

Reporting Alert

CORPORATE REPORTING

MAY 2019

IFRS[®] Interpretations Committee's Tentative Agenda Decision: Holdings of Cryptocurrencies

Background

In recent years there has been a rapid growth in cryptocurrencies. However, existing IFRS Standards do not explicitly refer to cryptocurrencies. The primary accounting questions are whether cryptocurrencies are assets and, if so, what type of asset in terms of IFRS Standards?

In May 2018 CPA Canada issued non-authoritative guidance "[An Introduction to Accounting for Cryptocurrencies under IFRS](#)". In March 2019, the IFRS Interpretations Committee issued a [tentative agenda decision "Holdings of Cryptocurrencies"](#). This Alert will summarize the guidance in the tentative agenda decision and compare this to the 2018 CPA Canada publication.

Why does this decision matter to me?

The tentative agenda decision may apply to entities that hold cryptocurrencies.

What is an IFRS Interpretation Committee agenda decision?

The IFRS Interpretations Committee is the interpretative body of the International Accounting Standards Board (IASB). The Interpretations Committee may decide that issuing an interpretation on a specific issue is unnecessary, for example, because in the Committee's view IFRS Standards and IFRIC® Interpretations provide enough information for a company to determine its accounting. The Committee then issues an agenda decision that will often include information to help companies applying IFRS Standards by explaining how the applicable principles and requirements in the Standards might be applied to the question submitted.

Summary of the IFRS Interpretations Committee tentative agenda decision

The IFRS Interpretations Committee's [March 2019 tentative agenda decision](#) noted that a cryptocurrency may meet the IFRS definition of inventory or an intangible asset, depending on the circumstances, but will most likely not meet the definition of cash or a financial asset. The table below summarizes which IFRS standards might be applied in accounting for cryptocurrencies:

Asset class and applicable IFRS standard	Are cryptocurrencies within the scope of the applicable IFRS standard?	Initial measurement
Cash and cash equivalents (IFRS 9)	✘	A holding of cryptocurrency is not cash because cryptocurrencies do not currently have the characteristics of cash. They are not used as a medium of exchange to such an extent as to be the basis on which all transactions are measured and recognized in financial statements.
Non-cash financial assets (IFRS 9)	✘	A holding of cryptocurrency is not a financial asset. A cryptocurrency is not an equity instrument of another entity. It does not give rise to a contractual right for the holder and it is not a contract that will or may be settled in the holder's own equity instruments.
Intangible assets (IAS 38)	✔	Cryptocurrencies that are not inventories meet the definition of intangible assets as they are an identifiable non-monetary asset without physical substance.

Asset class and applicable IFRS standard	Are cryptocurrencies within the scope of the applicable IFRS standard?	Initial measurement
Inventory (IAS 2)	✓	<p>Cryptocurrencies may be held for sale in the ordinary course of business and then be accounted for as inventory (see IAS 2).</p> <p>An entity may act as a broker-trader of cryptocurrencies. A holding of cryptocurrency would then be measured at fair value less costs to sell in accordance with IAS 2.</p>

✓ – possible, based on the tentative agenda decision

✗ – not likely, based on the tentative agenda decision

Comparison to CPA Canada’s publication “An Introduction to Accounting for Cryptocurrencies”

The IFRS Interpretations Committee’s tentative agenda decision and the CPA Canada publication are consistent on the accounting for cryptocurrencies. Both indicate that cryptocurrencies may meet the criteria to be accounted for as inventories (in accordance with IAS 2) or intangible assets, depending on the circumstances.

Disclosures

The IFRS Interpretations Committee notes that:

1. The disclosures in IAS 2 or IAS 38 should be provided, as appropriate. If the cryptocurrency is measured at fair value in accordance with those standards, then the disclosures in IFRS 13 should also be provided.
2. An entity would disclose judgments that its management has made regarding its accounting for holdings of cryptocurrencies if those are part of the judgements that had the most significant effect on the amounts recognized in the financial statements (paragraph 122 of IAS 1 *Presentation of Financial Statements*).
3. Paragraph 21 of IAS 10 *Events after the Reporting Period* requires an entity to disclose any material non-adjusting events, including information about the nature of the event and an estimate of its financial effect (or a statement that such an estimate cannot be made). For example, an entity holding cryptocurrencies would consider whether changes in the fair value of those holdings after the reporting period should be disclosed.

The CPA Canada publication also provides a list of possible disclosures that might be considered to meet the IAS 1.17 requirement to “provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance.”

Status of the IFRS Interpretations Committee tentative agenda decision

The Committee issued the tentative agenda decision on “[Holdings of Cryptocurrencies](#)” in March 2019 with the comment period ending on May 15, 2019. The Committee will then consider comments received and finalize the agenda decision. IFRS Interpretations Committee agenda decisions are not part of IFRS as defined in IAS 8.

Resources

Need more information? CPA Canada has prepared several resources on cryptocurrencies and [blockchain](#) technology and compiled some [external resources on cryptocurrencies](#) to help you understand the financial reporting implications of cryptocurrencies.

Comments

Comments on this *Reporting Alert*, or suggestions for future *Reporting Alerts* should be sent to:

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