2 Gains and losses from the remeasurement of crypto assets shall be included in net income and presented separately from changes in the carrying amount of other intangible assets.

Subtopic 350-60 does not address whether remeasurement gains and losses on in-scope crypto intangible assets are operating or non-operating income statement items. The FASB expressly decided *not* to specify operating or non-operating treatment, observing "that an entity should classify gains or losses from the remeasurement of crypto assets as operating or nonoperating based on its facts and circumstances." [ASU 2023-08.BC48]

Question 4.3.80 in KPMG Handbook, Financial statement presentation, provides guidance to assist entities in determining whether an item for which there is not specific guidance is operating or non-operating in nature.

6.3.30 Gains (losses) on the sale/transfer of crypto intangible assets

Excerpt from ASC 610-20

45 Other Presentation Matters

General

> Income statement

45-1 See paragraph 360-10-45-5 for guidance on presentation of a gain or loss recognized on the sale of a long-lived asset (**disposal group**).

Excerpt from ASC 360-10

45 Other Presentation Matters

General

> Long-Lived Assets Classified as Held and Used

• > Presentation of Disposal Gains or Losses in Continuing Operations

45-5 A gain or loss recognized (see Subtopic 610-20 on the sale or transfer of a nonfinancial asset) on the sale of a long-lived asset (**disposal group**) that is not a discontinued operation shall be included in income from continuing operations before income taxes in the income statement of a business entity. If a subtotal such as income from operations is presented, it shall include the amounts of those gains or losses.

Question 6.3.20

How are gains (losses) from the sale of crypto intangible assets under Subtopic 610-20 presented in the income statement?

Background: A gain or loss may result from the sale (or other transfer) of a crypto intangible asset, whether it is an in-scope or out-of-scope crypto intangible asset. For example (not exhaustive):

— **In-scope crypto intangible assets –** Despite the requirement to remeasure these assets to fair value on a recurring basis, including up to the point in time they are sold, a sale of an asset may occur at a price that is not equal to its Topic 820 fair value; for example, the sale may occur outside the entity's principal market or the entity and the buyer may simply agree on a sale price that is not equal to fair value. In that case, the difference between the sale price and the final pre-sale fair value of the asset will follow the guidance in Subtopic 610-20.

— **Out-of-scope crypto intangible assets** – A gain can occur if the sale price (or consideration received in a transfer that is not a sale – see section 5.1.20) (1) equals the asset's fair value but the then-current fair value exceeds the asset's cost-less-impairment based carrying amount (see Question 6.3.30 on appropriate methods for determining the carrying amount of an out-of-scope crypto intangible asset), or (2) exceeds the asset's fair value. A loss can occur if the sale price is less than the carrying amount of the asset.

Interpretive response: As outlined in Question 17.4.10 in KPMG Handbook, Revenue recognition, we believe all gains and losses recognized from the sale of nonfinancial assets (which includes crypto intangible assets) under Subtopic 610-20 should be presented in operating income (loss), if the entity presents a subtotal such as income (loss) from operations.

In practice, before the adoption of Subtopic 350-60, we have observed many entities include gains on crypto intangible asset sales in the same income statement line as they previously recorded impairment losses on those assets.

The SEC staff has stated that a registrant should report gains and losses that result from the disposition of long-lived assets as a component of other general expenses (i.e. in income from continuing operations) under Regulation S-X, with any material items stated separately. Further, the SEC staff has distinguished between other general expenses and selling, general, and administrative expenses, although both line items are included in operating income (loss). [S-X Rule 5-03(b)(6), 605-10-S99-1]

An entity is required to disclose where the gain or loss is reported in the notes to the financial statements if it is not separately stated on the face of the income statement. [360-10-50-3, 50-3A; 610-20-50-1]

Question 6.3.30**

What are acceptable methods to determine the cost basis and/or carrying amount of sold or transferred crypto intangible assets?

Interpretive response: It depends on whether the crypto intangible assets are in the scope of Subtopic 350-60.

In-scope crypto intangible assets

The carrying amount of in-scope crypto intangible assets is always the asset's Topic 820 fair value (see section 4.2). With respect to cost basis, Subtopic 350-60 expressly refers to first-in, first out; specific identification; and average cost as acceptable methods. It further indicates that other (unspecified) methods may also be acceptable. Whatever method an entity applies should be applied consistently. [350-60-50-2(a), ASU 2023-08.BC60]

Out-of-scope crypto intangible assets

Like for in-scope crypto intangible assets, we believe entities should adopt a consistent methodology for determining the cost basis or carrying amount of out-of-scope crypto intangible assets. *However*, while an average cost method is an acceptable cost basis determination method for *in-scope* crypto intangible assets, it is not an appropriate method to determine the cost basis or carrying amount for *out-of-scope* crypto intangible assets unless permitted by industry-specific US GAAP (e.g. Topic 946 for investment companies – see section 5.1.10 in KPMG Issues In-Depth, Accounting for crypto intangible assets by investment companies). This is because, consistent with the discussion in Question 4.1.20, entities can usually separately acquire, sell or otherwise dispose of each crypto intangible asset (or fractional unit thereof) such that each such asset (or fractional unit) is its own unit of account under Subtopic 350-30. [350-30-35-21 – 35-24].

6.3.40 Sales of crypto intangible assets to customers

Sales of crypto intangible assets to counterparties that meet the definition of a 'customer' in Topic 606 and for which the entity is a principal (instead of an agent) to the sale transaction give rise to revenue, determined in accordance with Topic 606, and related cost of sales (see Question 6.3.30).

KPMG Handbook, Revenue recognition, provides comprehensive guidance on recognizing revenue under Topic 606. Sections 14.7, 2.2.20 and 9.3.20 provide guidance on income statement presentation, determining whether a counterparty to a sale transaction is a customer and applying the principal-agent guidance to sales of goods and other assets, respectively.

Observation

Equal revenue and cost of sales on sales of in-scope crypto intangible assets

Because in-scope crypto intangible assets are required to be measured at fair value (see section 4.2) until they are sold, sales of those assets may frequently result in no margin. For example, if an entity sells a crypto intangible asset at fair value in its principal market, because it remeasures the asset to fair value until the point in time it is sold in accordance with the transfer of control guidance in Topic 606 (see section 7.5 in KPMG Handbook, Revenue recognition), there would be no margin on the sale.

6.4 Statement of cash flows

Excerpt from ASC 350-30

45 Other Presentation Matters

General

> Statement of Cash Flows

45-3 For guidance related to the presentation of cash receipts arising from the sale of crypto assets that are received as noncash consideration in the ordinary course of business (or as a **contribution**, in the case of a **not-for-profit entity**) and are converted nearly immediately into cash, see paragraphs 230-10-45-21A and 230-10-45-27A.

Excerpt from ASC 230-10

45 Other Presentation Matters

General

> Acquisition and Sales of Certain Securities, Loans, and Crypto Assets

45-21A Cash receipts resulting from the sale of donated **financial assets** (for example, donated debt or equity instruments) or crypto assets accounted for in accordance with Subtopic 350-60 by NFPs that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash shall be classified as operating cash flows. If, however, the donor restricted the use of the contributed resource to a long-term purpose of the nature of those described in paragraph 230-10-45-14(c), then those cash receipts meeting all the conditions in this paragraph shall be classified as a financing activity.

> Crypto Assets Received as Noncash Consideration

45-27A If crypto assets accounted for in accordance with Subtopic 350-60 are received as noncash consideration in the ordinary course of business (for example, in exchange for goods and services transferred to a customer) and converted nearly immediately into cash, the cash received shall be classified as operating activities. In this context, the term *nearly immediately* refers to a short period of time that is expected to be within hours or a few days, rather than weeks.

Excerpt from ASC 958-230

55 Implementation Guidance and Illustrations

General

> Implementation Guidance

• > Cash Received with a Donor-Imposed Restriction That Limits Its Use to Long-Term Purposes

55-3 When an NFP reports cash received (or cash receipts from the sale of donated **financial assets** or crypto assets accounted for in accordance with Subtopic 350-60 that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash as discussed in paragraph 230-10-45-21A) with a **donor-imposed restriction** that limits its use to long-term purposes in conformity with paragraph 958-210-45-6, an adjustment to the change in net assets to reconcile to net cash flows from operating activities is necessary when using the indirect method of reporting cash flows in order to present those cash receipts as cash inflows from financing activities as required by paragraph 230-10-45-14(c).

Subtopic 350-60 and the Codification amendments enacted by ASU 2023-08 give the following statement of cash flows guidance. [230-10-45-21A, 45-27A; 350-60-45-3; 958-230-55-3]

— Cash inflows from the sale of in-scope crypto assets received as noncash consideration in the ordinary course of business and converted 'nearly immediately' into cash are classified as cash inflows from operating activities.

  'Nearly immediately' refers to a prompt conversion that should generally be interpreted as a short period of time (e.g. a matter of days, or even hours, rather than weeks).

— Cash receipts from the near immediate liquidation of crypto assets received by NFPs as donations are classified as:

  – *financing activities* if the donation is subject to donor-imposed restrictions for long-term or capital use; and
  – *operating activities* if no donor-imposed restrictions exist.

Observation
Application of 'nearly immediately' for NFPs

The FASB observed that its description of 'nearly immediately' in paragraph 230-10-45-27A differs from that in ASU 2012-05, which states that "nearly immediately is synonymous with promptly and should generally be considered to be within days rather than months."[1] [ASU 2012-05.BC8]

Despite this, the FASB's intent is that it should be appropriate for NFPs to apply the same threshold to sale proceeds of donated crypto assets as to sale proceeds of donated financial assets. [ASU 2023-08.BC53]

[1] ASU 2012-05**,** Statement of Cash Flows (Topic 230)—Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.

Beyond that excerpted and summarized above, no further statement of cash flows guidance was enacted or amended by ASU 2023-08; entities are simply instructed to follow the general statement of cash flows guidance in Topic 230. Our guidance on digital asset activities in the statement of cash flows can be found in chapter 24 in KPMG Handbook, Statement of cash flows. [ASU 2023-08.BC54]

7. Disclosures

Detailed contents

7.1 Out-of-scope crypto intangible assets

Excerpt from ASC 350-30

50 Disclosure

General

> Disclosures in the Period of Acquisition

50-1 For **intangible assets** acquired either individually or as part of a group of assets (in asset acquisition, a business combination, acquisition by a not-for-profit entity, or a joint venture formation), all of the following information shall be disclosed in the notes to financial statements in the period of acquisition:[1]

a. ...
b. For intangible assets not subject to amortization, the total amount assigned and the amount assigned to any major intangible asset class.
c. ...
d. ...

This information also shall be disclosed separately for each material business combination or acquisition by a not-for-profit entity or in the aggregate for individually immaterial business combinations or acquisitions by a not-for-profit entity that are material collectively if the aggregate fair values of intangible assets acquired, other than goodwill, are significant.

> Disclosures in the Period of Acquisition

50-2 The following information shall be disclosed in the financial statements or the notes to financial statements for each period for which a statement of financial position is presented: …

b. For intangible assets not subject to amortization, the total carrying amount and the carrying amount for each major intangible asset class

…

Example 13 (see paragraph 350-30-55-39) illustrates these disclosure requirements.

> Disclosures Relating to Impairment Losses

50-3 For each impairment loss recognized related to an intangible asset, all of the following information shall be disclosed in the notes to financial statements that include the period in which the impairment loss is recognized:

a. A description of the impaired intangible asset and the facts and circumstances leading to the impairment
b. The amount of the impairment loss and the method for determining fair value
c. The caption in the income statement or the statement of activities in which the impairment loss is aggregated
d. If applicable, the segment in which the impaired intangible asset is reported under Topic 280.

50-3A A **nonpublic entity** is not required to disclose the quantitative information about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy required by paragraph 820-10-50-2(bbb) that relate to the financial accounting and reporting for an indefinite-lived intangible asset after its initial recognition.

In general, entities should provide all the disclosures related to indefinite-lived intangible assets required by Subtopic 350-30.

Question 7.1.10

Is an entity required to provide the disclosures relating to impairment losses for crypto intangible assets only held within one reporting period?

Background: An entity may acquire a crypto intangible asset and hold it for only a short period of time, perhaps only hours, and only within a single reporting period (e.g. within a single fiscal quarter for an SEC registrant).

Consider a scenario under which an entity purchases crypto intangible assets for resale to customers. It holds those assets, in general, only for hours. It records both the cost of those assets and any impairments thereof through the same income statement line-item (e.g. cost of digital assets sold). Assume, as an example, the entity purchases a crypto intangible asset for $200 at noon on Day 1, sells it for $220 at 3 pm on Day 1, and the lowest fair value of the asset during that three-hour period of time was $190 (at 1 pm). It will therefore record revenue of $220 and cost of digital assets sold of $200 ($190 carrying amount at 3 pm plus the $10 impairment taken as of 1 pm) in its income statement. The question has arisen about whether the entity must make the Subtopic 350-30 disclosures relating to impairment losses for the $10 decrease in fair value that occurred during the entity's short holding period.

Interpretive response: Based on our observation of comments from the SEC staff, we believe an entity is required to make these disclosures for crypto intangible assets no matter how short the entity's holding period thereof (e.g. even if only hours).

The SEC staff's comments appear to align with the fact that there are no conditions attached to the impairment loss disclosures in Subtopic 350-30. There is nothing in those disclosure requirements that limits their applicability to only some types of intangible asset impairments (e.g. those incurred on intangible assets held for a minimum period of time or those that continue to be held by the entity as of its reporting period end).

7.2 In-scope crypto intangible assets

7.2.10 Disclosures required in interim and annual reporting periods

Excerpt from ASC 350-60

50 Disclosure

General

50-1 At interim and annual reporting periods, an entity shall disclose the following for each significant (as determined by the **fair value**) crypto asset holding:

a. Name of the crypto asset
b. Cost basis
c. Fair value
d. Number of units held.
e. An entity shall disclose the aggregated cost bases and fair values of the crypto asset holdings that are not individually significant.

50-6 For interim and annual reporting periods, an entity shall disclose the following information for crypto assets subject to contractual sale restrictions at the balance sheet date:

a. The fair value of the crypto assets that are subject to contractual sale restrictions
b. The nature and remaining duration of the restriction(s)
c. Circumstances that could cause the restriction(s) to lapse.

50-7 In providing the required disclosures in paragraph 350-60-50-6, an entity with multiple crypto assets subject to contractual sale restrictions shall consider all of the following:

a. The level of detail necessary to satisfy the required disclosures
b. How much emphasis to place on each of the required disclosures
c. How much aggregation or disaggregation to undertake

Whether users of financial statements need additional information to evaluate the quantitative information disclosed.

The above excerpt details the disclosures required by Subtopic 350-60 for in-scope crypto intangible assets in both interim and annual reporting periods. Section 7.2.20 excerpts additional disclosures required only in annual reporting periods.

Observation
Duplicate disclosure

In the basis for conclusions to ASU 2023-08, the FASB observed that an entity is not required to duplicate the significant holdings disclosure if that information is disclosed by the entity elsewhere *in the financial statements*. If an entity only provides that information outside the financial statements, it must provide the Subtopic 350-60 prescribed disclosures in the financial statements. [ASU 2023-08.BC62]

7.2.20 Disclosures required only on an annual basis

Excerpt from ASC 350-60

50 Disclosure

General

50-2 A At annual reporting periods, an entity shall disclose both of the following:

a. The method used to determine its cost basis for computing gains and losses (for example, first-in, first-out; specific identification; average cost; or other method used)
b. If not presented separately, the line item in which gains and losses are reported in the income statement.

50-3 At annual reporting periods, an entity shall provide a reconciliation, in the aggregate, of activity from the opening to the closing balances of crypto assets, separately disclosing changes during the period attributable to the following:

a. Additions.
b. Dispositions.
c. Gains included in net income for the period, determined on a crypto-asset-by-crypto-asset basis. Each crypto asset holding that has a net gain from remeasurement as included in net income for the period shall be included in the gains line.
d. Losses included in net income for the period, determined on a crypto-asset-by-crypto-asset basis. Each crypto asset holding that has a net loss from remeasurement as included in net income for the period shall be included in the losses line.

50-4 An entity shall disclose the following information about the reconciliation in paragraph 350-60-50-3:

a. A description of the nature of activities that result in additions (for example, purchases, receipts from **customers**, or mining activities) and dispositions (for example, sales or use as payment for services)
b. Total amount of cumulative realized gains and cumulative realized losses from dispositions that occurred during the period.

50-5 An entity that receives crypto assets as noncash consideration in the ordinary course of business (or as a **contribution**, in the case of a **not-for-profit entity**) that are converted nearly immediately into cash need not include that activity in the disclosures required by paragraphs 350-60-50-3 through 50-4.

The above excerpt details the disclosures required by Subtopic 350-60 for in-scope crypto intangible assets in only annual reporting periods. Section 7.2.10 excerpts additional disclosures required in both interim and annual reporting periods.

Question 7.2.10

What constitutes a realized gain (loss) on the sale of a crypto intangible asset?

Interpretive response: Realized gain or realized loss refers to the difference between the disposal price and the original cost basis (see Question 6.3.30) of the asset sold. Therefore, realized gains and losses disclosed under paragraph 350-60-50-4(b) may not equal remeasurement gains and remeasurement losses presented in the reconciliation (i.e. rollforward) disclosure. [ASU 2023-08.BC67]

Example 7.2.10

Calculating remeasurement gain (loss) for the rollforward disclosure and realized gain (loss)

ABC Corp. purchases an in-scope crypto intangible asset for $100 on December 15, 20X3. At December 31, 20X3, the fair value of the crypto asset has increased to $115. On January 15, 20X4, the crypto asset is sold at its then-current fair value of $105.

In its rollforward disclosure for 20X4, ABC includes a remeasurement loss of $10 (the difference between the fair value of the crypto asset as of the beginning of 20X4 and its final pre-sale fair value). However, when disclosing the cumulative amount of its crypto asset realized gains for 20X4, ABC includes only a realized gain of $5 (the difference between the sale price and the original cost of the crypto intangible asset) in that amount.

7.3 All crypto intangible assets

In addition to those outlined in sections 7.1 and 7.2, entities holding crypto intangible assets are required to provide the disclosures required by Topic 820. Those disclosures may differ for in-scope versus out-of-scope crypto intangible assets because the former are remeasured at fair value on a recurring basis, while the latter are only remeasured on a nonrecurring basis. The disclosures required by Topic 820 are more extensive related to recurring fair value measurements. Chapter N in KPMG Handbook, Fair value measurement, discusses Topic 820's disclosure requirements in detail. [ASU 2023-08.BC57]

Entities should also consider whether other disclosures are necessary or warranted based on the nature of their crypto intangible asset activities and holdings. The following are examples (not exhaustive).

— **Accounting policies.** Topic 235 (notes to financial statements) requires all significant accounting policies to be disclosed. The term 'accounting policy' broadly includes accounting principles, methods and techniques, and an accounting policy is 'significant' if it has a material impact, either quantitatively or qualitatively, on the financial statements presented. Refer to section 6.2 in KPMG Handbook, Financial statement presentation, for further guidance.

— **Significant risks and uncertainties.** Entities should consider making disclosures under Topic 275 (risks and uncertainties) related to their involvement with and holdings of crypto intangible assets. For example, these might include disclosure about the nature of the entity's relevant activities, risks arising from significant concentrations (i.e. in terms of holdings or counterparties) or estimates used in determining fair value. Refer to chapter 7 in KPMG Handbook, Financial statement presentation, for further guidance.

— **Related to specific classes of transactions.** Entities involved in the safeguarding of crypto intangible (or other digital) assets for others should provide those disclosures required by SAB 121 (see KPMG Hot Topic, SEC staff guidance on digital asset safeguarding obligations); lenders of crypto intangible assets should provide the disclosures outlined in KPMG Hot Topic, Lenders' accounting for crypto intangible asset loans; and entities that record revenue from selling crypto intangible assets should provide those disclosures required by Topic 606 (see chapter 15 in KPMG Handbook, Revenue recognition).

8. Effective dates and transition for Subtopic 350-60

Detailed contents

8.1 Effective dates

Excerpt from ASC 350-60

65 Transition and Open Effective Date Information

General

> Transition Related to Accounting Standards Update No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*

65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets:

a. The pending content that links to this paragraph shall be effective for all entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued (or made available for issuance). If an entity adopts the pending content that links to this paragraph in an interim period, it must adopt the content as of the beginning of the fiscal year that includes that interim period.

Effective dates	All entities
Annual and interim periods – Fiscal years beginning after	December 15, 2024
Early adoption permitted?	Yes, 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 entity's fiscal year.

8.2 Transition

8.2.10 Transition method

Excerpt from ASC 350-60

65 Transition and Open Effective Date Information

General

> Transition Related to Accounting Standards Update No. 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*

65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 2023-08, Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets: …

b. An entity shall recognize the cumulative effect of initially applying the pending content that links to this paragraph as an adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) as of the beginning of the annual reporting period in which the entity first applies the pending content that links to this paragraph.
c. The adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) shall be calculated as the difference between the carrying amount of crypto assets as of the end of the prior annual reporting period and the **fair value** of those crypto assets as of the beginning of the annual reporting period in which the entity first applies the pending content that links to this paragraph.

Subtopic 350-60 must be adopted on a modified retrospective basis. This approach will result in a cumulative-effect adjustment to retained earnings (or other appropriate components of equity or net assets) as of the beginning of the adoption fiscal year, calculated as the difference between the carrying amount of in-scope crypto assets as of the beginning of the annual reporting period in which the entity adopts the Subtopic and the carrying amount of those crypto assets as of the end of the prior annual reporting period. [350-60-65-1]

8.2.20 Transition disclosures

In addition to the ongoing disclosures required by Subtopic 350-60, an entity generally provides the transition disclosures required for accounting changes. [250-10-50-1 – 50-3]

Before the effective date, SEC registrants are required to disclose the potential material effects of issued accounting standards that have not yet been adopted. When assessing whether the effect of a new or updated standard is material, companies must consider the full scope of the standard, including recognition, measurement, presentation and disclosure requirements. KPMG Hot Topic, SAB 74 reminders, outlines the requirements of, and highlights important reminders about, SAB 74 for ASUs issued but not yet adopted. [SAB Topic 11.M]

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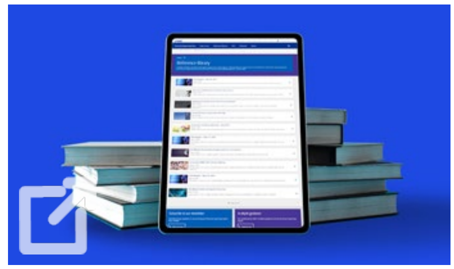

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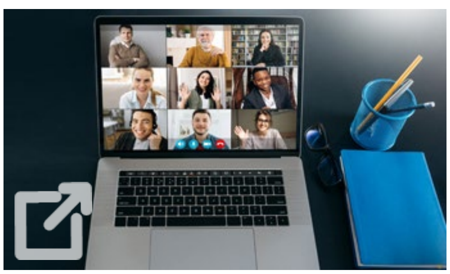

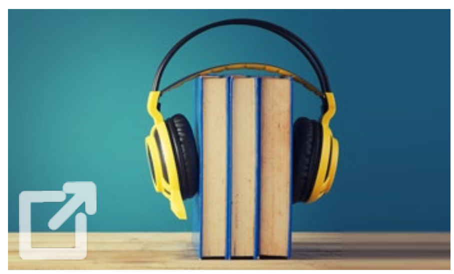

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See KPMG Handbook, Revenue recognition, for in-depth guidance on applying Topic 606 and Subtopic 610-20, including scoping considerations.

See KPMG Handbook, Asset acquisitions, for guidance on acquiring assets not part of a business combination.

See KPMG Handbook, Fair value measurement, for guidance on determining fair value under US GAAP and IFRS.

See KPMG Handbook, Financial statement presentation, for financial statement presentation matters.

See KPMG Handbook, Statement of cash flows, for guidance on the statement of cash flows.

Acknowledgements

This Issues In-Depth has been produced by the Department of Professional Practice of KPMG LLP in the United States.

Scott Muir led the efforts, with significant contributions from Keith Kaetzel, Robert Sledge and Nick Tricarichi.

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