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Current Issues in Cryptocurrency Accounting

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Abstract:

Cryptocurrency remains a divisive topic: many seasoned professionals consider it disruptive and volatile, while younger generations are more willing to invest and experiment with this evolving method of recording and valuing assets. A common misconception is to equate cryptocurrency solely with Bitcoin; in reality, Bitcoin is only one type of cryptocurrency among many.

Unlike traditional currency, cryptocurrency has no physical form. It is entirely digital and operates on cryptography-based technology, offering a secure platform for transactions without reliance on central banking systems. From an accounting perspective, cryptocurrencies are currently reported as intangible assets, bought and sold like cash equivalents, yet taxed as property. Certain cryptocurrencies—such as Bitcoin, Binance Coin, and Litecoin—are unique in that only a finite amount can be mined, giving them characteristics more aligned with commodities. This distinction raises questions about appropriate classification and treatment in financial reporting. In this paper, we will examine several reasons that highlight the growing demand for the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) to issue clear and consistent guidance on the recognition, measurement, and disclosure of cryptocurrencies.

Keywords: Cryptocurrency, digital assets, accounting standards, financial reporting, FASB, IASB, intangible assets

Introduction

With cryptocurrency becoming more popular and modifications to the accounting world harmonizing to create a uniform standard, consideration of cryptocurrency is necessary with the changes. Unfortunately, accounting rules to classify cryptocurrency have not been brought up to speed with the needs of today. Although guidance has been released for cryptocurrency holders, nothing authoritative had been executed until very recently to give clear standards. To accomplish universal guidance and precise accounting methods, accounting boards will have to allocate time and resources to this endeavor. This paper will outline the history and current status of blockchain-based currencies. Then we will dive into various opinions from the authoritative accounting boards before exploring what the future holds for cryptocurrencies.

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-08, Intangibles — Goodwill and Other — Crypto Assets (Subtopic 350-60), which requires that certain crypto assets be measured at fair value each reporting period, with changes recognized in net income (Rashty, 2024). Under this new guidance, entities are also required to present

these assets separately from other intangibles on the balance sheet and to provide enhanced disclosures about holdings, cost basis, and valuation method (BDO, 2025). The effective date for most entities is for fiscal years beginning after December 15, 2024, with early adoption permitted.

Despite this progress in the U.S., international accounting standards have lagged in issuing comparable authoritative guidance. The International Accounting Standards Board (IASB) has acknowledged the issue of digital assets but has not yet finalized a standard equivalent to ASU 2023-08 (Deloitte, 2025). This inconsistency creates challenges for multinational companies and investors, because the economic realities of crypto assets—such as price volatility, decentralization, and rapid innovation—demand more than incremental updates (Cekalova, 2024). Furthermore, the U.S. guidance raises questions about how to define "crypto assets," how fair value should be determined in fragmented markets, and how companies should disclose risks related to custody, valuation, and measurement (EY, 2025).

Literature Review

History

Cryptocurrencies are digital means of exchange created and used by private individuals or groups. They are collections of binary data designed to serve as a medium of exchange, with transactions and ownership recorded in a ledger. This ledger is a computerized, decentralized database that employs cryptographic security to record transactions, control the creation of additional coins, and verify transfers. Cryptocurrencies are not backed by or convertible into a commodity and are independent of traditional fiat systems. Bitcoin, the first decentralized cryptocurrency, was introduced in 2008 in a white paper by Satoshi Nakamoto and launched in 2009 when Nakamoto mined the genesis block (Narayanan et al., 2016; EMCD, 2023). It was conceived in the aftermath of the 2008 global financial crisis as a response to concerns over centralized control by banks and governments, with the goal of enabling peer-to-peer transactions free from intermediaries (EMCD, 2023).

Early adoption of cryptocurrencies was limited and speculative. For many years, Bitcoin had no widely recognized market value and was traded informally for goods or curiosity. One of the first commercial transactions attributed to Bitcoin was when someone paid for pizzas using Bitcoin, marking the beginning of its use as a medium of exchange (Narayanan et al., 2016). Over time, new cryptocurrencies ("altcoins") emerged, such as Litecoin and Namecoin, each designed to address perceived shortcomings of Bitcoin, whether in transaction speed, anonymity, or consensus mechanism (Wikipedia, 2025). During this period, interest was largely confined to tech circles, cryptography mailing lists, and early adopters.

Nevertheless, controversies and doubts about cryptocurrencies persisted. Critics raised issues such as regulatory uncertainty, security vulnerabilities (including thefts on exchanges), price volatility, and scalability limitations. These concerns delayed mainstream acceptance (Bernard Marr, 2019). Yet gradually, infrastructure evolved: cryptocurrency exchanges were established, wallets became more user-friendly, and more merchants began accepting crypto payments.

Recently, cryptocurrencies have gained greater institutional interest, regulatory scrutiny, and media coverage. Governments and regulatory bodies worldwide have begun to consider frameworks and laws, especially concerning taxation, consumer protection, anti-money laundering, and securities law (Cryptocurrency, 2025). Academics have also studied not only the functionality of the technology, but its economic, social, and accounting implications, including how to treat crypto as assets on balance sheets, how to measure them, and how to disclose them (Narayanan et al., 2016). The maturing ecosystem is prompting accounting standard-setters to catch up in providing guidance that reflects the risks, valuation challenges, and real economic use of cryptocurrencies.

Recent Developments and Key Changes

Cryptocurrency has expanded into payment methods and investment markets. As industry grows, more laypeople are investing and participating, along with the introduction of new cryptocurrency varieties. Cryptocurrency is even available for day traders on many of the fashionable investment platforms. The current status of cryptocurrency in the accounting sphere provides a short-term fix to a long-term scenario. As of 2021, the generally accepted accounting principles (GAAP) considered cryptocurrency an intangible asset, suggesting recording it at cost, and applying impairment of the asset on a yearly basis (Sackett, 2021). Although there were no authoritative sources at that time, the guidance that had been released left accounting methods up for interpretation.

However, recent developments have changed the accounting landscape. In December 2023, the FASB issued Accounting Standards Update (ASU) 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*, which requires entities to measure certain crypto assets at fair value each reporting period, with changes in fair value recognized in net income (Deloitte, 2023; FASB, 2023). Those crypto assets must now be presented separately from other intangible assets on the balance sheet, and entities must disclose additional information such as cost basis, number of units held, and fair value (Deloitte, 2023; Grant Thornton, 2023; FASB, 2023). The effective date of ASU 2023-08 is for fiscal years beginning after December 15, 2024, though early adoption is permitted.

Despite this authoritative guidance, there remain unresolved issues and areas where interpretation is required. One key challenge is determining which digital assets fall within the scope of ASU 2023-08. The scope criteria require the asset to be an intangible asset, to be fungible, secured by cryptography, to reside on a distributed ledger, not provide enforceable rights to underlying goods or services, and to not be created or issued by the reporting entity (Grant Thornton, 2023; KPMG, 2025). Assets like certain stable coins, wrapped tokens, and non-fungible tokens (NFTs) may or may not meet all these criteria, and thus may need alternative accounting models or additional disclosures.

Another concern is the implementation complexity that comes with fair value measurement. Under the old cost-less-impairment model, only decreases in value were recognized (and increases only upon sales). Under ASU 2023-08, entities will have to track fair value changes in every reporting period, which can introduce volatility in earnings (Deloitte, 2023; KPMG, 2025). There is also need for judgment in selecting principal or most advantageous markets, handling thin or inactive markets, and determining

measurement techniques under ASC 820 (Grant Thornton, 2023).

Furthermore, the transition to the new standard requires adjustments to retained earnings at the beginning of the adoption period (the cumulative-effect adjustment) for crypto assets previously held under the cost-less-impairment model (KPMG, 2025; Deloitte, 2024). Disclosures will need to include reconciliations of opening and closing balances, and details of additions, dispositions, and changes in fair value (Grant Thornton, 2023). Because the field is evolving quickly, preparers, auditors, and other stakeholders are watching closely how entities implement ASU 2023-08, especially how they disclose risk, valuation basis, and their methods for determining significance of holdings.

Financial Accounting Standards Board

As of October 2020, the Financial Accounting Standards Board (FASB) had not released a dedicated standard for cryptocurrency recognition, stating that at that time crypto was not materially impacting enough entities to place it on their agenda (Ryan, 2021). However, FASB did initiate pre-agenda research and outreach on digital assets in 2022, which led the Board to add a project for *accounting for and Disclosure of Crypto Assets* to its technical agenda in May 2022 (FASB Staff, 2022). This project explored criteria for the scope of crypto assets and gathered stakeholder input. (FASB Staff, 2022).

In December 2023, FASB issued ASU 2023-08, *Intangibles — Goodwill and Other — Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*, which requires that certain crypto assets meeting defined scope criteria be measured at fair value each reporting period, with changes in fair value recognized in net income. Entities must also present crypto assets separately from other intangible assets on the balance sheet and provide enhanced disclosures (Rashty, 2024; KPMG, 2023). The effective date for most entities with calendar-year ends is for fiscal years beginning after December 15, 2024, with early adoption permitted (KPMG, 2023; Deloitte, 2024).

Despite this new standard, implementation presents challenges. One concern is deciding which digital assets fall within the scope of ASU 2023-08. The criteria include fungibility, being secured through cryptography, not providing enforceable rights to underlying goods or services, and being created or residing on a distributed ledger (Deloitte, 2024). Moreover, some entities must resolve how to determine the fair value of crypto assets in less liquid or thinly traded markets, how to quantify transaction costs, and how often to remeasure (Deloitte, 2024; PwC, 2023).

Another issue involves how this new guidance will affect comparability, volatility in earnings, and disclosures. Research of U.S. public firms over the years prior to ASU 2023-08 shows wide variation in how crypto holdings were measured (some using historical cost less impairment, others recognizing fair value where possible) and in how detailed disclosures were made. These variations may lead to significant shifts in reported financial position and results once the new standard is fully adopted (Anderson, Fang, Moon, & Shipman, 2022). The transition adjustment to retained earnings, the presentation of gains and losses in net income, and separate line items for crypto assets may lead to more volatility in financial statements, but FASB's intent is to improve decision-usefulness for investors and other users of financial reports (Rashty, 2024).

International Accounting Standards Board (IASB)

The International Accounting Standards Board (IASB) has not yet issued a dedicated standard for the accounting treatment of cryptocurrencies. In the absence of specific guidance, digital assets are generally evaluated under IAS 38 (*Intangible Assets*) if they do not meet the definition of cash or financial instruments. Under IAS 38, intangible assets are recognized at cost initially and subsequently measured at cost less accumulated amortization and impairment, or, in certain circumstances, at fair value if an active market exists (Deloitte, 2024; PwC, 2023). This approach is consistent with the treatment of other non-monetary digital assets but does not fully address the unique characteristics of cryptocurrencies, such as high volatility, decentralization, and lack of physical backing.

The IASB has conducted research and outreach on digital assets, recognizing the growing economic significance and the need for clear reporting. Feedback from stakeholders highlights challenges such as classification ambiguity, difficulty in fair value measurement, and inconsistent disclosures across entities and jurisdictions (EY, 2025). Unlike ASU 2023-08 issued by FASB, IASB has not yet mandated fair value recognition in profit or loss for cryptocurrency holdings, which can lead to inconsistencies when multinational companies report under both IFRS and U.S. GAAP.

Recent developments in digital finance, including decentralized finance (DeFi) platforms, non-fungible tokens (NFTs), and stablecoins, further complicate the accounting landscape. These assets often do not neatly fit into existing IAS 38 categories, requiring professional judgment to determine the appropriate recognition, measurement, and disclosure practices (Deloitte, 2024). Analysts and preparers face difficulties assessing economic benefits, control, and ownership, particularly in markets with limited liquidity or weak regulatory frameworks.

The IASB continues to monitor the evolution of digital assets and has indicated that the conceptual framework and ongoing research may lead to future amendments or new standards specifically addressing cryptocurrencies (PwC, 2023). This proactive approach seeks to improve comparability and transparency while maintaining flexibility to accommodate innovations in the digital asset ecosystem. Companies reporting under IFRS must remain attentive to updates and adapt their accounting policies as guidance evolves.

Another emerging challenge for the IASB is determining the appropriate presentation of cryptocurrencies on the balance sheet. While U.S. GAAP under ASU 2023-08 requires separate presentation for crypto assets, IFRS currently does not have this requirement, which may result in inconsistent reporting and potential misinterpretation of financial positions by users of the financial statements (EY, 2025). Additionally, volatility in market values of cryptocurrencies raises concerns regarding the recognition of unrealized gains and losses, which can significantly affect equity and net income reporting.

Furthermore, there is increasing pressure on the IASB to consider global alignment with FASB standards. Multinational corporations operating in jurisdictions applying IFRS often also report under U.S. GAAP, and differences in recognition, measurement, and disclosure rules can create operational and compliance challenges (Deloitte, 2024; PwC, 2023).

Harmonization would not only facilitate comparability for investors but also reduce reporting complexity for international entities dealing with crypto assets across multiple jurisdictions.

Finally, the IASB must consider the broader ecosystem of digital assets beyond cryptocurrencies, such as tokenized securities and CBDCs (central bank digital currencies). These new instruments may possess characteristics that differ from traditional cryptocurrencies and pose additional challenges for classification, measurement, and disclosure (EY, 2025). Preparing for these innovations now allows the IASB to anticipate issues, provide clearer guidance, and maintain the relevance and reliability of financial reporting in a rapidly evolving digital economy.

Association of International Certified Professional Accountants (AICPA)

The Association of International Certified Professional Accountants (AICPA) has been at the forefront of providing guidance on the accounting and auditing of digital assets. In January 2025, the AICPA significantly updated its practice aid, *Accounting for and Auditing of Digital Assets*, to align with the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2023-08. This update introduced new definitions for digital assets and amended accounting questions to reflect current practices and regulatory perspectives (AICPA, 2025).

The updated practice aid offers comprehensive guidance on recognizing, classifying, and measuring digital assets. It emphasizes that cryptocurrencies should be classified as indefinite-lived intangible assets, subject to impairment testing in accordance with FASB ASC 350-60. This classification aligns with the treatment of other intangible assets, acknowledging the unique characteristics of digital assets, such as their lack of physical substance and their speculative nature (AICPA, 2025).

In addition to classification and measurement, the AICPA's updated guidance addresses the complexities of auditing digital assets. It provides auditors with tools to assess the existence and ownership of digital assets, evaluate the effectiveness of internal controls over digital asset transactions, and consider the implications of decentralized finance (DeFi) activities. The guidance includes practical examples and audit procedures to assist in identifying and responding to potential misstatements in financial reporting involving digital asset transactions (AICPA, 2025).

Furthermore, AICPA has expanded its resources to include considerations for emerging digital asset activities. In September 2025, AICPA added a new chapter to its practice aid focusing on auditing crypto lending and borrowing transactions. This chapter addresses scenarios where a borrower of a crypto intangible asset is required or not required to post collateral, offering sample audit procedures from both the lenders and borrower's perspectives (AICPA, 2025).

The AICPA continues to monitor developments in the digital asset space and regularly updates its guidance to reflect changes in the regulatory environment and industry practices. These updates ensure that accounting and auditing professionals have access to current and relevant information to navigate the complexities of digital asset transactions effectively (AICPA, 2025).

Internal Revenue Service (IRS)

The Internal Revenue Service (IRS) has been actively updating its guidance on the taxation and reporting of digital assets, including cryptocurrencies. In 2023, the IRS issued Notice 2023-34, which modified Notice 2014-21 by removing the statement that virtual currency does not have legal tender status. This change aligns with the evolving recognition of digital assets in the financial ecosystem (IRS, 2023a). Despite this modification, the IRS continues to treat digital assets as property for federal tax purposes, meaning that general tax principles applicable to property transactions apply to transactions involving digital assets.

In addition to Notice 2023-34, the IRS issued Notice 2023-27, which requests public comments on the treatment of certain nonfungible tokens (NFTs) as collectibles under Section 408(m) of the Internal Revenue Code. This notice indicates the IRS's intent to issue guidance regarding the treatment of NFTs as collectibles, which would have implications for their taxation, including the long-term capital gains tax rate (IRS, 2023b).

Furthermore, the IRS has emphasized the importance of accurate reporting of digital asset transactions. Taxpayers are required to report all income related to digital asset transactions, including sales, exchanges, and receipts as payment for goods or services. For the 2023 tax year, taxpayers must check a box on their tax return indicating whether they received digital assets as a reward, award, or payment for property or services (IRS, 2025). Transactions involving digital assets must be reported using Form 8949 and Schedule D, and any gifts of digital assets require the filing of Form 709.

In 2024, the IRS issued final regulations requiring brokers to report digital asset transactions on the soon-to-be-released Form 1099-DA, effective for transactions occurring on or after January 1, 2025. These regulations aim to enhance transparency and ensure accurate reporting of digital asset transactions (IRS, 2024). Additionally, the IRS has provided guidance on the tax treatment of transactions involving digital assets, including staking activities, and has clarified that digital assets are not required to be included when determining if cash received meets the reporting threshold under Section 6050I (IRS, 2023c).

Recent IRS guidance also addresses the tax implications of DeFi activities, such as lending, borrowing, and yield farming. In these scenarios, taxpayers must track the fair value of digital assets at the time of each transaction, which may generate taxable income or capital gains. The IRS has highlighted that failure to correctly report such transactions may result in penalties, underpayment interest, or audits, emphasizing the importance of maintaining detailed records and consistent documentation (IRS, 2025).

Finally, the IRS continues to engage in outreach programs and publishes FAQs to educate taxpayers and professionals about reporting obligations. This includes guidance on digital wallets, cross-border transfers, and situations where cryptocurrencies are received as rewards or incentives. The agency also emphasizes that professional accountants should carefully differentiate between taxable events and non-taxable transactions, particularly when dealing with complex arrangements such as token swaps, airdrops, and conversions between crypto assets (IRS, 2025). These ongoing updates illustrate the IRS's commitment to ensuring compliance while accommodating the rapidly evolving digital asset ecosystem.

Impacts of Uncertainty

From an accounting standpoint, cryptocurrency has raised many questions about the appropriate recognition method. Should

it be recorded as true "currency" or classified as another asset type? How should gains or losses be recognized as value fluctuate during the holding period? These questions create significant challenges for accountants and organizations, resulting in a wide variety of methods and interpretations (Deloitte, 2023; EY, 2025). Although some guidance has been released by authoritative bodies such as FASB, IASB, and AICPA, no comprehensive global standard exists, leaving accounting practices inconsistent and creating difficulties for users of financial statements.

The lack of a unified standard has real implications for financial reporting. Organizations may report cryptocurrency differently in financial statements versus tax filings, causing additional administrative burdens and increasing the likelihood of errors (PwC, 2023; IRS, 2025). The volatility of cryptocurrency markets also complicates measurement, as fair value can fluctuate dramatically within short periods. This makes it challenging to ensure that financial statements accurately reflect an entity's financial position and performance, which can reduce comparability across companies and industries (Deloitte, 2023).

The uncertainty extends to disclosure requirements. Current guidance varies in the level of detail required for digital asset holdings, such as the number of units held, cost basis, fair value, impairment losses, and gains on disposal (Grant Thornton, 2023; KPMG, 2025). Without standardized disclosures, investors and regulators face challenges in evaluating an organization's exposure to digital asset risks and opportunities. The absence of consistent reporting also limits the ability to perform meaningful analysis or benchmarking across entities that hold cryptocurrency.

Additionally, the lack of clarity can influence business decisions. Entities may hesitate to adopt cryptocurrency as a form of payment, investment, or treasury management tool due to concerns about accounting complexity, potential audit issues, and tax implications. This uncertainty can inhibit innovation and slow adoption of digital asset technologies in corporate finance (EY, 2025). Clear, authoritative guidance would enable businesses to more confidently integrate digital assets into their financial strategies while ensuring transparency and compliance.

Finally, standard-setting bodies such as FASB, IASB, and AICPA are actively monitoring the situation and conducting research to address the gaps in current accounting guidance. The implementation of recent standards, such as ASU 2023-08 for the U.S., represents an important step toward reducing uncertainty, but additional updates are needed to address international convergence, emerging digital asset types, and evolving business models (Deloitte, 2023; PwC, 2023). Until these efforts result in widely accepted authoritative standards, uncertainty will remain a central challenge in cryptocurrency accounting.

Future of Cryptocurrency Regulation and Environmental Impact

The landscape of cryptocurrency in the U.S. market is poised for significant transformation. As both individual and institutional investors increasingly engage with digital assets, the call for comprehensive regulation has intensified. Recent developments, including the approval of new standards for cryptocurrency exchange-traded funds (ETFs), are expected to broaden market participation and facilitate the introduction of crypto ETFs tied to assets such as Bitcoin, Ethereum, Solana, and XRP (Harr, 2023; SEC, 2025). These regulatory shifts aim to enhance transparency, improve investor protection, and attract more institutional investment into the crypto space.

The U.S. Securities and Exchange Commission (SEC) has also launched initiatives to modernize securities laws for digital assets, promoting innovation while clarifying disclosure and reporting requirements for crypto transactions (SEC, 2025). Meanwhile, the Commodity Futures Trading Commission (CFTC) has coordinated efforts to support the trading of digital assets and ensure a consistent regulatory approach. Internationally, regulators are also responding; for example, the UK's Financial Conduct Authority (FCA) has outlined plans to expand oversight of the crypto sector while balancing innovation with consumer protection (FCA, 2023).

Environmental concerns associated with cryptocurrency mining remain a pressing issue. Bitcoin mining, in particular, consumes vast amounts of electricity—comparable to the energy usage of small countries—and generates substantial electronic waste, with an estimated 11.5 kilotons of physical waste produced annually (Cho, 2023). Industry initiatives, such as the Crypto Climate Accord and the Bitcoin Mining Council, are promoting renewable energy use and aiming for full carbon neutrality in blockchain operations by 2025 (Cho, 2023; Musk & North American Mining Council, 2024).

Looking forward, although regulatory guidance and environmental initiatives are essential, the evolving complexity of digital assets presents ongoing challenges. Classification of cryptocurrencies continues to vary among regulators, and new technologies, such as decentralized finance (DeFi) platforms and non-fungible tokens (NFTs), may require adaptive, nuanced approaches to accounting, taxation, and sustainability. Authoritative guidance on recognition, measurement, and disclosure may still take several years to fully develop, but ongoing collaboration between regulators, standard-setting bodies, and industry stakeholders is likely to improve comparability, transparency, and investor confidence (Harr, 2023; SEC, 2025).

Remaining Challenges

Even with the issuance of ASU 2023-08, several challenges in accounting for cryptocurrencies persist. Fair value measurement introduces significant volatility in financial statements, which can affect companies' reported earnings, investor perceptions, and risk disclosures. Valuation is particularly difficult when there is no active market or when markets are illiquid, requiring professional judgment to determine fair value (Anchin, 2024). Additional complexity arises from determining the appropriate cost basis, unit of account, and classification of crypto assets, all of which demand deep technical knowledge and ongoing monitoring of market conditions.

Cross-jurisdictional consistency remains another major challenge. Under International Financial Reporting Standards (IFRS), crypto assets are generally classified under IAS 38 (Intangible Assets) unless held for sale in the ordinary course of business, in which case IAS 2 (Inventories) may apply. IFRS permits revaluation to fair value through other comprehensive income (OCI) in certain circumstances, creating potential differences in reporting compared to U.S. GAAP under ASU 2023-08 (HLB, 2024). These discrepancies complicate financial statement comparability for multinational corporations and investors operating in multiple jurisdictions.

Operational and technological challenges also persist.

Companies must maintain robust internal controls over digital wallets, custody arrangements, and transaction verification. Cybersecurity risks, potential fraud, and operational errors can lead to misstatements, which auditors must carefully assess during financial audits (EY, 2025). Furthermore, the evolving nature of digital assets, such as decentralized finance (DeFi) platforms, tokenized securities, and non-fungible tokens (NFTs), introduces new layers of complexity in recognition, measurement, and disclosure practices, which are not fully addressed by existing standards (Deloitte, 2023).

Regulatory uncertainty adds another layer of difficulty. While U.S. regulators like the SEC and IRS continue to issue guidance, inconsistencies in international treatment, tax policies, and reporting obligations create challenges for organizations operating globally. This uncertainty can deter companies from integrating cryptocurrencies into treasury management or investment strategies due to potential compliance risks and reporting burdens (PwC, 2023).

Environmental and social governance (ESG) considerations remain relevant. As cryptocurrency mining and blockchain operations consume significant energy and generate electronic waste, companies may face pressure from investors and stakeholders to incorporate ESG disclosures alongside traditional financial reporting. Without clear guidance, organizations must rely on judgment in reporting environmental impacts related to digital asset operations (Cho, 2023; Musk & North American Mining Council, 2024).

In addition, accounting professionals continue to face challenges in developing consistent audit procedures for cryptocurrency holdings. The lack of standardized auditing frameworks and benchmarks for evaluating control effectiveness over digital assets can increase the risk of misstatements or incomplete reporting (KPMG, 2025). This makes the auditing process more resource-intensive and requires specialized expertise in both accounting standards and blockchain technology.

Finally, the rapidly evolving nature of the cryptocurrency ecosystem adds ongoing uncertainty. Innovations such as cross-chain protocols, decentralized autonomous organizations (DAOs), and tokenized real-world assets create scenarios that may not neatly fit into existing accounting frameworks. Organizations and regulators must remain flexible, continuously updating guidance and internal practices to ensure that financial reporting remains accurate, reliable, and transparent amid these developments (EY, 2025; Deloitte, 2023).

Research Questions

The rapid growth and adoption of cryptocurrencies have created significant challenges and uncertainties in accounting, financial reporting, and regulatory compliance. Despite recent guidance such as ASU 2023-08 in the U.S., many aspects of cryptocurrency accounting, including classification, valuation, and disclosure, remain unresolved, particularly in cross-border contexts and under IFRS standards.

In addition, environmental concerns, audit complexities, and regulatory inconsistencies further complicate the landscape. To better understand these issues and provide actionable insights for practitioners, this study is guided by several research questions. These questions explore the appropriate accounting treatment of cryptocurrencies, effective valuation methods, the impact of regulatory differences, environmental considerations, audit challenges, and the future needs for authoritative guidance. Addressing these research questions will help illuminate the current gaps, inform best practices, and support the development of consistent and transparent approaches to cryptocurrency accounting and reporting.

1. How should cryptocurrencies be classified under U.S. GAAP and IFRS to ensure consistent financial reporting across organizations and jurisdictions?
2. What are the most effective methods for measuring the fair value of cryptocurrencies, particularly in illiquid markets or when no active market exists?
3. How do differences in regulatory guidance from bodies like FASB, IASB, SEC, and IRS affect corporate adoption, reporting practices, and investor confidence in cryptocurrency assets?
4. What role do environmental, social, and governance (ESG) factors play in shaping the accounting, disclosure, and investment decisions related to cryptocurrency operations?
5. How can organizations develop effective internal controls and auditing procedures to mitigate risks related to cybersecurity, fraud, and misstatement of cryptocurrency holdings?
6. What are the implications of differing international standards and tax policies on multinational corporations holding or trading cryptocurrencies?
7. What key areas should authoritative standard-setting bodies prioritize in future updates to provide clarity and reduce uncertainty in cryptocurrency accounting and reporting?

Methodology

This study employs a qualitative research methodology to explore the accounting, regulatory, and operational challenges associated with cryptocurrencies. Given the complexity of digital assets and the evolving regulatory landscape, a qualitative approach allows for an in-depth understanding of professional practices, emerging standards, and the perspectives of key stakeholders in accounting and finance. The research focuses on analyzing existing literature, regulatory pronouncements, professional guidelines, and scholarly articles published between 2018 and 2025. Key sources include pronouncements by the Financial Accounting Standards Board (FASB), International Accounting Standards Board (IASB), the Association of International Certified Professional Accountants (AICPA), the Internal Revenue Service (IRS), and other relevant regulatory bodies.

Data collection involves a comprehensive review of peer-reviewed journal articles, industry reports, professional white papers, and authoritative accounting guidance. The study also incorporates recent updates in legislation, standards, and guidance documents that address cryptocurrency accounting, tax treatment, and financial reporting practices. The qualitative content analysis method is employed to identify recurring themes, challenges, and areas of uncertainty in the accounting treatment of

cryptocurrencies. This method allows for the systematic comparison of U.S. GAAP, IFRS, and AICPA guidance, as well as the identification of gaps between current practices and the needs of the industry.

Additionally, this research considers the environmental, social, and governance (ESG) aspects of cryptocurrency operations and their implications for financial reporting and disclosure. Comparative analysis is applied to highlight differences in cross-jurisdictional standards, regulatory approaches, and organizational practices. By synthesizing the findings from multiple authoritative sources, this study aims to provide a holistic understanding of the current landscape, the challenges faced by practitioners, and the anticipated developments in cryptocurrency accounting and reporting.

Finally, the research acknowledges limitations inherent in the rapidly evolving nature of digital assets. The analysis is restricted to publicly available literature and official guidance, and it may not capture real-time changes in regulations or market practices. Nevertheless, the methodology provides a rigorous framework for evaluating the current state of cryptocurrency accounting, the effectiveness of emerging standards, and areas requiring further authoritative guidance.

Research Design

This study adopts a descriptive and exploratory research design, aiming to systematically examine the current state of cryptocurrency accounting and reporting practices. The research is designed to answer the study's research questions by exploring patterns, challenges, and gaps in accounting and regulatory frameworks. A comprehensive literature review serves as the primary data source, including peer-reviewed journal articles, industry reports, professional white papers, and official guidance from standard-setting and regulatory organizations. This design allows for an analysis of how cryptocurrency is currently treated in financial reporting, taxation, auditing, and ESG considerations. Comparative analysis is employed to identify differences between U.S. GAAP, IFRS, and other relevant frameworks, as well as variations in regulatory approaches across jurisdictions.

Data Analysis

The data analysis in this study follows a **qualitative content analysis approach**, systematically reviewing relevant literature, regulatory documents, and professional guidance to extract insights into cryptocurrency accounting. The analysis involves coding and categorizing information to identify recurring themes and challenges, providing a structured understanding of the current state of cryptocurrency reporting.

Classification and Measurement: One key theme is how digital assets are categorized under U.S. GAAP and IFRS. ASU 2023-08 under U.S. GAAP provides guidance on intangible asset recognition, fair value measurement, and disclosure (FASB, 2023; Deloitte, 2025; PwC, 2023; EY, 2025). Under IFRS, cryptocurrencies are typically evaluated under IAS 38 unless held for sale, with flexibility for revaluation in certain cases (Deloitte, 2024; PwC, 2023).

Valuation Challenges: Determining fair value remains a significant challenge, particularly for illiquid markets or assets without active trading. This introduces volatility into financial statements, impacting reported earnings and investor perceptions (Anchin, 2024; Sackett, 2021; HLB, 2024).

Auditing Considerations: Auditors and accountants must address custody, internal controls, and transaction verification. Cybersecurity risks, potential fraud, and operational errors can affect reporting accuracy (AICPA, 2025a, 2025b, 2025c; Deloitte, 2023; KPMG, 2025). The emergence of decentralized finance platforms, NFTs, and other digital assets adds complexity to recognition, measurement, and disclosure (EY, 2025; Deloitte, 2025).

Regulatory and Tax Compliance: Regulatory differences and tax treatments pose challenges. The IRS treats cryptocurrency as property for tax purposes (Internal Revenue Service, 2023a, 2023b, 2023c, 2024, 2025), while the SEC provides oversight of trading and ETF approvals (U.S. Securities and Exchange Commission, 2025). Cross-jurisdictional inconsistencies require organizations to carefully manage compliance risks.

Environmental and Social Governance (ESG) Reporting: Cryptocurrency mining and blockchain operations have environmental impacts, including energy consumption and electronic waste. Organizations are increasingly expected to disclose ESG-related impacts alongside financial statements (Cho, 2023; Musk & North American Mining Council, 2024).

By synthesizing these themes, the study identifies gaps in current guidance, highlighting areas where authoritative intervention, standardization, and best practices are necessary to improve transparency, comparability, and stakeholder confidence in cryptocurrency financial reporting.

Limitations

This research is subject to limitations inherent in a rapidly evolving field. It relies on publicly available literature, guidance, and reports, which may not fully capture real-time regulatory changes or emerging market practices. Furthermore, the qualitative design does not include primary data collection, such as surveys or interviews, which may limit the scope of practical insights from current practitioners. Despite these limitations, the methodology provides a robust framework for examining the challenges and opportunities associated with cryptocurrency accounting, regulatory compliance, and reporting practices.

Conclusion

Cryptocurrencies have emerged as a transformative but complex component of the global financial system. Their unique characteristics, including decentralization, volatility, and digital-only existence, pose significant challenges for accounting, auditing, and regulatory compliance. The literature highlights the evolving approaches of FASB, IASB, and AICPA in establishing guidance, as well as the need for harmonized global standards to ensure consistency and comparability across jurisdictions.

The issuance of ASU 2023-08 represents a critical step in providing authoritative guidance for crypto assets under U.S. GAAP. However, significant challenges remain, including fair value measurement, cross-jurisdictional inconsistencies, audit and internal control issues, and ESG considerations. Regulatory uncertainty and technological advancements, such as DeFi, tokenized assets, and NFTs, further complicate the accounting landscape.

Addressing these challenges requires ongoing research, regulatory coordination, and proactive adoption of best practices by accounting professionals. Clear and consistent standards, coupled with robust internal controls and environmental reporting,

will enhance transparency, reduce risk, and increase confidence among investors, regulators, and other stakeholders. Ultimately, the continued growth and integration of cryptocurrencies into financial systems depend on the development of authoritative guidance and the ability of organizations to adapt to this rapidly evolving digital asset environment.

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