

OPPORTUNITY IN SIGHT

# Accounting Best Practices for Crypto Startups

## QUICK TIPS

# Zoom Webinars

## Ask Questions in Q&A Box

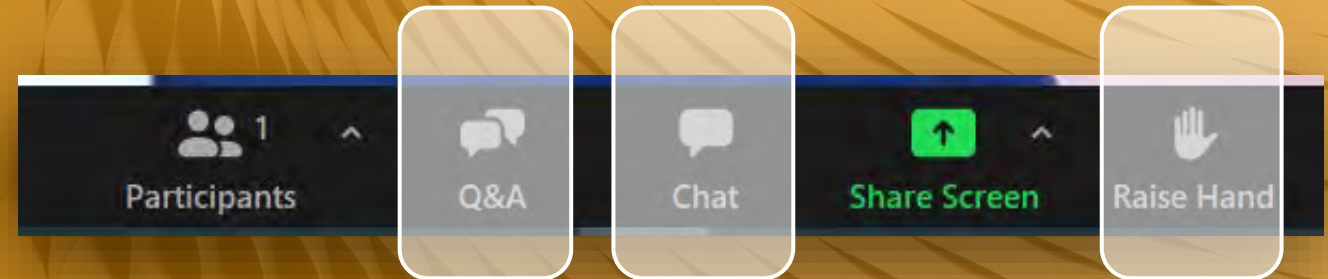
- Click the Q&A button to open the window
- Type your response in the text field
- Click Send

## Chat

- Click the Chat button to open the chat panel
- Type your message in the Text box at the bottom of the panel
- Press Enter to send your message

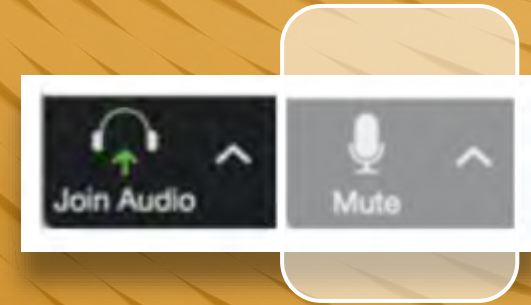
## Raise Your Hand

- Click the Raise Hand button at any time to indicate to the host know that you have a question or need assistance
- To lower your hand, click the Lower Hand button



## QUICK TIPS

# Adjust Audio Speakers

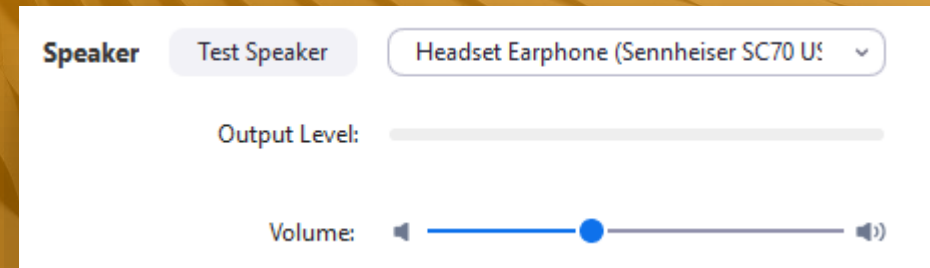


## Mute | Unmute

- In the meeting controls, click the arrow next to Mute | Unmute in lower left corner

## Audio Options

- Click Audio Options - this will open your audio settings
- Click Test Speaker to play a test tone
- If you cannot hear it, select a different speaker from the menu
- Try adjusting the Volume



KNOWLEDGE

# Learning Objectives



**Discuss tax planning, financial reporting and data analysis.**



**Explain crypto compatible accounting software and how to create processes for recording crypto payments.**



**Review the importance of developing banking connections and relationships, wallet management and usage, and how to achieve a complete inventory of your crypto assets.**

WELCOME

# Today's Presenters



**Noah Buxton**

Digital Assets Practice Lead  
Armanino



**Alicia Bolm, CPA CBP**

Business Outsourcing Services  
Armanino



**Patrick White**

CEO  
BitWave

Exploring New Areas

# Agenda



How Is Your Business Impacted By Digital Assets?



Business Models / Use Cases



How To Be Successful In Your First Three Months



Open Questions In Crypto Treatments



Q & A


# Crypto & Digital Assets Expertise




Armanino is the **Global Leader in Digital Asset Solutions**



Providing innovative, **best-in-class products and services** for the industry **since 2014**.

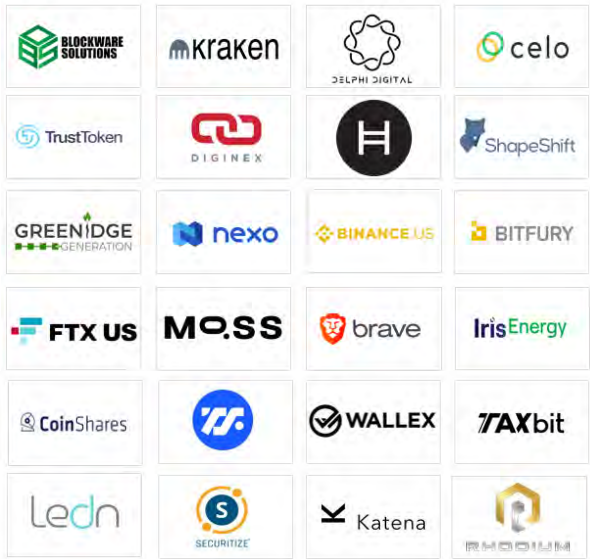


A **track record** we are incredibly proud of...



**We do it all:** We service **exchanges, custodians**, digital asset financial service firms, **stablecoin & asset-backed token issuers, miners & stakers, ATMs & wallets, protocol & token projects**, digital asset **investment funds** and high-net-worth **individuals, celebrities and family offices**.

<p><b>Traditional Accounting Services with a Crypto Expertise</b></p>	<ul style="list-style-type: none"> <li>• Audit</li> <li>• Tax</li> <li>• Risk Assurance</li> <li>• Consulting</li> </ul>	 <p><b>Best &amp; Only New Products and Services – TrustExplorer</b></p>	<ul style="list-style-type: none"> <li>• <b>Real Time Attest</b></li> <li>• <b>Proof of Reserves</b></li> <li>• <b>Basis</b></li> <li>• <b>Oracle Services</b></li> <li>• <b>Treasury</b></li> </ul>
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# Innovative Business Models

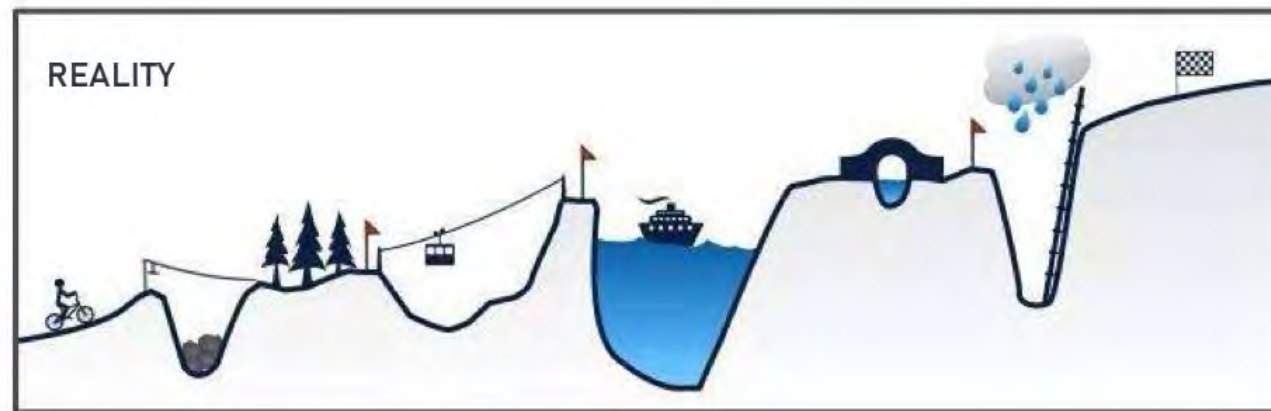
- OpenSea On Chain Efficiencies
- Optimism Innovative Transaction Process
- ImmutableX Player Economics
- UniSwap Finance Platforms
- Greenidge Generation Energy Arbitrage
- ArtBlocks Collectibles and Community



BITWAVE



# What to Expect?

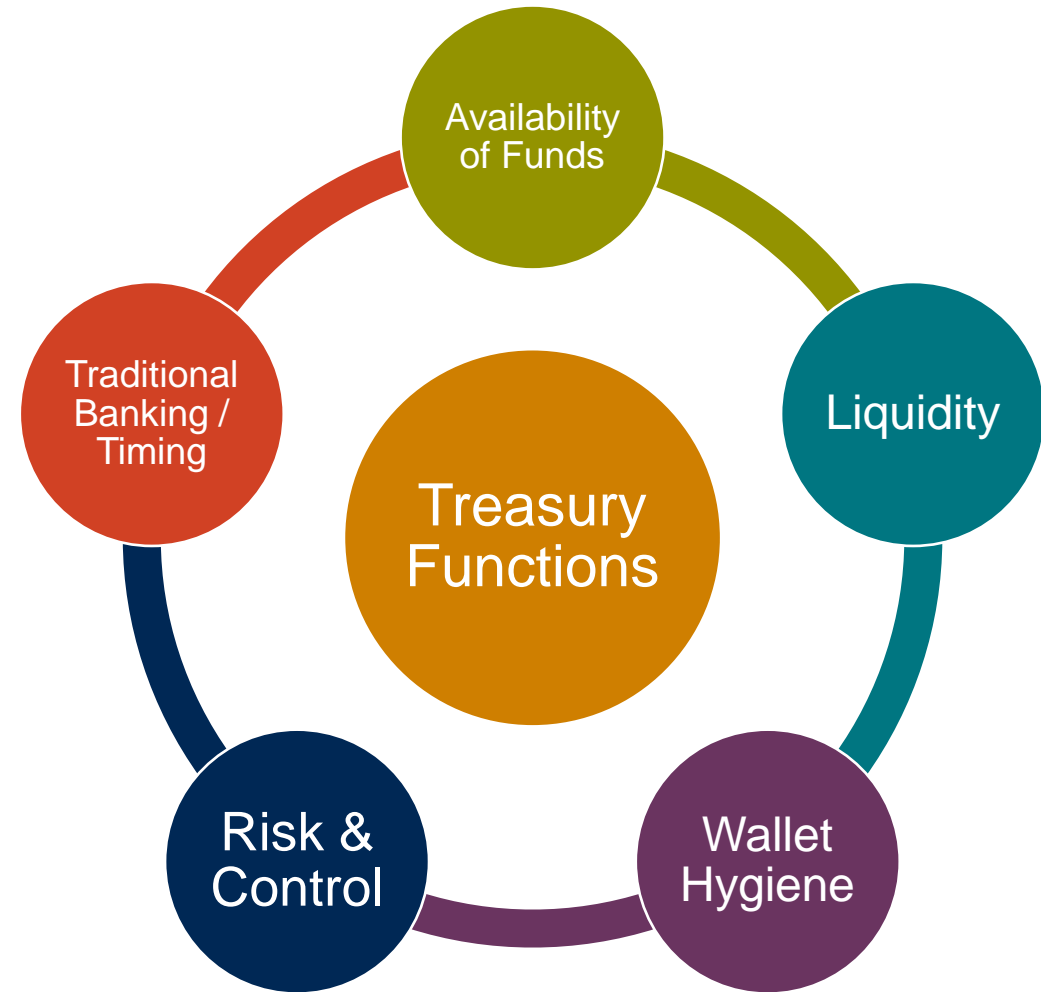


# Cryptocurrency Treasury

What people think it is:

Yield & Trading

What it Encompasses



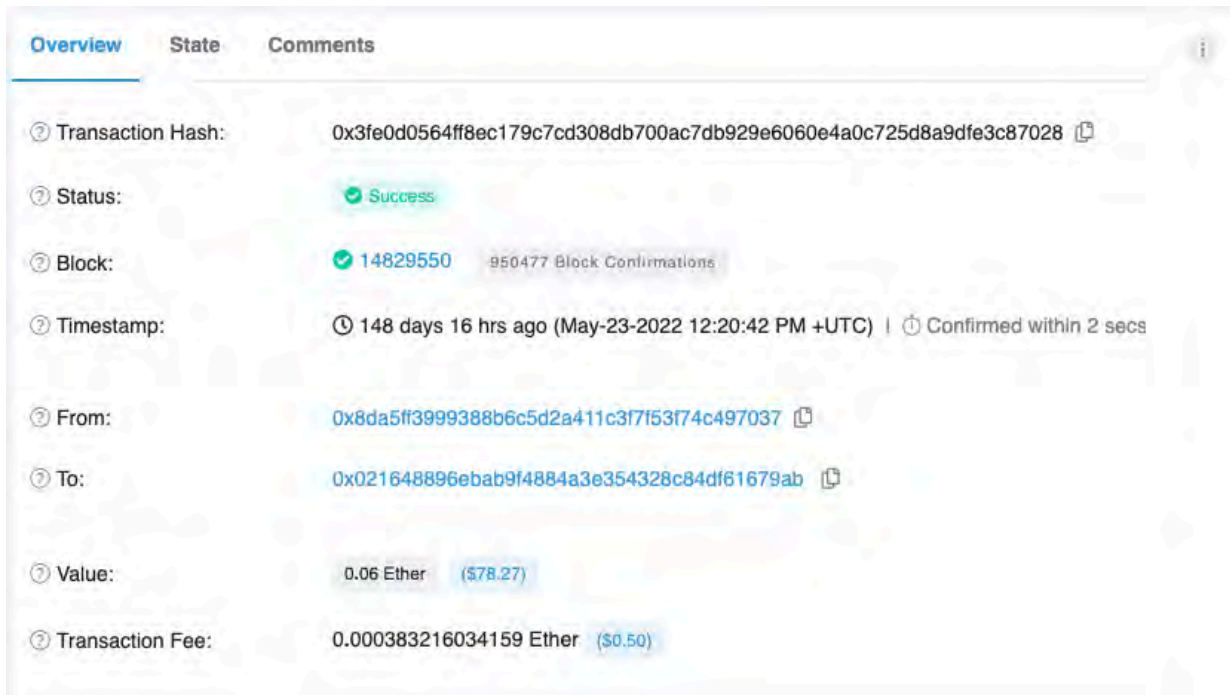


BITWAVE

# Wallet Hygiene

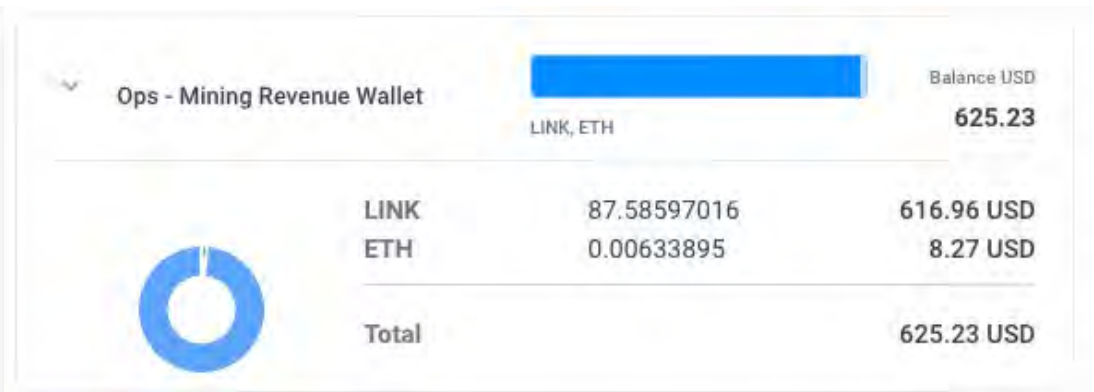
**Blockchain Accounting Is Hard...**

**Make it easier on your accountant**



**Overview** | State | Comments


- Transaction Hash:** 0x3fe0d0564ff8ec179c7cd308db700ac7db929e6060e4a0c725d8a9dfe3c87028
- Status:** ✔ Success
- Block:** ✔ 14829550 950477 Block Confirmations
- Timestamp:** ⌚ 148 days 16 hrs ago (May-23-2022 12:20:42 PM +UTC) | ⌚ Confirmed within 2 secs
- From:** 0x8da5ff3999388b6c5d2a411c3f7153f74c497037
- To:** 0x021648896ebab9f4884a3e354328c84df61679ab
- Value:** 0.06 Ether (\$78.27)
- Transaction Fee:** 0.000383216034159 Ether (\$0.50)



**Ops - Mining Revenue Wallet** Balance USD

**625.23**

LINK, ETH

	LINK	87.58597016	616.96 USD
	ETH	0.00633895	8.27 USD
<b>Total</b>			<b>625.23 USD</b>

# Crypto Treasury / Reporting

Market Value, in \$USD	BTC	ETH	DAI	USDC
Wallet #1 - Cold Wallet	20,000	7,000	2,000	60,000
Wallet #2	10,000	2,000		
Wallet #3 - Treasury	500,000	9,700		5,000
Total	530,000	18,700	2,000	65,000
Unrealized Cap Gain/(Loss)				
Long Term	50,000	9,000		
Short Term	(2,000)	(5,000)		

# Accounting for Digital Assets

## Balance Sheet

### Current Asset:

Trader

Stable Coin

### Long-Term Asset: Indefinite Intangible / Impairment:

Most of the holders

Miners

Exchanges

### Liabilities:

Vendors requesting payments in Crypto

Most Reliable and Relevant

## Income Statement

### Operating Revenue

Miner

Trader

Broker (Exchange)

NFT Sales : Matching COGS (Capitalized ASC 606)

### Cost of Revenue

NFT Development amortized / Matched

### Operating Expenses

Paying in Crypto

Gas Fees

### Other Income / Expenses

Net Realized Gain/Loss

Unrealized / Impairment Loss

# Impairment

- Compare the purchase price of the digital asset with its current market value
- If at ANY point in the reporting history, the price of the underlying asset drops below its purchase price, the asset is impaired
- Write down the digital assets value to the lowest point within the period and recognize a corresponding loss
- This process must be repeated as long as the company holds the asset

## Business

### Tesla May Take \$460M Impairment Charge on Its Bitcoin Holdings for Q2, Analyst Says

The cryptocurrency's price fell significantly during the quarter.

By Nelson Wang | Jul 20, 2022 at 9:54 a.m. PDT | Updated Jul 21, 2022 at 11:42 a.m. PDT

### FASB Issues New Guidance On Digital Assets: 5 Things to Know

	Unrealized	Realized	Impairment		
Tax G/L	-13.6	6.11	0		
Accounting G/L	91.43	7.5	-106.42		
Tax Book Adj		-1.39	106.42	<b>105.03</b>	<-- Booked to balance sheet as deferred tax asset
What we're saying is our book expense is greater than the tax expense by the net of these					



**Scenario: Pre-FASB ; Paying AP in Crypto, Crypto exchanged on Date of Payment**

On October 1, 2022, ACME Co issued an invoice to Wile-E Corp for \$5,000. On October 20, 2022, Wile-E Corp pays ACME Corp \$5,000 worth of Crypto Currency AAA, with a market value of \$50/token, or 100 tokens. Wile-E acquired AAA token for \$1/token on January 17, 2016. AAA token is worth \$55 Market value on October 1, 2022.



**Date: 10/1/2022**

**To record Accounts Payable; Agreement in tokens to be converted to Fiat on date of pmt**

Account Name	DR	CR	Notes
	\$		
Supplies	5,000.00		
Crypto Accounts Payable		\$ 5,000.00	

**Date: 10/20/2022**

**To record payment and settlement of Invoice**

	\$		
Crypto Accounts Payable	5,000.00		
Crypto Wallet		\$ 100.00	# of Crypto Currency
Realized Gain/Loss		\$ 4,900.00	



**Scenario: *Post-FASB***

On October 1, 2022, ACME Co issued an invoice to Wile-E Corp for \$5,000. On October 20, 2022, Wile-E Corp pays ACME Corp \$5,000 worth of Crypto Currency AAA, with a market value of \$50/token, or 100 tokens. Wile-E acquired AAA token for \$1/token on January 17, 2016. AAA token is worth \$55 Market value on October 1, 2022.

**Assuming Expense Entry has already been booked**

	DR	CR
Crypto Wallet	\$ 4,900.00	
Unrealized Capital Gain		\$ 4,900.00
Crypto Accounts Payable	\$ 5,000.00	
Crypto Wallet		\$ 5,000.00
Unrealized Capital Gain	\$ 4,900.00	
Realized Capital Gain		\$ 4,900.00

Example 1  
Post-FASB :  
USD-Crypto  
Payable

**Scenario: Invoice in Tokens**

On October 1, 2022, ACME Co issued an invoice to Wile-E Corp for 100 AAA Tokens. On October 20, 2022, Wile-E Corp pays ACME Corp 100 AAA Tokens, with a market value of \$50/token, or 100 tokens. Wile-E acquired AAA token for \$1/token on January 17, 2016. AAA token is worth \$55 Market value on Oct 1, 2022.



**Example 2:  
Crypto-  
Crypto  
Payable**

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**Date: 10/1/2022**
**To record Accounts Payable; Special agreement - Pay 100 Tokens**

Account Name	DR	CR	Notes
	\$		
Supplies	5,500.00		100 Tokens
		\$	
Crypto Accounts Payable		5,500.00	

**Date: 10/20/2022**
**To record payment and settlement of Invoice**

	\$		
Crypto Accounts Payable	5,500.00		100 Tokens
		\$	
Crypto Wallet		100.00	# of Crypto Currency
		\$	
Realized Gain/Loss		5,400.00	

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On October 1, 2022, ACME Co issued an invoice to Wile-E Corp for \$5,000. On October 20, 2022, Wile-E Corp pays ACME Corp \$5,000 worth of Crypto Currency AAA, with a market value of \$50/token, or 100 tokens. Wile-E acquired AAA token for \$1/token on January 17, 2016. AAA token is worth \$55 Market value on October 1, 2022.

**Assuming Expense Entry has already been booked**

Example 2  
Post-FASB :  
Crypto-Crypto  
Payable

	DR	CR
<b>As of 10/1/22</b>		
	\$	
Crypto Wallet	5,400.00	
Unrealized Capital Gain		\$ 5,400.00
<b>As of 10/22/22</b>		
	\$	
Unrealized Capital Loss	500.00	
Crypto Wallet		\$ 500.00
	\$	
Crypto Accounts Payable	5,000.00	
Crypto Wallet		\$ 5,000.00
	\$	
Unrealized Capital Gain	4,900.00	
Realized Capital Gain		\$ 4,900.00

# Organizational Best Practices

- a) Write Memos / Work With Your Auditors
- b) Document Flow of Funds
- c) Setup Consistent Principal Market Analysis
- d) Think About the Open Questions
  - a) ETH to WETH
  - b) L1's to L2's
  - c) L1 to L1 Wormholes
  - d) Impairment Methodology (Low of the Day / Close of the Day)
  - e) Tax Treatment (FIFO vs Spec ID)
  - f) Inventory Segregation

Thank you for  
attending

## Additional Questions?

Reach out to us at

[Experts@armaninoLLP.com](mailto:Experts@armaninoLLP.com)

