
**Intergovernmental Working Group of Experts on
International
Standards of Accounting and Reporting
(ISAR)**

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Monday, 22 October 2018

**Digital currencies and blockchain:
implications for accounting**

Presented by

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Australian Accounting Standards Board

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Digital Currency

A case for standard-setting activity

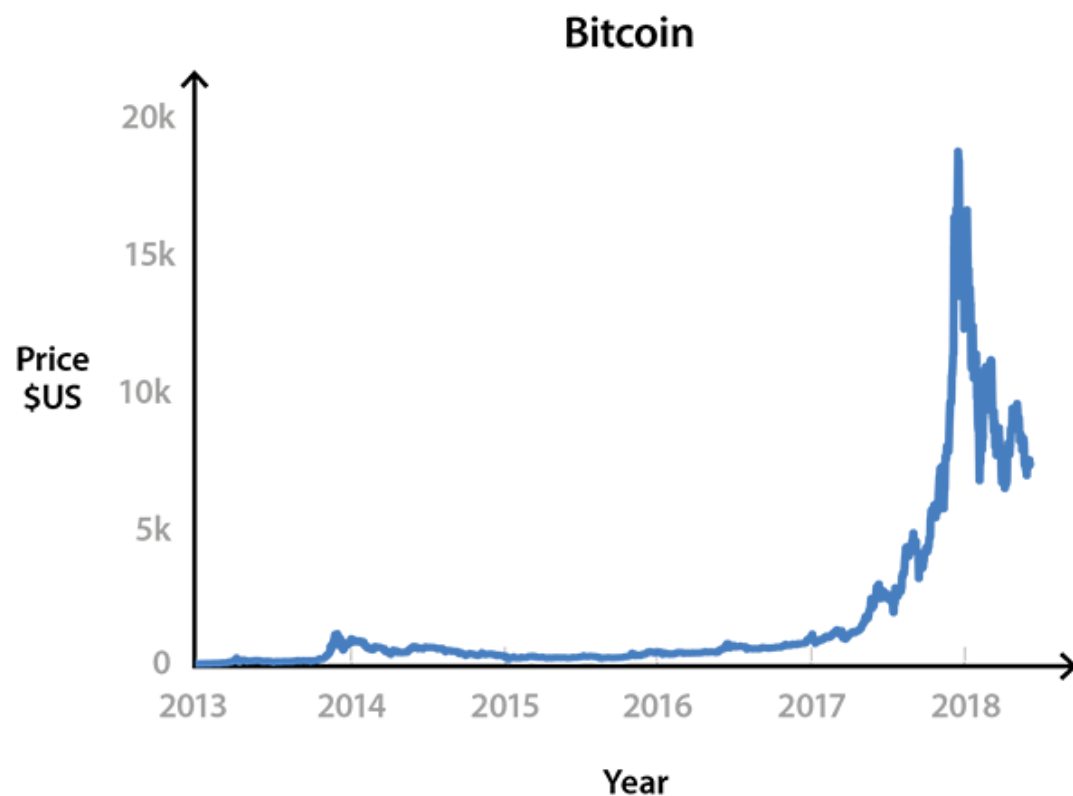
UNCTAD-ISAR Workshop
22 October 2018

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The rise of digital currency

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Source: Coindesk.com

\$111.9bn
market capitalisation

191,054
transactions per day

4
Australian companies
publicly reporting
holdings



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Why do entities hold cryptocurrencies?

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For investment

- used to store and grow value
- similar to holding:
 - Gold, diamonds or other precious minerals
 - Waters rights or emission rights
 - Artwork



For trading

- commodity trader that buys and sells cryptocurrencies in the short term
- or
- an ‘initial coin offering’ – creating and selling a new currency
- ‘mining’ cryptocurrencies – to sell and earn revenue



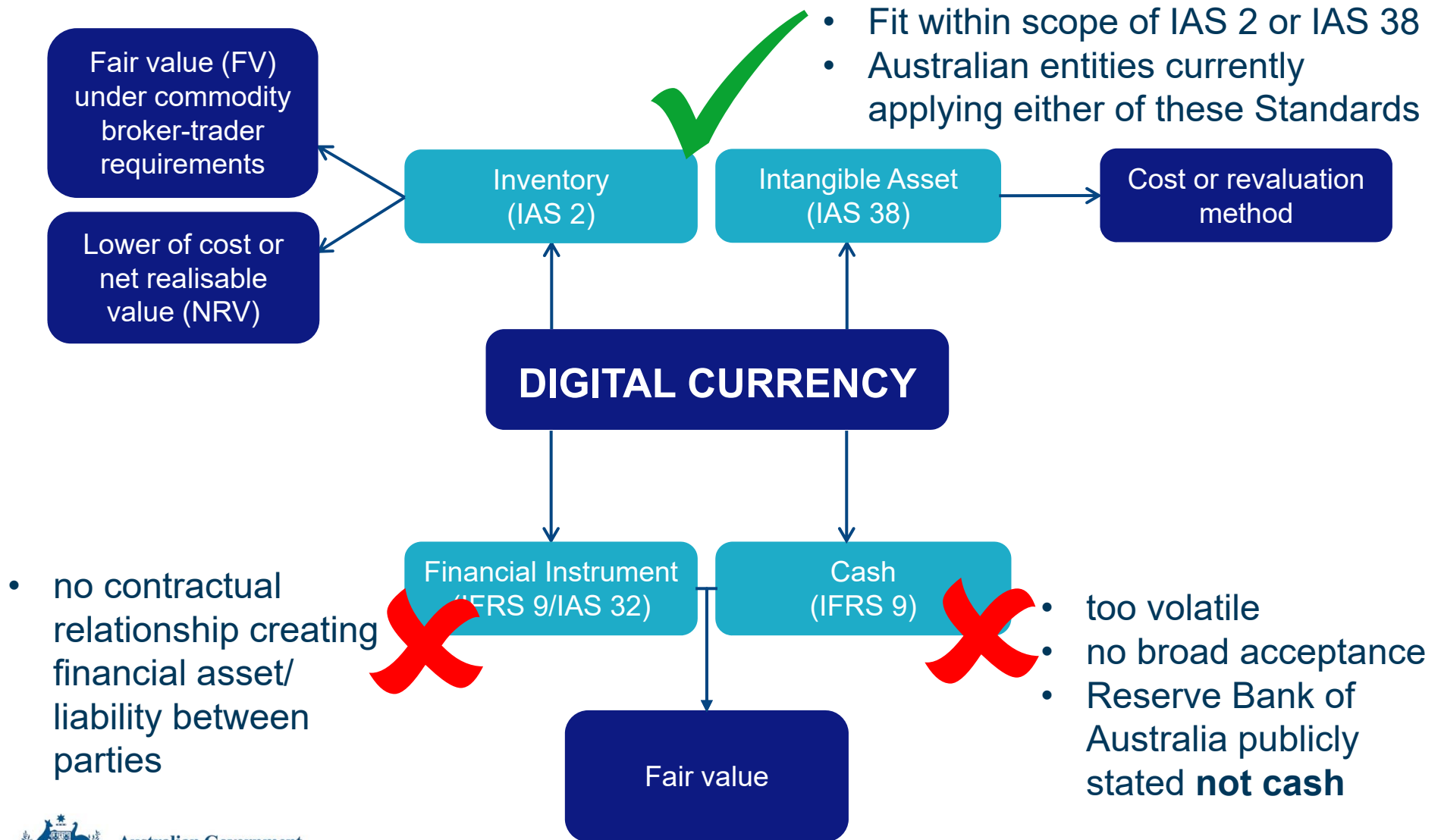
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How would IFRS Standards currently apply?

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Do IAS 2 and IAS 38 meet user needs?

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Commodity broker-trader

- only available when trading commodity in short term

Lower of Cost/NRV

- not a fair value measurement



Cost

- not a fair value measurement

Revaluation

- only available when market active
- changes in FV through Other Comprehensive Income (OCI)

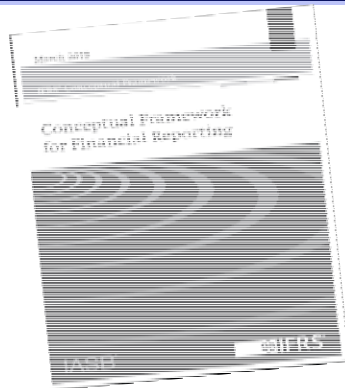


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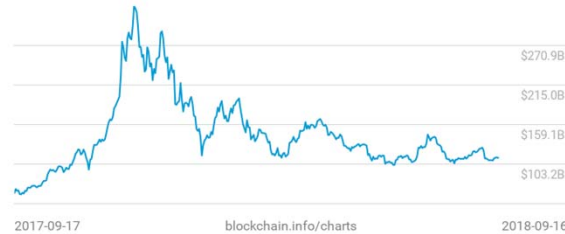
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So what is the gap in the accounting Standards?

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Market Capitalization
\$111.9B



IAS 2 and IAS 38 cost approaches are inconsistent with the revised *Conceptual Framework* which calls for current values PK7

Cryptocurrencies are volatile and a cost approach would not reflect their actual value

Changes in FV through profit and loss would increase accountability for the investment decision

Australia's view:
a fair value approach through profit and loss would be most useful



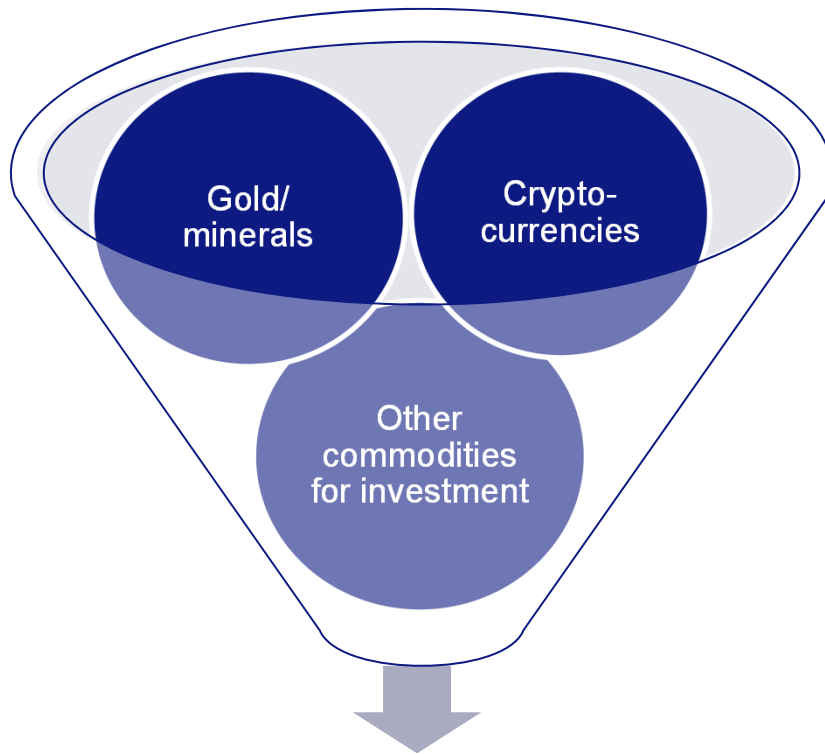
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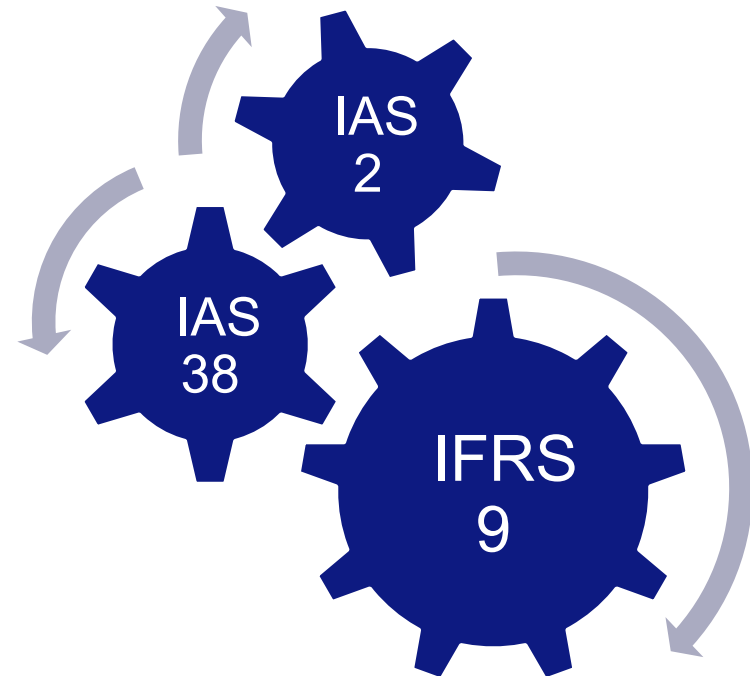
new or old and how inconsistent?

Peach, Kris, 9/18/2018

How can Standard-Setters address the issues?



Develop new IFRS Standard covering investments broadly

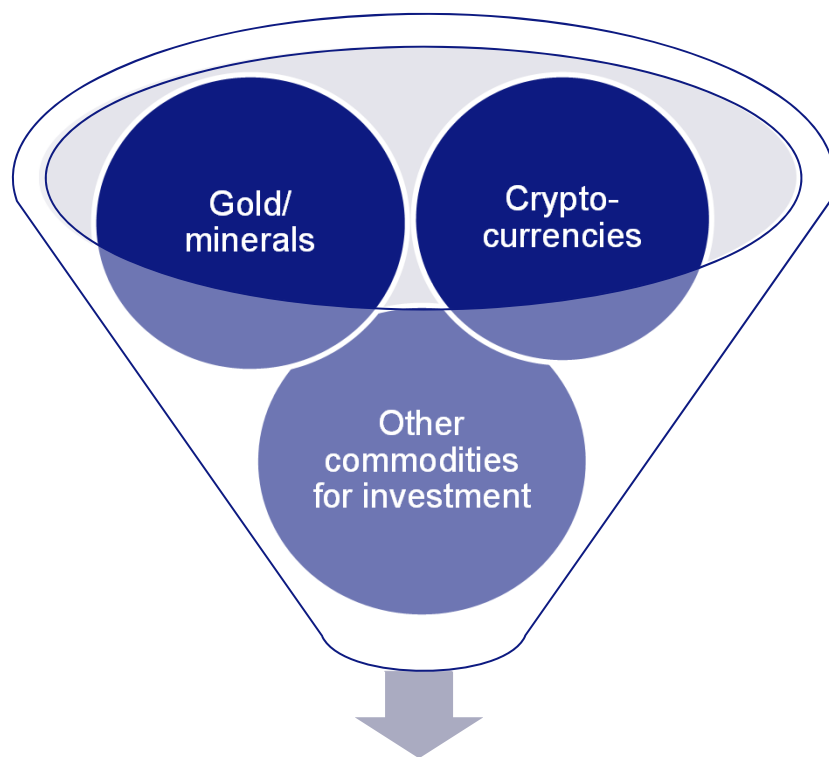


Amend current Standards to scope cryptocurrencies out of IAS 38 and into IFRS 9



Australia's preferred approach

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Develop new IFRS Standard covering investments broadly



Australia supports the IASB developing a **worldwide** Standard



Fills the **gap** in IFRS Standards



Opportunity to work with users and ensure they are receiving **reliable** and **consistent** information about **all investments**



Allows for principles for **future developments** - not just a 'band-aid' fix



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Engage with the AASB

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Discussion group
AASB Alumni



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