

May 24, 2023

Ms. Hillary H. Salo
Technical Director
Financial Accounting Standards Board
801 Main Avenue
P.O. Box 5116
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

**Re: Invitation to Comment— Proposed Accounting Standards Update – Intangibles—
Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of
Crypto Assets**

(File Reference No. 2023-ED200)

Dear Ms. Salo:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 19,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above-captioned invitation to comment (ITC).

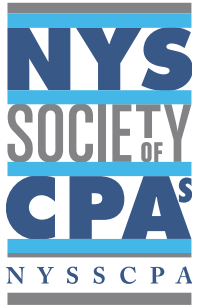
The NYSSCPA's Financial Accounting Standards Committee deliberated the ITC and prepared the attached comments. If you would like additional discussion with us, please contact Sean C. Prince, Chair of the Financial Accounting Standards Committee, at (646) 231-7285, or Keith Lazarus, NYSSCPA staff, at (212) 719-8378.

Sincerely,

A handwritten signature in black ink that reads "Lynne M. Fuentes CPA". The signature is written over a faint, semi-transparent watermark of the NYSSCPA logo.

Lynne M. Fuentes
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**INVITATION TO COMMENT— PROPOSED ACCOUNTING STANDARDS UPDATE –
INTANGIBLES—GOODWILL AND OTHER—CRYPTO ASSETS (SUBTOPIC 350-60):
ACCOUNTING FOR AND DISCLOSURE OF CRYPTO ASSETS**

(File Reference No. 2023-ED200)

May 24, 2023

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New York State Society of Certified Public Accountants
Comments on
Proposed Accounting Standards Update –
Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60):
Accounting for and Disclosure of Crypto Assets
File Reference No. 2023-ED200

We are pleased to respond to the FASB’s exposure draft of the Proposed Accounting Standards Update—Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60), Accounting for and Disclosure of Crypto Assets (the “proposed Update”). We appreciate that this proposed Update begins addressing the pertinent concerns we and others shared in commenting on the FASB’s 2021 Invitation to Comment—*Agenda Consultation*.

General Comments

We agree with the narrow approach used in the proposed Update, which should allow initial guidance to be implemented more quickly. Upon issuing an Accounting Standards Update, the FASB should add to its agenda a broader project to address digital assets excluded from this proposal. A future proposal should also focus on issues not yet addressed that impact the comparability of financial statements, including determining a consistent cost basis for digital assets and a consistent derecognition and disclosure framework for these assets.

Specific Comments

We have the following responses and suggestions for the FASB’s consideration to questions posed in the proposed Update:

Scope

Question 1: Are the proposed scope criteria understandable and operable? Please explain why or why not and, if not, what changes you would make.

Response: We believe the proposed scope criteria are sufficiently understandable and operable, though we acknowledge identifying related parties can be especially challenging in the digital asset ecosystem.

Question 2: Is the population of crypto assets identified by the proposed scope criteria appropriate? Please explain why or why not.

Response: Keeping in mind our General Comments, we believe the proposed identified population of crypto assets is appropriate.

Question 3: The amendments in this proposed Update would apply to all entities, including private companies, not-for-profit entities, and employee benefit plans. Do you agree with that proposal? Please explain why or why not.

Response: We agree that the proposed Update should apply to all entities, since the need for improved accounting guidance applies to all who transact with crypto assets.

Measurement

Question 4: The proposed amendments would require that an entity subsequently measure certain crypto assets at fair value in accordance with Topic 820, Fair Value Measurement. Do you agree with that proposed requirement? Please explain why or why not.

Response: We agree with the proposed amendment to measure certain crypto assets at fair value, as this best reflects the economic realities stemming from the often-volatile nature of such assets.

Question 5: The Board rejected an alternative that would have prohibited an entity from recognizing an unrealized gain but would still require recognition of losses for a crypto asset measured at fair value in an inactive market and would have required that the entity disclose the current fair value. Would this approach provide more decision-useful information than requiring that an entity recognize those unrealized gains in net income? Please explain why or why not. How would you define an inactive market for this asset class?

Response: We believe fair value guidance for crypto assets should be consistent with GAAP. The issues of whether to defer recognition of gains with inactive markets and how to define such markets are valid concerns, but they should be addressed in a separate overall consideration of fair value.

Question 6: The proposed amendments would require that transaction costs to acquire crypto assets, such as commissions and other related transaction fees, be expensed as incurred unless an entity capitalizes those costs in accordance with industry-specific guidance (for example, investment companies within the scope of Topic 946, Financial Services—Investment Companies). Do you agree with that proposed requirement? Please explain why or why not.

Response: We agree with transaction costs to acquire crypto assets being expensed as incurred, as this provides a straightforward approach and facilitates a clear view into the fair value position of acquired crypto assets.

Presentation

Question 7: The proposed amendments would require that an entity separately present crypto assets from other intangible assets in the balance sheet and, similarly, separately present changes in the fair value of those crypto assets from amortization or impairment of other intangible assets in the income statement. Do you agree with the proposed presentation requirements? Please explain why or why not.

Response: We agree with the proposed presentation requirements, which should highlight the impact of crypto assets on a reporting entity’s financial position and performance.

Question 8: The proposed amendments would require that for crypto assets received as noncash consideration in the ordinary course of business and converted nearly immediately into cash, an entity would classify the cash received as an operating activity in the statement of cash flows. Do you agree with that proposed requirement? Please explain why or why not.

Response: We agree with the proposed requirement since the described activity is more consistent with operating activities than with the other categories in the statement of cash flows.

Disclosure

Question 9: The proposed amendments would require that an entity disclose the cost basis of crypto assets separately for each significant crypto asset holding. The Board decided not to provide specific guidance on how an entity should determine the cost basis of its crypto assets, including its determination of the basis used to calculate and disclose realized gains and losses. Do you agree with this aspect of that proposed requirement? Please explain why or why not.

Response: We agree with the proposed requirement. For overall GAAP, FASB should consider defining “significant” items to be disclosed. See our General Comments for additional relevant thoughts.

Question 10: Are the proposed disclosure requirements operable in terms of systems, internal controls, or other similar considerations related to the required information? Please explain why or why not.

Response: We believe the proposed disclosure requirements are operable, since they provide key information that entities transacting in crypto assets should be able to identify and monitor.

Question 11: Should additional disclosures, such as those described in paragraph BC60 in the basis for conclusions, be required? If so, what additional information should be disclosed? How would that information influence investment and capital allocation decisions?

Response: We recommend one additional disclosure: show the high and low unit fair value for each significant crypto asset holding within the reporting period. This will allow insight into the volatility of relevant crypto assets.

Question 12: The proposed amendments would require that an entity annually disclose a reconciliation of the opening and closing balances of crypto assets, which would include additions, dispositions, gains, and losses during the reporting period. Would this proposed disclosure provide decision-useful information? Please explain how and for what purpose that information would be used or why it would not be useful. Should that information also be required on an interim basis? Please explain your response.

Response: We believe the proposed disclosure would provide decision-useful information as it would detail crypto asset flows. We recommend requiring these disclosures only on an annual basis to reduce preparers' burdens and costs.

Implementation Guidance and Illustrations

Question 13: The Board concluded that Topic 820 and Topic 850, Related Party Disclosures, provide sufficient guidance for an entity to measure the fair value of crypto assets and evaluate and disclose related party transactions that involve crypto assets. Is that guidance operable and sufficient as it relates to crypto assets? Please explain why or why not.

Response: We agree that established fair value and related party disclosures guidance is operable and sufficient. While challenges can arise, crypto assets are not unique in having related party activity or complexities in determining fair value.

Transition and Effective Date

Question 14: The proposed amendments would require that an entity apply the amendments as of the beginning of the fiscal year of adoption through a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets). Do you agree with the proposed transition guidance? Please explain why or why not.

Response: We agree with the proposed transition guidance, which should provide clear and concise information upon adoption.

Question 15: How much time would be needed to implement the proposed amendments? Is additional time needed for entities other than public business entities? Should early adoption be permitted? Please explain your response.

Response: We recommend providing at least six months after issuance before requiring adoption. We would not allow additional time for entities other than public business entities, since this guidance should not be difficult to implement and has long been needed by all relevant entities. We would permit early adoption to allow preparers to comply with the guidance as quickly as possible.

Benefits

Question 16: Would the proposed requirement to subsequently measure crypto assets at fair value and the accompanying disclosures benefit investors by providing them with more decision-useful information? If so, how would that information influence investment and capital allocation decisions? If not, please explain why.

Response: We believe the proposed requirements would benefit investors with more decision-useful information with which they could allocate capital.

Costs and Auditability

Question 17: To the extent not previously discussed in response to the proposed amendments above, what effect would the proposed amendments have on costs? If those proposed amendments are expected to impose significant incremental costs, please describe the nature and magnitude of those costs, differentiating between one-time costs and recurring costs. If those proposed amendments are expected to reduce costs, please explain why.

Response: We believe there would be initial one-time, manageable additional costs to establish the necessary elements to comply, but thereafter costs should be reduced without the need for continuing impairment tests.

Question 18: Would the financial reporting and disclosure requirements included in the proposed amendments be auditable? Please explain why or why not.

Response: We believe the requirements would be auditable, though rarely traded crypto assets will be a challenge consistent with other assets when fair values are required.