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FASB Tentatively Decides on Fair Value Measurement for Crypto Assets

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Overview

At its October 12, 2022, [meeting](#), the FASB continued deliberating its project on the accounting for and disclosure of crypto assets and reached several decisions.¹ Specifically, the Board tentatively decided to:

- Require all public and private entities to initially measure crypto assets at fair value in accordance with ASC 820.² Subsequent changes in fair value would be recognized in comprehensive income.³
- Not provide any measurement alternatives for situations in which a crypto asset does not have a quoted price in active markets.
- Require entities to expense as incurred commissions and other transaction costs related to the acquisition of crypto assets unless industry-specific guidance stipulates otherwise.

The FASB has not yet completed its standard-setting due process in the project, which includes reaching decisions on other aspects of the guidance (e.g., presentation, disclosure, and transition). In addition, once it reaches decisions on those matters, the Board would still need to expose for public comment a proposed ASU on the project before finalizing any requirements. Accordingly, an entity that is not considered an investment company or a broker-dealer should continue to measure crypto assets at historical cost less impairment.

¹ At its August 31, 2022, meeting, the Board tentatively decided that a crypto asset would be within the scope of this project if it is an intangible asset that (1) is secured by cryptography residing on a distributed ledger, (2) is fungible, and (3) does not provide the holder with an enforceable right to, or claims on, goods, services, other assets. For more information about the project's scope, see Deloitte's September 8, 2022, [Heads Up](#).

² For titles of FASB Accounting Standards Codification (ASC) references, see Deloitte's ["Titles of Topics and Subtopics in the FASB Accounting Standards Codification."](#)

³ At a future meeting, the FASB will decide whether changes in fair value will be presented within net income or other comprehensive income.

Next Steps

The Board will discuss the presentation, disclosure, and transition requirements for crypto assets at a future meeting.



Connecting the Dots

Potential Implications of the Measurement Decision

Currently, only entities that are within the scope of the investment company guidance in ASC 946 and certain broker-dealers are permitted to measure crypto assets at fair value. All other entities must account for such assets as indefinite-lived intangible assets in accordance with ASC 350, which requires entities to measure them at historical cost less impairment. The Board's tentative decision to require all entities to measure crypto assets at fair value would address concerns that an intangible asset model does not faithfully represent the economics of transactions involving crypto assets. It would also alleviate some of the challenges associated with recognizing impairments by requiring entities to use a crypto asset's lowest observable fair value within a reporting period.

Influence on Other Projects

At a previous meeting, the FASB decided to exclude commodities from the scope of the crypto asset project. However, since the accounting for commodities remains on the Board's research agenda, it is unclear whether the Board's tentative decision regarding the measurement of crypto assets will influence that project. Similarly, it is unclear whether the Board's tentative decision related to measurement will influence its active project on the accounting and reporting for environmental credits. Some constituents believe that entities should measure both types of assets consistently given their common characteristics (e.g., fungibility, marketability).

For environmental credits⁴ that are tokenized and transacted on a blockchain, there may be questions related to whether such assets would be subject to the FASB's project on crypto assets or to its project on environmental credits. Entities accounting for these products should consult with their auditors or accounting advisers for assistance.

⁴ For more information about the FASB's project on the accounting and reporting for environmental credits, see Deloitte's October 7, 2022, [Accounting Spotlight](#).

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