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Managing digital finance: The role of cryptocurrency in financial reporting

Muh. Fathir Maulid Yusuf[1*], Dian Mayafaty Rauf[1], Ahmad Hamid[1], Wiwin Sultraeni[1], Ilham Akbar Garusu[1]
[1]Universitas Nahdlatul Ulama Sulawesi Tenggara, Indonesia; fathir.maulid91@gmail.com (M.F.M.Y.) dianmayafaty@yahoo.co.id (D.M.R.) ahmadunusra@gmail.com (A.H.) wiwinsultraeniunusra@gmail.com (W.S.) ilhamibar@gmail.com (I.K.)

Abstract: This study aims to explore the role of cryptocurrency in corporate financial reporting amidst the rise of digital finance. The research adopts a descriptive-analytical design, utilizing both qualitative and quantitative methods. Data were collected from literature reviews, interviews with financial practitioners, and case studies of companies integrating cryptocurrencies into their financial operations. The findings highlight that while cryptocurrencies offer opportunities for portfolio diversification and faster cross-border transactions, they also introduce challenges, such as price volatility and regulatory uncertainty, which complicate asset valuation and risk management in financial statements. The study reveals that companies like Tesla and MicroStrategy have reported increased asset values due to cryptocurrency investments, but also faced difficulties in providing consistent financial estimates due to market fluctuations. The research concludes that clear regulatory frameworks and enhanced accounting standards are essential for transparent and reliable financial reporting. Practical implications include the need for financial practitioners to develop expertise in cryptocurrency valuation and risk management while ensuring compliance with international financial reporting standards.

Keywords: *Cryptocurrency, Financial reporting, Digital finance, Digital assets.*

1. Introduction

Amid advances in information technology and the digitalisation of the global economy, digital financial management has become a topic of high interest. Cryptocurrency, as a leading digital financial instrument, continues to grow rapidly and plays an increasingly significant role in the structure of corporate financial statements. Financial statements are a key tool to reflect the financial health of a company. In the era of technological advancement and digitalisation of the economy, it is most popular to study how these cryptocurrencies not only affect economic transactions but also project challenges and opportunities for conventional accounting principles and financial reporting.

Even though cryptocurrencies are anything from a steady means of exchange or a trustworthy store of wealth, they were initially seen as speculative vehicles. But as time has gone on and their acceptance by a wider range of organizations—including traditional financial institutions and multinational corporations—has grown, cryptocurrencies are starting to be incorporated into a larger financial ecosystem. The current rules for financial reporting need to be reexamined in light of this paradigm shift, especially with regard to recognition, measurement, presentation, and disclosure. The distinct dynamics created by cryptocurrencies are testing international standards that are the foundation of Generally Accepted Accounting Principles (GAAP) and [1]

In the context of recognition, cryptocurrencies such as Bitcoin or Ethereum have high price volatility. This raises the question of how the value of cryptocurrency assets should be recognised in the financial statements, whether it should use the current market value or another more stable

* Correspondence: fathir.maulid91@gmail.com

measurement method. Similar considerations arise in terms of measurement, where fluctuations in market value can provide an inconsistent picture of an entity's financial position.

The presentation of financial statements is also a subject of concern. How should cryptocurrency be presented? As cash and cash equivalents or as investments? This question raises the need to develop clear guidance on the classification and presentation of cryptocurrency assets in financial statements, in line with internationally accepted accounting principles.

In addition, disclosure of information related to cryptocurrency has also become important. In situations where companies use or own cryptocurrency assets, transparent and comprehensive disclosures are necessary to provide stakeholders with a good understanding of the risks and potential impact on the company's financial performance.

While IFRS and GAAP endeavour to provide a common and holistic accounting framework, the adoption of cryptocurrencies presents unique dynamics that have not been fully accommodated by those standards. Therefore, policymakers and accounting experts need to work together to develop additional guidance or detail existing standards to reflect the new realities presented by cryptocurrency developments. Thus, financial statements can remain relevant, informative and reliable in portraying an entity's financial position in the ever-evolving digital age.

It will provide an up-to-date perspective on the classification of cryptocurrencies as assets, liabilities, or equity in the balance sheet. In addition, it will discuss how the existence of cryptocurrencies may change financial audit practices as well as the impact on fair value in digital assets. The paper will also explore the variations in interpretation between different jurisdictions and institutions in applying accounting norms to transactions involving cryptocurrencies, as well as the implications for investors, auditors and regulators.

The implications for investors, auditors, and regulators, as key stakeholders, are faced with the task of evaluating the risks associated with cryptocurrency investments. Price volatility, regulatory uncertainty, and digital security risks all require a deep understanding before making investment decisions. Auditors, on the other hand, need to develop new expertise in evaluating entities involved in cryptocurrency transactions. This includes understanding blockchain technology, handling volatility risk, and fair value assessment. As such, auditors must keep abreast of technological and regulatory developments to provide effective examinations.

Regulators have a central role in shaping the regulatory framework for cryptocurrencies. Clear and consistent regulation can help reduce uncertainty and increase confidence in the market. However, challenges arise when regulations cannot keep up with the pace of innovation in the industry. Therefore, regulators need to collaborate globally to create minimum standards to protect all stakeholders.

By adopting a descriptive-analytical research methodology and collecting data from relevant literature studies, this article intends to offer a robust framework for decision-makers and financial practitioners in understanding and managing the role of cryptocurrencies in financial statements in line with international standards, as well as formulate future-oriented recommendations in navigating this new emerging complexity.

In this article, we will further discuss the role of cryptocurrencies in corporate financial statements, as well as how digital financial management should follow relevant international standards. By doing so, companies can manage digital finance effectively and transparently, ensuring accurate and trustworthy financial reports.

2. Literature Review

2.1. Cryptocurrency

Cryptocurrencies are intangible digital tokens that are recorded using a distributed ledger infrastructure commonly called blockchain. These tokens have multiple usage rights. Crypto is designed as a medium of exchange, for example, other digital tokens may represent ownership or grant rights to

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use other assets or services. The entity that owns these tokens has a key that allows it to create new entries in the ledger. By gaining access to the ledger, the entity can reassign ownership of the token. Since the entity only holds the blockchain keys, not the tokens themselves, these tokens are not stored in the entity's information technology system. They are a representation of the pool of specialised digital resources owned by the entity; however, this authority can be granted to third parties. [2]

Cryptocurrency is a digital asset designed as a medium of exchange and is conducted in a database using cryptocurrency graphical techniques. The purpose of cryptocurrency digital assets is to maintain the security of transaction history, control the minting of coins and to verify the delivery and ownership status of coins. The history of cryptocurrency begins with the emergence of Digicash which was created by [3], an American cryptocurrencygraphist. Chaum thought that he would not break away from the financial track of banks to safeguard his personal transactions. Chaum created a digital currency by using complex algorithms so that financial transactions cannot be altered and controlled, thus allowing peer-to-peer financial transactions to occur.

Cryptocurrency has entered the realm of finance in a significant way, raising questions about its role in corporate financial statements. [4] highlighted the importance of legal and regulatory aspects related to cryptocurrencies in financial statements. he emphasised that the successful use of cryptocurrencies in financial statements depends on a clear legal framework. The challenge of integrating cryptocurrency assets in the existing regulatory system creates the need for a deep understanding of security and legal compliance aspects.

[5] focused on the price volatility of cryptocurrencies, especially Bitcoin, and its impact on financial statements. They stated that high volatility poses challenges in assessing fair value for stable financial statements. Therefore, accounting methods that can accommodate cryptocurrency price fluctuations are essential. [6] discussed the debate surrounding the classification of cryptocurrencies in the balance sheet. He highlighted that regulatory uncertainty and the unique characteristics of cryptocurrencies lead to differences of opinion in applying accounting norms. Whether cryptocurrencies are considered as assets, equity, or other forms of balance sheet is a crucial question that requires clearer guidance.

[7] emphasised on transparent and accurate disclosure of cryptocurrency-related information in financial statements. The authors noted that shareholders and stakeholders need to be provided with clear information regarding a company's exposure to cryptocurrencies. This disclosure is key to understanding the risks and opportunities associated with cryptocurrency assets. [8] In relation to financial statements, Dyhrberg presents views regarding the potential for diversification and investment using cryptocurrencies. He observed that some companies see cryptocurrencies, particularly Bitcoin, as an opportunity to diversify investment portfolios. This creates a need to accurately reflect the value of such investments in financial statements.

[9] cryptocurrency plays an important role in financial reporting with the concept of blockchain. Blockchain is the underlying technology of cryptocurrencies, which allows financial transactions to be carried out in a decentralised and secure manner. With high transparency and security, cryptocurrencies can be integrated into a company's financial statements to provide accurate and well-documented transaction records.

[10] cryptocurrency can also help in speeding up the financial statement audit process. With verified and immutable transaction records, auditors can easily track and examine company financial transactions without having to involve multiple parties and reduce the risk of data manipulation. In addition, according to [11] cryptocurrencies can also play a role in diversifying a company's investment portfolio. By investing in cryptocurrencies, companies can expand their investment portfolio to reduce risk and increase potential investment returns.

Overall, cryptocurrencies play an important role in corporate financial statements by providing a secure and verified record of transactions, speeding up the audit process, and aiding in investment diversification. However, the role of cryptocurrencies in financial statements also requires an in-depth understanding of the regulations and risks associated with these digital assets. A clear understanding of

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how cryptocurrencies can be integrated into a company's financial reporting system is needed, taking into account the legal, security, and risk management aspects involved.

The presentation of cryptocurrencies has diverse views on the role of cryptocurrencies in financial statements. From legal and regulatory issues to price volatility, balance sheet classification, disclosure, and investment potential, each aspect has a direct impact on the way cryptocurrencies are reflected in corporate financial statements. As the cryptocurrency industry grows, this literature becomes essential to guide companies, accountants, and regulators in addressing the challenges and capitalising on the opportunities faced by these cryptocurrency assets in the context of corporate finance.

[12] introduction of Bitcoin as the first cryptocurrency opened the door for further exploration of the use of cryptocurrencies in financial management. Bitcoin, in some cases, has been used as an effective investment diversification tool, reducing the risk of traditional portfolios and providing significant profit opportunities [8]

Cryptocurrencies also enable faster and cheaper international transactions compared to traditional methods, facilitating the efficient management of cross-border cash flows [13] This is particularly important in the context of business globalisation where companies often operate in different countries. While cryptocurrencies bring advantages in financial management, there are also challenges in reflecting their impact on financial statements. High price volatility is one of the main obstacles. The study by [5] shows that the value of Bitcoin varies widely, creating challenges in assessing a fair value for stable financial statements.

The accounting aspects of cryptocurrencies are also a major highlight in the literature. Questions have arisen as to whether cryptocurrencies should be recognised as assets, equity, or something else entirely in the balance sheet. According to [6] traditional accounting standards have not been able to fully accommodate the special features of cryptocurrencies, demanding a new approach in financial reporting. In addition, the literature also highlights the importance of transparent and accurate disclosure of information with respect to cryptocurrency holdings and transactions in corporate annual reports [17]. This is important to provide shareholders and other stakeholders with clarity on a company's exposure to cryptocurrencies.

Digital financial management involving cryptocurrencies also brings challenges in risk management and security. The increase in cryptocurrency-related security cases such as hacking and loss of private keys demands extra attention to security aspects [4] Research by [14] shows that companies adopting cryptocurrencies also need to pay attention to operational risks and changes in regulatory policies that may affect the value and use of cryptocurrencies.

The literature presents a rich and complex picture of the role of cryptocurrencies in digital financial management and their impact on financial statements. While cryptocurrencies bring innovation and advantages, challenges such as price volatility and accounting issues to be addressed. Risk management and security are also an important focus in the evolving context of digital finance.

Based on previous research, it is suggested that certain aspects related to the role of cryptocurrencies in financial statements be explored, such as a comparison of the use of cryptocurrencies in different industries, the development of more suitable accounting methods, or the development of risk management models specific to companies adopting cryptocurrencies. Thus, this literature study opens the door for further research that can provide a more in-depth view of the role of cryptocurrencies in managing digital finance and reflect its impact on financial statements.

2.2. Financial Reporting

Financial statements are the main subject of attention and research by global financial experts. According to [15], an international finance expert, financial statements are "a formal statement of an entity's financial position and performance detailed and organised in accordance with an international accounting framework." [16] emphasised the importance of financial statements in the context of global accounting standards convergence, stating that "international accounting standards can improve the

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efficiency and quality of financial information, reduce the cost of capital, and encourage cross-border investment."

However, financial statements also pose a number of challenges. According to [17] an international accounting expert, the uncertainty and complexity of applying international accounting standards can create barriers, and "a deep understanding of the differences and complexities of international accounting practices" is necessary to ensure the quality of accurate and relevant financial statements.

Similarly, [18] argue that "international financial reporting requires careful risk management and compliance with evolving regulations." This challenge reflects the complexity of global market dynamics and the need to stay in line with changing accounting regulations and practices. Thus, through these opinions, it can be seen that financial reporting is not just about the presentation of numbers, but also involves the regulatory context, complexity of accounting practices, and risk management challenges in a dynamic global business environment.

In the context of financial statements, there is a concern for accounting practitioners as well as large corporates that how the integration of cryptocurrency assets can be a complex aspect of financial statements. Experts have explored how international accounting standards can be applied to cryptocurrency assets. According to [15] a leading accounting expert, "the accounting treatment of cryptocurrency assets may vary depending on the nature and intended use of the asset."

Of course, the main challenge lies in the high price volatility and regulatory uncertainty inherent in the cryptocurrency asset market. According to [19] an economist and financial expert, "measuring the value and risk of cryptocurrency assets in international financial reports can be a complicated task, especially due to the rapid changes in market value." This creates a need for a robust risk management approach and disclosure in financial statements to mitigate potential risks and provide relevant information to stakeholders.

Along with this, [20] in their research underlined that "companies holding cryptocurrency assets need to pay attention to compliance with international accounting standards and ensure that financial statements accurately reflect the value and risks of these assets." As such, including cryptocurrency assets in international financial statements requires a deep understanding of international accounting standards, as well as the ability to manage the risks and uncertainties associated with the dynamic cryptocurrency asset market. The integration of cryptocurrency assets in financial statements is a challenge that impacts the complexity of preparing international financial statements and requires a deep understanding of various aspects of global accounting and finance.

Financial statements that include cryptocurrency assets have been the subject of debate and concern among financial experts. Some experts favour the integration of cryptocurrencies in financial statements as a form of portfolio diversification that can increase the value of corporate wealth. They highlight the potential gains that can be made from investing in these digital assets, along with the growth and acceptance of cryptocurrencies in various sectors of the economy. In their view, the presence of cryptocurrencies in financial statements can provide a more complete picture of a company's financial health.

However, a number of experts also highlighted the risks associated with cryptocurrency assets, which can have a significant impact on financial statements. High price volatility and regulatory uncertainty were major concerns, and experts noted that this could make it difficult for companies to provide consistent estimates for reporting and audit purposes. In addition, several experts detailed the compliance and tax reporting risks associated with market volatility, emphasising the need for caution in managing cryptocurrency assets in the context of evolving regulations and legislation.

[21] underline that high volatility can be an obstacle to trust in the use of cryptocurrencies for transaction payments, while [22] notes the risk of manipulation that can arise from high levels of volatility. Therefore, these experts' views illustrate the complexities and challenges associated with the integration of cryptocurrencies in financial statements.

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To address these issues, experts recommend that companies adopt a well-thought-out risk management strategy, including active monitoring of regulatory changes and the use of hedging instruments. Security and reliability of technological infrastructure are also considered important to mitigate risks associated with manipulation and cyberattacks. As such, experts' views reflect the diversity of approaches in dealing with the integration of cryptocurrency assets in financial statements, emphasising the need for a balance between the potential benefits and risks inherent in this world of digital finance.

In addition, some financial experts consider the regulatory factor as a critical element in the valuation of cryptocurrency assets in financial statements. Clear and consistent regulation is considered a necessary foundation for creating a stable and trustworthy environment for companies involved in cryptocurrency transactions. Experts may emphasise the need for collaboration between industry players, regulators, and financial institutions to formulate an appropriate regulatory framework.

In the face of price volatility and other associated risks, financial experts may also propose the adoption of high transparency practices in financial reporting. This could include a clear separation between cryptocurrency assets held by the company and the risk management strategies implemented to address market fluctuations. This openness is expected to increase stakeholder confidence and provide better visibility to the potential impact of cryptocurrency assets in a company's financial performance.

It is important to note that the views of experts are constantly evolving as the cryptocurrency market and regulations evolve. Therefore, companies are expected to stay alert to changes in the digital finance paradigm and always update their strategies according to dynamic market conditions. By taking a balanced approach between opportunities and risks, companies can capitalise on the growth potential offered by cryptocurrencies in financial statements, while maintaining vigilance against the various challenges that may arise.

[22] highlighted that it is important to consider the social and environmental impacts of cryptocurrency integration in financial reports. Some of them may highlight concerns related to the high energy consumption associated with the cryptocurrency mining process, as is the case with Proof-of-Work blockchain networks. These experts may emphasise the need to look for more environmentally friendly solutions or shift the focus to Proof-of-Stake blockchain platforms that consume less energy.

On the other hand, [21] highlight the positive impacts of cryptocurrency adoption, such as financial inclusiveness and wider access to the global financial system. They may emphasise the role of cryptocurrencies in providing financial services to those who are unbanked or do not have access to the traditional banking system. This inclusive approach can expand access to financial services and improve financial inclusion at the global level.

In the face of these challenges and opportunities, experts may call for cross-sector cooperation between government, industry, and civil society to formulate the best approach to managing cryptocurrencies. Comparisons and lessons learnt from various policies around the world can provide valuable insights to develop regulations that are balanced and support sustainable growth.

By embracing the views and recommendations of various experts, companies can gain a more comprehensive understanding of the implications of cryptocurrency integration in financial statements. This can help them take informed decisions, better manage risks, and contribute to the establishment of a more inclusive and sustainable financial environment. Moreover, collaboration between stakeholders can be key to overcoming challenges and maximising the positive potential of cryptocurrencies in the realm of corporate finance.

3. Research Method

This research utilises both qualitative and quantitative approaches to explore companies' strategies and practices in managing digital cryptocurrency finance. The research methodology in this case

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involved various data collection techniques, including interviews with financial practitioners, interactions with accounting lecturers, document analysis of financial statements, a comprehensive literature review, and in-depth case studies of companies that have integrated cryptocurrencies in their financial operations.

Through a qualitative approach, this research will explore the views, understanding, and experiences of financial practitioners regarding digital financial management using cryptocurrencies. These interviews will provide insights into the challenges, opportunities and strategies implemented by companies in adopting these aspects of digital finance. The quantitative approach will involve financial statement data of companies using cryptocurrencies that will be thoroughly analysed to identify the role of cryptocurrencies in financial statements in terms of recognition, measurement, presentation, and disclosure.

The research will also utilise document analysis to understand the regulatory framework guiding digital financial management with cryptocurrencies. In addition, a comprehensive literature review will provide the theoretical context and in-depth understanding of recent developments and trends in the use of cryptocurrencies in the corporate finance sphere.

The case studies focus on companies that have adopted cryptocurrency in their financial operations and provide a practical overview of the strategy implementation, benefits gained, and challenges faced by these companies.

By integrating results from both qualitative and quantitative approaches, this research is expected to provide holistic insights into digital financial management using cryptocurrencies, strengthen the understanding of their impact, and provide practical recommendations for companies wishing to explore or enhance the use of cryptocurrencies in corporate finance operations.

4. RESEARCH RESULT

The results show that cryptocurrencies have been integrated into financial statements as a form of asset. Some companies reported an increase in the value of their wealth due to investments in cryptocurrencies. However, challenges such as price volatility and regulatory uncertainty are also recognised as potential risks in financial management. The amount of volatility and uncertainty associated with cryptocurrencies makes it difficult to provide reliable estimates for reporting and auditing purposes, especially from a tax compliance and reporting perspective.

[21] argue that the high volatility of cryptocurrencies can be an important factor inhibiting trust in their use for payment transactions. [22] noticed that high levels of volatility increase the risk of holding cryptocurrencies and the possibility of manipulation by providing false positive statements to sell purchased cryptocurrencies at higher prices.

In addition to the considerable volatility, companies need to consider how cryptocurrencies may impact the cash flow within the company. Changes in the value of cryptocurrencies can serve as a significant factor affecting the company's net cash position. Additionally, companies must also assess the influence of cryptocurrencies on the company's liquidity. Can cryptocurrency assets be readily converted into legitimate currency to meet the company's financial obligations?

Moreover, enterprises must also ponder over the regulatory and adherence implications whilst employing cryptocurrencies in their commerce dealings. With mutating regulations across different territories, encompassing anti-money washing (AML) and Recognize-Your-Consumer (KYC) processes, firms need to make certain they act in accordance with suitable lawful necessities.

Contemplating how enterprises administer security-related perils tied to their cryptocurrency assets is likewise critical. Digital safeguard threats, such as hacking and thievery, are dangers that ought to be earnestly contemplated. Enterprises ought to establish fitting security strategies to optimally shield their cryptocurrency possessions.

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4.1. International Financial Reporting Standards (IFRS) Regulation on Cryptocurrency in Financial Statements

In conceptual financial reporting, cryptocurrencies are considered as part of the asset category due to the development of digital currencies used in international business. The International Accounting Standards Board (IASB) identified digital currency as a new topic through the Consultation Agenda Board (CAD) process because the cryptocurrency market is growing rapidly. Discussions are ongoing in various accounting standards board meetings, especially regarding the classification of cryptocurrency assets from the perspective of the holder. The IFRS Interpretations Committee took a decision by releasing the "[23]" guidance to guide companies in applying the applicable [1] regarding cryptocurrency holdings. It invites accounting practitioners to develop concepts related to the recognition, measurement, presentation, and financial reporting disclosure of cryptocurrency assets for future reference.

At the international level, there are no IFRS standards that specifically address the recognition, measurement, presentation and disclosure of cryptocurrencies in financial statements. Nonetheless, the guidance that has been issued by the IFRS Interpretations Committee, specifically "[23]," provides practical direction regarding the management of cryptocurrency assets within existing frameworks. In terms of recognition, companies are expected to consider the [24] or [25] standards depending on the nature and intended use of cryptocurrency assets. For example, if the cryptocurrency is held for sale in the ordinary course of business, the IAS 2 standard may be applied, while IAS 38 may be used if the IAS 2 standard is not relevant.

At the measurement stage, companies should consider the fair value of cryptocurrency assets as a key step. Fair value can reflect observable market prices or be valued using relevant valuation methods if market prices are not available. However, with the high market volatility of cryptocurrencies, determining fair value can be a significant challenge.

The presentation of cryptocurrency assets in financial statements should also comply with general presentation principles, including accurate grouping and classification according to the nature and purpose of holding them. In addition, clear and detailed disclosures are required to provide sufficient information to stakeholders, including the risks associated with cryptocurrency assets and the accounting policies applied.

Along with the evolution of industry trends and rapid growth in the cryptocurrency market, the need for more specific regulation and accounting guidance is becoming more pressing. Regulators and financial standardisation bodies are expected to formulate a comprehensive and adaptive framework that can provide clear direction for companies in managing their cryptocurrency assets and ensure consistency in global financial reporting. Greater international agreement is needed to create a stable and trustworthy environment for the use of cryptocurrencies in the context of corporate finance globally.

In cryptocurrency holdings considered as financial assets within its scope that cryptocurrency serves as a financial asset for security tokens that represent residual interests in equity or for stable coins that give the holder a legally enforceable right to exchange the coins for cash. With the rapid growth of cryptocurrency asset transactions, further investigation and guidance is required to address the complex decisions therein.

In this context, the recognition of cryptocurrencies as part of the asset category represents an important recognition of the evolution of financial markets. The IFRS Interpretations Committee's [23] guidance provides a framework for companies to address cryptocurrency holdings by utilising existing IFRS standards. While the guidance provides steps to classify cryptocurrency assets under IAS 2 or IAS 38 standards, the recognition that cryptocurrency can be a financial asset, especially if it has a contractual right to receive cash or another financial asset, creates its own complexities. With cryptocurrencies that can function as security tokens or stable coins, companies are faced with the challenge of determining the nature and characteristics of such assets.

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It is important to remember that cryptocurrency is not cash, and the view that cryptocurrency asset transactions are rapidly evolving emphasises the need for further investigation and guidance. Dynamic market conditions and the rapid growth in cryptocurrency asset transaction trends demand an in-depth understanding of the accounting implications, risk management, and the need for adoption of best practices in financial statements. With so many decisions requiring consideration, companies must remain flexible and ready to adapt their approach as the cryptocurrency environment evolves. This emphasises the importance of cooperation between stakeholders, including financial institutions, accounting practitioners, and regulators, to develop guidance and regulations that can effectively and consistently accommodate the dynamics of the cryptocurrency market.

4.2. Generallly Accepted Accounting Principles (GAAP) Regulation on Cryptocurrency in Financial Statements

The regulation of cryptocurrencies in financial statements to date has no specific requirements in GAAP (generally accepted accounting principles). However, various regulatory bodies have established rules from the perspective of taxation, commodity trading, and Initial Coin Offering (ICO) financing. In 2022, the American Institute of Certified Public Accountants (AICPA) [26] formed a Digital Assets Working Group and released a non-authoritative guide, "[26]," to help account for digital assets under GAAP. Audit firms like PwC also issued their [27]. The guidance applies the Financial Accounting Standards Board (FASB) Accounting Standards Codification and applicable accounting literature.

Although GAAP does not yet have specific requirements for cryptocurrency accounting, regulatory bodies such as the AICPA and leading audit firms, including PwC, have issued guidance to assist companies in accounting for these digital assets under GAAP. The guidance emphasises that cryptocurrency assets, which generally lack physical substance, can be recognised as indefinite-lived intangible assets under [28]. In addition, if a cryptocurrency asset provides a contractual right to receive cash or another financial instrument, such as a stablecoin, the guidance suggests that the cryptocurrency asset meets the definition of a financial asset and should be measured at fair value. However, for broker-dealers and investment firms, the approach to recognition and measurement of cryptocurrency assets may vary according to the firm's business activities and qualifications.

The guidance also notes that if a cryptocurrency asset provides a contractual right to receive cash or another financial instrument, such as a stablecoin, the cryptocurrency asset meets the definition of a financial asset. In the case of broker-dealers operating within the scope of [29], digital assets may be recognised as inventory at fair value, with changes in fair value recognised in profit or loss. Meanwhile, companies that qualify as investment companies under [30] Companies must assess whether the cryptocurrency assets they acquire fall under the categories of debt securities, equity securities or other investments, and measure their investments at fair value.

With the rapid development in financial technology and the growing complexity of digital financial instruments, this guidance provides the necessary direction for companies to adopt consistent and adequate accounting practices in managing their cryptocurrency assets. While there is no official standard yet, these steps are a first step in addressing the uncertainty and complexity of accounting for cryptocurrencies under GAAP.

4.3. The Role of Cryptocurrency in Corporate Financial Statements

Due to the absence of GAAP or IFRS accounting standards specifically governing cryptocurrency, the accounting profession currently relies on concept statements, existing standards, non-authoritative guidance, and discretionary judgement to account for cryptocurrency. In this study, we explore the accounting practices used for cryptocurrency under IFRS and GAAP frameworks among 9 companies. In this case we used data from the website bitcointreasuries.net, which lists companies that hold Bitcoin, both public and private companies, as well as exchange traded funds (ETFs), by country. We then analysed the public companies' annual financial statements for fiscal years 2022 and 2023 to see how the role of cryptocurrencies is treated in their financial statements. If a company was involved in

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cryptocurrency business in fiscal years 2022 and 2023 or stopped holding cryptocurrency before fiscal years 2022 and 2023, we used the most relevant quarterly or semi-annual financial statements that included cryptocurrency activity.

The Tesla Company is an automotive and energy company based in the United States. Founded in 2003 by Elon Musk, JB Straubel, Martin Eberhard, Marc Tarpenning, and Ian Wright, Tesla is known for its focus on developing electric cars, solar panels, and energy storage. In addition, the Tesla company is one of the companies that has adopted cryptocurrency as listed in the annual financial report of the bitcointreasuries.net website.

Tesla, Inc.

Consolidated Balance Sheets
(in millions, except per share data)

	December 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 16,253	$ 17,576
Short-term investments	5,932	131
Accounts receivable, net	2,952	1,913
Inventory	12,839	5,757
Prepaid expenses and other current assets	2,941	1,723
Total current assets	40,917	27,100
Operating lease vehicles, net	5,035	4,511
Solar energy systems, net	5,489	5,765
Property, plant and equipment, net	23,548	18,884
Operating lease right-of-use assets	2,563	2,016
Digital assets, net	184	1,260
Intangible assets, net	215	257
Goodwill	194	200
Other non-current assets	4,193	2,138
Total assets	$ 82,338	$ 62,131

Figure 1.
Financial statement tesla, inc.

Figure 1 illustrates that the digital assets or cryptocurrencies of the Tesla company have been recorded separately in its balance sheet, explaining the difference and importance of separating the digital assets from other intangible assets. By identifying digital assets separately, Tesla recognises the significant role of cryptocurrencies in its financial portfolio, and demonstrates transparency in their financial reporting. This move provides a clear illustration of Tesla's commitment to a financial strategy that is inclusive and responsive to the evolution of global financial markets.

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Tesla, Inc.

Consolidated Statements of Cash Flows
(in millions)

	Year Ended December 31,		
	2022	2021	2020
Cash Flows from Operating Activities			
Net income	$ 12,587	$ 5,644	$ 862
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and impairment	3,747	2,911	2,322
Stock-based compensation	1,560	2,121	1,734
Inventory and purchase commitments write-downs	177	140	202
Foreign currency transaction net unrealized loss (gain)	81	(55)	114
Non-cash interest and other operating activities	340	245	529
Digital assets loss (gain), net	140	(27)	–
Changes in operating assets and liabilities:			
Accounts receivable	(1,124)	(130)	(652)
Inventory	(6,465)	(1,799)	(422)
Operating lease vehicles	(1,570)	(2,114)	(1,072)
Prepaid expenses and other current assets	(1,417)	(271)	(251)
Other non-current assets	(2,551)	(1,291)	(344)
Accounts payable and accrued liabilities	6,029	4,578	2,102
Deferred revenue	1,131	793	321
Customer deposits	155	186	7
Other long-term liabilities	1,904	476	495
Net cash provided by operating activities	14,724	11,497	5,943
Cash Flows from Investing Activities			
Purchases of property and equipment excluding finance leases, net of sales	(7,158)	(6,482)	(3,157)
Purchases of solar energy systems, net of sales	(5)	(32)	(75)
Purchases of digital assets	–	(1,500)	–
Proceeds from sales of digital assets	936	272	–
Purchase of intangible assets	(9)	–	(10)
Purchases of investments	(5,805)	(132)	–
Proceeds from maturities of investments	22	–	–
Receipt of government grants	76	6	123
Business combinations, net of cash acquired	–	–	(13)
Net cash used in investing activities	(11,973)	(7,868)	(3,132)

Figure 2.
Financial statement tesla, inc.

Figure 2 illustrates that in Tesla's corporate finance cash flows, proceeds (losses) from digital assets are recorded in cash flows from operating activities, while purchases of digital assets, and proceeds from sales of digital assets are separately recorded, and this is distinguished from purchases of intangible assets. This move shows recognition of the unique role and importance of digital assets in the company's financial strategy, and indicates transparency in their financial reporting. By separating these items in the financial cash flows, Tesla provides a clear picture of their financial management, including the evaluation and reporting of digital asset performance separately from other intangible assets.

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MICROSTRATEGY INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023 (unaudited)	2022 (unaudited)	2023 (unaudited)	2022 (unaudited)
Revenues:				
Product licenses	$ 15,522	$ 20,129	$ 32,934	$ 36,642
Subscription services	19,878	14,017	38,688	26,862
Total product licenses and subscription services	35,400	34,146	71,622	63,504
Product support	66,081	66,521	131,562	133,672
Other services	18,919	21,406	39,131	44,174
Total revenues	120,400	122,073	242,315	241,350
Cost of revenues:				
Product licenses	444	431	978	908
Subscription services	7,216	5,498	15,072	10,908
Total product licenses and subscription services	7,660	5,929	16,050	11,816
Product support	5,816	5,127	11,584	10,318
Other services	13,645	14,148	27,428	28,747
Total cost of revenues	27,121	25,204	55,062	50,881
Gross profit	93,279	96,869	187,253	190,469
Operating expenses:				
Sales and marketing	37,660	36,862	73,766	70,102
Research and development	29,354	31,790	60,712	65,313
General and administrative	28,830	28,502	56,736	55,208
Digital asset impairment losses	24,143	917,838	43,054	1,087,929
Total operating expenses	119,987	1,014,992	234,268	1,278,552

Figure 3.
Financial statement microstrategy incoporated

In Figure 3, MicroStrategy Incorporated shows that digital asset impairment losses are recorded as part of operating expenses. This measure demonstrates the direct impact of the impairment of digital assets on the company's operations. By recording these impairment losses as part of operating expenses, the company demonstrates transparency in its financial reporting and shows the direct effect of fluctuations in the value of digital assets on their operational performance.

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MICROSTRATEGY INCORPORATED
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	June 30, 2023 (unaudited)	December 31, 2022*
Assets		
Current assets		
Cash and cash equivalents	$ 65,968	$ 43,835
Restricted cash	2,085	7,033
Accounts receivable, net	121,901	189,280
Prepaid expenses and other current assets	19,680	24,418
Total current assets	209,634	264,566
Digital assets	2,323,252	1,840,028
Property and equipment, net	30,507	32,311
Right-of-use assets	58,264	61,299
Deposits and other assets	22,421	23,916
Deferred tax assets, net	719,026	188,152
Total Assets	**$ 3,363,104**	**$ 2,410,272**

Figure 4.
Financial statement microstrategy incorporated

Figure 4 shows that digital assets or cryptocurrencies in MicroStrategy Incorporated companies have been recorded in their balance sheets, explaining that digital assets are included in intangible assets. Digital assets or cryptocurrencies in MicroStrategy Incorporated companies have been recorded in their balance sheets, taking into account that digital assets fall under the category of intangible assets. This move confirms that MicroStrategy recognises the value and important role of digital assets in their financial portfolio, as well as acknowledging the unique and intangible nature of such assets in an accounting context. By including digital assets in the balance sheet, MicroStrategy provides a clear picture of their commitment to blockchain technology and cryptocurrencies as an important part of their financial strategy.

Figure 5 shows that MicroStrategy has purchased bitcoin either directly or indirectly through its wholly-owned subsidiary MicroStrategy. In the fourth quarter of 2022, MicroStrategy sold approximately 704 bitcoins at an original cost basis of $46.3 million and cumulative digital asset impairment losses of $35.4 million, resulting in a carrying value of $10.9 million at the time of sale. The approximately 704 bitcoins were sold for cash proceeds of $11.8 million, net of fees and expenses, resulting in a gain on sale of $509 million.

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MICROSTRATEGY INCORPORATED
DIGITAL ASSETS – ADDITIONAL INFORMATION
ROLLFORWARD OF BITCOIN HOLDINGS
(unaudited)

	Source of Capital Used to Purchase Bitcoin	Digital Asset Original Cost Basis (in thousands)	Digital Asset Impairment Losses (in thousands)	Digital Asset Carrying Value (in thousands)	Approximate Number of Bitcoins Held (Disposed) *	Approximate Average Purchase or Sale Price Per Bitcoin
Balance at December 31, 2021		**$ 3,751,529**	**$ (901,319)**	**$ 2,850,210**	**124,391**	**$ 30,159**
Digital asset purchases	(a)	215,500		215,500	4,827	44,645
Digital asset impairment losses			(170,091)	(170,091)		
Balance at March 31, 2022		**$ 3,967,029**	**$ (1,071,410)**	**$ 2,895,619**	**129,218**	**$ 30,700**
Digital asset purchases	(b)	10,000		10,000	481	20,790
Digital asset impairment losses			(917,838)	(917,838)		
Balance at June 30, 2022		**$ 3,977,029**	**$ (1,989,248)**	**$ 1,987,781**	**129,699**	**$ 30,664**
Digital asset purchases	(c)	5,978		5,978	301	19,860
Digital asset impairment losses			(727)	(727)		
Balance at September 30, 2022		**$ 3,983,007**	**$ (1,989,975)**	**$ 1,993,032**	**130,000**	**$ 30,639**
Digital asset purchases	(d)	56,443		56,443	3,204	17,616
Digital asset impairment losses			(198,557)	(198,557)		
Digital asset sales **		(46,260)	35,370	(10,890)	(704)	16,786
Balance at December 31, 2022		**$ 3,993,190**	**$ (2,153,162)**	**$ 1,840,028**	**132,500**	**$ 30,137**
Digital asset purchases	(e)	179,275		179,275	7,500	23,903
Digital asset impairment losses			(18,911)	(18,911)		
Balance at March 31, 2023		**$ 4,172,465**	**$ (2,172,073)**	**$ 2,000,392**	**140,000**	**$ 29,803**
Digital asset purchases	(f)	347,003		347,003	12,333	28,136
Digital asset impairment losses			(24,143)	(24,143)		
Balance at June 30, 2023		**$ 4,519,468**	**$ (2,196,216)**	**$ 2,323,252**	**152,333**	**$ 29,668**

Figure 5.
Financial statement microstrategy incorporated

a. In the first quarter of 2022, MicroStrategy purchased bitcoin using $190.5 million of the net proceeds from the issuance of the 2025 Secured Loan and Excess Cash.
b. In the second quarter of 2022, MicroStrategy purchased bitcoin using Excess Cash.
c. In the third quarter of 2022, MicroStrategy purchased bitcoin using Excess Cash.
d. In the fourth quarter of 2022, MicroStrategy purchased bitcoin using $44.6 million of the net proceeds from the sale of class A common stock below its market offering of $11.8 million of the proceeds from the sale of bitcoin.
e. In the first quarter of 2023, MicroStrategy purchased bitcoin using $179.3 million of the net proceeds from the sale of class A common stock under its market offering programme.
f. In the second quarter of 2023, MicroStrategy purchased bitcoin using $336.9 million of the net proceeds from the sale of class A common stock under its market offering programme, and Excess Cash.

Excess Cash refers to cash in excess of the Minimum Cash Assets that MicroStrategy is required to hold under its Cash Reserves Policy, which may include cash generated from operating activities and cash from the proceeds of financing activities. Cash Assets refer to cash and cash equivalents and short-term investments.

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Coinbase Global, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities			
Net (loss) income	$ (2,624,949)	$ 3,624,120	$ 322,317
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization	154,069	63,651	30,962
Crypto asset impairment expense	757,257	329,152	8,355
Investment impairment expense	101,445	—	—
Other impairment expense	26,518	500	—
Stock-based compensation expense	1,565,823	820,685	70,548
Provision for transaction losses and doubtful accounts	(13,051)	22,390	(2,966)
(Gain) loss on disposal of property and equipment	(58)	1,425	355
Deferred income taxes	(468,035)	(558,329)	474
Unrealized loss (gain) on foreign exchange	28,516	(14,944)	1,057
Non-cash lease expense	31,123	34,542	25,012
Change in fair value of contingent consideration	(8,312)	(924)	3,281
Realized gain on crypto assets	(36,666)	(178,234)	(23,682)
Crypto assets received as revenue	(470,591)	(1,015,920)	(94,158)
Crypto asset payments for expenses	383,221	815,783	40,205
Fair value loss (gain) on derivatives	7,410	(32,056)	5,254
Amortization of debt discount and issuance costs	9,253	5,031	—
Loss (gain) on investments	3,056	(20,138)	150
Changes in operating assets and liabilities:			
USDC	(848,138)	(77,471)	37,936
Accounts and loans receivable	(141,023)	28,511	(117,167)
Deposits in transit	28,952	(36,527)	(39,989)
Income taxes, net	1,906	(62,145)	86,791
Other current and non-current assets	19,237	(20,060)	(48,677)
Accounts payable	18,612	27,330	6,090
Lease liabilities	(10,223)	(20,596)	(24,998)
Other current and non-current liabilities	(100,771)	302,396	6,398
Net cash (used in) provided by operating activities	(1,585,419)	4,038,172	293,548
Cash flows from investing activities			
Purchase of property and equipment	(2,933)	(2,910)	(9,913)
Proceeds from sale of property and equipment	83	31	—
Capitalized internal-use software development costs	(61,038)	(22,073)	(8,889)
Business combinations, net of cash acquired	(186,150)	(70,911)	33,615
Purchase of investments	(63,048)	(326,513)	(10,329)
Purchase of assembled workforce	—	(60,800)	—
Proceeds from settlement of investments	1,551	5,159	303
Purchase of crypto assets held	(1,400,032)	(3,009,086)	(528,080)
Disposal of crypto assets held	969,185	2,574,032	574,115
Loans originated	(207,349)	(336,189)	—
Proceeds from repayment of loans	327,539	124,520	—
Assets pledged as collateral	(41,630)	—	—
Net cash (used in) provided by investing activities	(663,822)	(1,124,740)	50,822

Figure 6.
Financial statement coinbase global, inc.

In Figure 6 Based on the statements of the company Coinbase Global Inc., digital assets or cryptocurrencies are included in the cash flow statement. Additionally expenses related to asset impairment revenue, from assets received and payments for expenses using crypto assets are recorded to align net income (loss) with net cash flows from operating activities. Crypto Asset Impairment Expense occurs when a companys assets market value significantly drops below their carrying value on the balance sheet due to factors like market fluctuations or regulatory changes. When such impairment happens, Coinbase Global Inc. Records it as an asset impairment expense in the adjustment process to ensure that net cash flows accurately reflect the impact of this impairment, on the company's performance.

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Crypto Assets Received as Revenue is revenue received in the form of crypto assets. In this case the company Coinbase Global, Inc. may receive payments in the form of cryptocurrencies as a result of selling its products or services. In an adjustment to align net revenue with net cash flows generated from operating activities, crypto assets received as revenue is included in the financial statements as part of the adjustment. This is done to ensure that the reported net cash flows reflect all sources of revenue, including revenue received in the form of crypto assets.

Crypto Assets Payments for Expenses are expenses that are paid using crypto assets. In this case the company Coinbase Global, Inc. may pay its operating expenses, employee salaries, or supplier bills in cryptocurrency. In the adjustment to align net income with net cash flows used in operating activities, crypto assets payments for expenses are included in the financial statements as part of the adjustment. This ensures that the reported net cash flows reflect all expenses, including expenses paid using crypto assets. By including these three crypto assets in the adjustments, the statement of cash flows can provide a comprehensive picture of the cash flows generated and used by the Coinbase Global, Inc. company's operating activities operating within the crypto asset environment.

In addition, the company Coinbase Global, Inc. has included USDC (USD Coin) assets in the change in operating assets and liabilities. USDC assets are part of the liquid assets of the company Coinbase Global, Inc. USDC is a stablecoin whose value is directly tied to the United States dollar (USD), meaning each unit of USDC has a value equivalent to one dollar. As a crypto company, Coinbase Global, Inc. uses USDC for various purposes, including as a means of payment, store of value, or as liquidity in their trading operations.

In the company's financial statements, changes in USDC assets are recorded under "changes in operating assets and liabilities". These changes reflect the company's operating activities related to the use, acquisition or sale of USDC during the reporting period. Increases or decreases in the amount of USDC held by a company may be influenced by factors such as transaction volume, liquidity needs, or risk management policies. For example, an increase in the amount of USDC may reflect business growth or the accumulation of additional liquidity in anticipation of future operational needs. Conversely, a decrease in the amount of USDC could be due to withdrawal of funds by users, use of USDC for payment or investment purposes, or changing risk management policies. By recording changes in USDC assets within the "changes in operating assets and liabilities" section, the company's financial statements provide visibility into how these assets contribute to the day-to-day operations of Coinbase Global, Inc. and how their use affects the company's liquidity and financial performance.

In addition, purchases and sales of crypto assets held by Coinbase Global, Inc. are reflected in cash flows from investing activities. Each purchase records the company's new investment in the crypto ecosystem, aiming to expand and strengthen their asset portfolio. Meanwhile, each disposition records the proceeds from the sale of crypto assets already held, indicating divestment activity and possibly a risk management strategy or portfolio reallocation. Both of these activities provide direct insight into Coinbase's investment strategy in managing their crypto assets for long-term growth and sustainability.

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MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)	December 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 357,313	$ 103,705
Restricted cash	—	8,800
Digital assets	639,660	121,842
Other receivables	2,091	18
Deposits	7,240	2,350
Prepaid expenses and other current assets	23,499	40,833
Total current assets	1,029,803	277,548
Property and equipment, net	671,772	273,026
Advances to vendors	95,589	488,299
Investments	106,292	37,000
Long-term deposits	59,790	40,903
Long-term prepaids	27,284	8,317
Right-of-use assets	443	1,276
Digital assets, restricted	—	68,875
Total long-term assets	961,170	917,696
TOTAL ASSETS	**$ 1,990,973**	**$ 1,195,244**

Figure 7.
Financial statement marathon digital holdings, and subsidiaries

MARATHON DIGITAL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands, except share and per share data)	Year Ended December 31, 2023	2022	2021
Total revenues	$ 387,508	$ 117,753	$ 159,163
Costs and expenses			
Cost of revenues			
Cost of revenues - energy, hosting and other	(223,338)	(72,715)	(27,492)
Cost of revenues - depreciation and amortization	(179,513)	(78,709)	(14,904)
Total cost of revenues	(402,851)	(151,424)	(42,396)
Operating expenses			
General and administrative expenses	(95,230)	(56,739)	(174,356)
Gains (losses) on digital assets and digital assets loan receivable	331,484	(14,460)	2,157
Legal reserves	—	(26,131)	—
Impairment of deposits due to vendor bankruptcy filing	—	(24,661)	—
Impairment of digital assets	—	(182,891)	(22,252)
Impairment of patents	—	(919)	—
Impairment of mining equipment and advances to vendors	—	(332,933)	—
Gain on sale of equipment, net of disposals	—	83,879	—
Gains (losses) on digital assets held within investment fund	—	(85,017)	74,696
Total operating expenses	236,254	(639,872)	(119,755)

Figure 8.
Financial statement marathon digital holdings and subsidiaries

In Figures 7 and 8 Marathon Digital Holdings Company, Inc. records Digital assets into its balance sheet as company assets. In addition, the digital assets include various types of crypto assets such as Bitcoin (BTC) and possibly other crypto assets. As a company that focuses on crypto mining and various related services, digital assets are an integral part of the assets of Marathon Digital Holdings, Inc. These digital assets are one of the main components of the company's value and can fluctuate according to the highly dynamic crypto market prices. Marathon Digital Holdings, Inc. may hold digital assets for various purposes, including long-term investment, operational liquidity, or to support their business operations in the crypto industry. As such, the digital assets held by the company reflect their

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commitment to the crypto ecosystem and efforts to capitalise on opportunities in the ever-evolving crypto market.

In addition, Gains (losses) on digital assets and digital assets loan receivable, impairment of digital assets, and gains (losses) on digital assets held within investment funds recorded in the balance sheet as operating expenses are part of Marathon Digital Holding, Inc.'s operating expenses related to their crypto activities. Gains (Losses) on Digital Assets and Digital Assets Loan Receivable, this reflects gains or losses resulting from changes in the market value of digital assets held by the company, as well as from loans of crypto assets to other parties. These gains or losses are recognised as part of operating expenses as they are directly related to the company's primary activity in the crypto ecosystem.

Impairment of Digital Assets, this refers to costs incurred when the value of a company's digital assets declines significantly below their carrying value on the balance sheet. This decline in value can be due to a variety of factors, including fluctuations in market prices or changes in general crypto market conditions. Impairment of digital assets is recognised as an operating expense as it reduces the value of the company's assets. Meanwhile, Gain (Losses) on Digital Assets Held within Investment Fund records the gains or losses generated from digital assets held in the company's investment fund. Changes in the value of digital assets in the investment fund are recognised as part of operating expenses as they are part of the investment activities of Marathon Digital Holding, Inc. Taken together, all these components reflect the impact of the company's crypto activities in relation to their day-to-day operations and investment strategy. By recording them as operating expenses, Marathon Digital Holding, Inc. provides transparency to the costs associated with their activities in the crypto ecosystem.

In Figures 9 and 10 the company Riot Platforms, Inc. has Bitcoin Assets listed as current assets on its balance sheet. As a company focused on Bitcoin mining and blockchain-related operations, Bitcoin is a major component of their asset portfolio. The Bitcoin assets held by Riot Platforms, Inc. reflect the company's investment in the world's most popular and valuable crypto. The value of these Bitcoin assets can fluctuate significantly as the Bitcoin market price changes dynamically. By holding Bitcoin as current assets, Riot Platform, Inc. demonstrates their commitment to the crypto ecosystem and strategy to capitalise on opportunities in the ever-evolving blockchain and crypto industry.

Riot Platforms, Inc.
Consolidated Statements of Operations
(in thousands, except for share and per share amounts)

	Years Ended December 31,		
	2023	2022	2021
Revenue:			
Bitcoin Mining	$ 188,996	$ 156,870	$ 184,422
Data Center Hosting	27,282	36,862	24,546
Engineering	64,303	65,342	4,178
Other revenue	97	97	97
Total revenue	280,678	259,171	213,243
Costs and expenses:			
Cost of revenue:			
Bitcoin Mining	96,597	74,335	45,513
Data Center Hosting	97,122	61,906	32,998
Engineering	60,614	57,455	3,582
Acquisition-related costs	—	78	21,198
Selling, general, and administrative	100,346	67,452	87,429
Depreciation and amortization	252,354	107,950	26,324
Change in fair value of Bitcoin	(184,734)	—	—
Change in fair value of derivative asset	(6,721)	(71,418)	(12,112)
Power curtailment credits	(71,215)	(27,345)	(6,514)
Change in fair value of contingent consideration	—	(159)	975
Realized gain on sale of Bitcoin	—	(30,346)	(253)
Loss (gain) on sale/exchange of equipment	5,336	(16,281)	—
Casualty-related charges (recoveries), net	(5,974)	9,688	—
Impairment of Bitcoin	—	147,365	43,973
Impairment of goodwill	—	335,648	—
Impairment of miners	—	55,544	—
Total costs and expenses	343,725	771,872	243,113
Operating income (loss)	(63,047)	(512,701)	(29,870)

Figure 10.
Financial statement riot platforms, inc.

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Bitcoin mining activities by Riot Platform, Inc. are recorded in its financial statements as revenue. The revenue recorded by Riot Platform, Inc. in its financial statements is derived from Bitcoin mining proceeds. This revenue consists of Bitcoins earned by the company in exchange for its contribution to completing blocks of transactions and maintaining the security of the Bitcoin network. The value of these earned Bitcoins is recorded as revenue because it is the result of the company's core operations in the Bitcoin mining industry.

Riot Platforms, Inc.
Consolidated Balance Sheets
(in thousands, except for share and per share amounts)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 597,169	$ 230,328
Accounts receivable, net	24,706	26,932
Contract assets, including retainage of $3,166 and $3,012, respectively	15,359	19,743
Prepaid expenses and other current assets	29,107	32,661
Bitcoin	311,178	109,420
Derivative asset, current portion	30,781	—
Future power credits, current portion	271	24,297
Total current assets	1,008,571	443,381

Figure 9.
Financial statement riot platforms, inc.

Recording Bitcoin Mining as Cost of Revenue, Riot Platform, Inc.'s Bitcoin mining activities are an integral part of the company's operations and are recorded as cost of revenue in its financial statements. Costs associated with Bitcoin mining, such as equipment costs, electricity, data centre management, and other operating expenses, are considered cost of revenue because they are directly related to generating the company's primary revenue from Bitcoin mining activities. Recording Change in Fair Value of Bitcoin as Cost of Revenue, Changes in the fair value of Bitcoin held by Riot Platform, Inc. and considered as cost of revenue reflect fluctuations in the value of Bitcoin in the company's portfolio. If there is a decrease in the value of Bitcoin from the previous period, this change will be recorded as an expense in the financial statements because it reduces the value of the assets held by the company and has a direct impact on the revenue generated.

Listing Realised Gain on Sale of Bitcoin as Cost of Revenue, Profit realised from the sale of Bitcoin by Riot Platform, Inc. This is because the sale of Bitcoin is part of the company's operating activities that are directly related to their primary revenue. This realised gain on the sale of Bitcoin is considered a deduction from operating expenses to reflect its effect on the company's gross revenue. Recording Impairment of Bitcoin as Cost of Revenue, If there is a decline in the value of Bitcoin assets held by Riot Platform, Inc. this may result in impairment being recorded as cost of revenue. The impairment of Bitcoin is considered an operating expense as it reduces the value of the assets held by the company and has a direct impact on their financial performance.

Recording Impairment of Miners as Cost of Revenue Riot Platform, Inc. may own miners to support their Bitcoin mining operations. If there is an impairment or inability of these miners to efficiently generate Bitcoin, this may result in an impairment being recorded as a cost of revenue. Impairment of miners is considered an operating expense as it is part of the company's main activity in running Bitcoin mining operations.

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CLEANSPARK, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2022	September 30, 2021
ASSETS		
Current assets		
Cash and cash equivalents, including restricted cash	$ 20,462,570	$ 18,040,327
Accounts receivable, net	27,029	307,067
Inventory	216,404	79,810
Prepaid expense and other current assets	7,930,614	2,137,801
Bitcoin	11,147,478	23,603,210
Derivative investment asset	2,955,890	4,905,660
Investment in equity security	—	260,772
Investment in debt security, AFS, at fair value	610,108	494,608
Current assets held for sale	7,425,881	7,897,066
Total current assets	$ 50,775,974	$ 57,726,321

Figure 11.
Financial statement cleanspark, inc.

CLEANSPARK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the year ended	
	September 30, 2022	September 30, 2021
Revenues, net		
Bitcoin mining revenue, net	$ 130,999,686	$ 38,846,633
Other services revenue	524,759	440,472
Total revenues, net	131,524,445	39,287,105
Costs and expenses		
Cost of revenues (exclusive of depreciation and amortization shown below)	41,233,650	5,263,029
Professional fees	6,469,064	6,538,062
Payroll expenses	40,920,163	21,181,905
General and administrative expenses	10,422,716	5,716,465
Gain on disposal of assets	(642,691)	—
Other impairment expense (related to bitcoin)	12,210,269	6,608,076
Impairment expense - other	250,000	—
Impairment expense - goodwill	12,048,419	—
Realized gain on sale of bitcoin	(2,567,101)	(3,104,378)
Depreciation and amortization	49,044,877	8,982,123
Total costs and expenses	169,389,366	51,185,282

Figure 12.
Financial statement cleanspark, inc.

In Figures 11 and 12, Cleanspark Company, Inc. records Bitcoin Assets in its financial statements as assets. Bitcoin, as the main digital asset in the crypto ecosystem, is recorded as an asset in the company's balance sheet. The value of Bitcoin owned by CleanSpark, Inc. is reflected in the total value of the company's assets and can fluctuate according to the highly dynamic Bitcoin market price. The recording of Bitcoin Mining Revenue in the financial statements as revenue, reflects the total revenue generated after accounting for all costs associated with Bitcoin mining operations, including equipment costs, electricity, data centre management, and other operating expenses. Bitcoin mining revenue is an important component of CleanSpark, Inc.'s revenue and reflects their operational performance in the Bitcoin mining industry.

The recording of Other Impairment Expense (Related to Bitcoin) in the financial statements as costs and expenses, reflects the impairment of Bitcoin or other losses related to the asset. This

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impairment charge is recognised when the market value of Bitcoin declines significantly below its carrying value in the company's statement of operations. This impairment can be caused by market price fluctuations or changes in crypto market conditions. Other impairment expense related to Bitcoin reflects the direct impact of changes in the value of crypto assets in the company's financial statements.

In Figure 13, Galaxy Digital Holding Company's digital assets, receivable for digital asset trades, digital asset loans receivable (net of allowance), and digital assets receivable are recorded in the financial statements as current assets. Digital Assets Galaxy Digital Holdings holds digital assets as part of its investment portfolio and operations. These digital assets include various types of crypto assets such as Bitcoin, Ethereum, and other crypto assets. These digital assets are considered current assets as they can be easily converted into cash or liquidity in the short term.

Galaxy Digital Holdings LP

Consolidated Statements of Financial Position
(Expressed in thousands of US Dollars)

	Notes	December 31, 2022	December 31, 2021
Assets			
Current assets			
Cash and cash equivalents		$ 542,101	$ 840,776
Digital assets	7	566,690	2,420,777
Receivable for digital asset trades	7	9,063	8,332
Digital asset loans receivable, net of allowance	8	49,971	192,684
Digital assets receivables	7	12,423	52,998
Assets posted as collateral	8, 9, 10	25,138	71,400
Receivables	12	10,887	26,665
Derivative assets	10	17,719	45,669
Prepaid expenses and other assets	13	32,818	25,768
Loans receivable	9	62,611	190,087
Due from related party	21	13,857	25,023
Total current assets		1,343,278	3,900,179
Digital assets receivables	7	5,154	18,659
Investments (includes $235.4 and $350.6 million of equity method investments)	11	595,122	1,069,776
Loans receivable, non-current	9	100,977	—
Right of use assets	14	13,735	11,746
Property and equipment	14	208,538	58,187
Deferred tax asset	26	47,746	10,259
Intangible assets	14	6,948	3,087
Goodwill	14	24,645	24,645
Total non-current assets		1,002,865	1,196,359
Total assets		**$ 2,346,143**	**$ 5,096,538**
Liabilities and Equity			
Current liabilities			
Investments sold short	11	91	11,630
Derivative liabilities	10	16,568	25,567
Warrant liability	16	—	20,488
Accounts payable and accrued liabilities	15	67,081	146,243
Payables to customers	15	9,591	142,441
Taxes payable	26	22,717	42,341
Payable for digital asset trades	7	2,557	13,216
Digital asset loans payable	8	170,566	905,013
Loans payable	9	—	33,289
Collateral payable	8, 9, 10	131,506	480,088
Due to related party	21	53,984	—
Lease liability		4,467	2,164
Non-controlling interests liability		—	161,536
Total current liabilities		479,128	1,984,016

Figure 13.
Financial statement galaxy digital holdings LP

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Receivable for Digital Asset Trades is an invoice held by Galaxy Digital Holdings from customers or other parties who trade crypto assets through their platform. It reflects the revenue that the company should receive from crypto asset transactions that have been made, but for which payment has not yet been received. This receivable is recorded as current assets because it is expected to be received in the short term. Digital Asset Loans Receivable, Net of Allowance is a loan provided by Galaxy Digital Holdings to other parties in the form of crypto assets. This value represents the amount of loans receivable, less an anticipated allowance for impairment. Digital asset loans receivable, net of allowance, are considered current assets as they are expected to be converted into cash within a short period of time.

Digital Assets Receivable is the amount accrued by Galaxy Digital Holdings from the transaction of selling crypto assets or other services. It reflects revenue that has been generated, but not yet physically received. Digital assets receivable are considered current assets as they are expected to be received in the short term. By recording digital assets, receivable for digital asset trades, digital asset loans receivable, and digital assets receivable as current assets in the financial statements, Galaxy Digital Holdings demonstrates their liquidity in crypto assets and their involvement in various aspects of the crypto ecosystem.

In addition to the digital assets above, Galaxy Digital Holding company has Digital asset loan payable which is a liability held related to loans received in the form of digital assets from other parties. This loan reflects the amount of digital assets that must be returned to the lender with a certain amount and time period. Galaxy Digital Holdings uses these loans for various purposes, such as working capital, investment, or liquidity management. In its financial statements, digital asset loan payable is recorded as current liabilities because these liabilities are expected to be settled within a relatively short period of time, usually within one year or less. Recording digital asset loan payable as current liabilities ensures that Galaxy Digital Holdings closely monitors and manages their obligations related to digital asset loans, and maintains balanced liquidity in their financial structure.

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HUT 8 MINING CORP.
Unaudited Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)

As at	Note	September 30, 2023	December 31, 2022
Assets			
Current assets			
Cash		$ 21,140	$ 30,515
Accounts receivable and other		2,530	1,589
Digital assets – held in custody	7	265,220	203,627
Digital assets – pledged as collateral	7, 9	76,440	–
Deposits and prepaid expenses	6	14,240	9,892
		379,570	245,623
Non-current assets			
Plant and equipment	8	94,070	124,959
Deposits and prepaid expenses	6	8,384	27,220
Intangible assets and goodwill		14,605	15,135
Total assets		$ 496,629	$ 412,937
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 19,767	$ 13,916
Lease liabilities		2,103	4,325
Loans payable	9	60,419	11,892
		82,289	30,133
Non-current liabilities			
Lease liabilities		12,940	16,973
Loans payable	9	4,021	14,229
Warrant liability		–	212
Total liabilities		99,250	61,547
Shareholders' equity			
Share capital	10	773,880	767,641
Warrants		79	2,122
Contributed surplus		16,283	12,700
Accumulated deficit		(392,863)	(431,073)
AOCI – Unrealized gain on digital asset revaluation	7	–	–
Total shareholders' equity		397,379	351,390
Total liabilities and shareholders' equity		$ 496,629	$ 412,937

Figure 14.
Financial statement HUT 8 mining corp.

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HUT 8 MINING CORP.
Unaudited Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)

For the nine months ended September 30	2023	2022
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ 38,210	$ (56,145)
Change in non-cash operating items:		
Digital assets mined	(41,991)	(115,694)
Depreciation and amortization	31,118	65,524
Impairment of deposits related to power purchase agreement (note 18)	20,000	–
Gain on disposition of digital assets	(4,256)	–
(Gain) loss on revaluation of digital assets	(124,607)	97,558
Gain on lease liability remeasurement	(339)	–
Loss on sale of plant and equipment	427	–
Gain on revaluation of warrant liability	(212)	(94,504)
Share based payments	7,770	5,171
Deferred income tax (recovery) expense	–	9,593
Net finance expense and other	5,356	4,700
Foreign exchange loss	733	1,528
	(67,791)	(82,269)
Proceeds from the sale of digital assets	33,146	–
Net change in working capital (note 16)	6,981	(459)
Net cash used in operating activities	(27,664)	(82,728)
Investing activities		
Purchase of plant and equipment	(4,402)	(138,380)
Proceeds from the sale of plant and equipment	707	–
Deposit related to Stalking Horse Bid (note 18)	(10,000)	–
Deposits and prepaid expenses	1,802	78,108
Purchase of digital assets (note 7)	(325)	–
Business acquisition	–	(30,174)
Net cash used in investing activities	(12,218)	(90,446)

Figure 15.
Financial statement HUT 8 mining corp.

In Figures 14 and 15 the company HUT 8 Minning Corp. Recorded digital assets - held in custody and digital assets - pledged as collateral in the financial statements as current assets. Digital Assets - Held in Custody are crypto assets that are securely stored by HUT 8 Mining Corp. as a custodial service for clients or for internal company purposes. These crypto assets are safely stored in secured storage, which allows HUT 8 Mining Corp. to provide custodial services to their clients or for company operational purposes. These crypto assets are recorded as current assets because they can be easily accessed and converted into cash or liquidity in the short term.

Digital Assets - Pledged as Collateral are crypto assets that are used as collateral or security to support loans or other transactions made by HUT 8 Mining Corp. or by their clients. These digital assets are held as collateral to ensure fulfilment of obligations or as a condition for obtaining loans or other services. Although used as collateral, these digital assets remain owned by HUT 8 Mining Corp.

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or their clients. Digital assets used as collateral are also recorded as current assets because they have a value that can be accessed and converted in the short term if needed.

Apart from the digital assets above HUT 8 Mining Corp. has AOCI (Accumulated Other Comprehensive Income) - Unrealised gain on digital asset revaluation which is also recorded in the financial statements as shareholders' equity. AOCI - Unrealised gain on digital asset revaluation is the part of the company's shareholders' equity that records the unrealised gain from digital asset revaluation. It reflects the change in market value of crypto assets owned by HUT 8 Mining Corp. but not yet realised through sales or other transactions. These unrealised gains accumulate in AOCI as part of shareholders' equity.

Related to digital assets owned by HUT 8 Minning Corp. also has digital assets mined, gain on disposition of digital assets, (gain) loss on revaluation of digital assets, and proceeds from the sale of digital assets of HUT 8 Mining Corp. which are recorded in the financial statements as change in non-cash operating items. Digital Assets Mined reflects the amount of crypto assets successfully mined by HUT 8 Mining Corp. through Bitcoin mining operations or other cryptocurrencies. It is the result of transaction processing and validation of new blocks in the crypto network run by the company. Digital assets mined are recorded as part of change in non-cash operating items because they do not involve direct cash flows, but generate significant value for the company in the form of digital assets.

Gain on Disposition of Digital Assets is the profit earned by HUT 8 Mining Corp. from the sale of crypto assets held. This occurs when the company sells their crypto assets at a higher price than their purchase price or carrying value. This gain is recorded as part of change in non-cash operating items as it is not a direct cash flow.

Gain) Loss on Revaluation of Digital Assets reflects changes in the market value of crypto assets owned by HUT 8 Mining Corp. that have not been realised through sales or other transactions. If the value of crypto assets increases, the company will record a gain, while if the value of crypto assets decreases, the company will record a loss. (Gain) loss on revaluation of digital assets is recorded as part of change in non-cash operating items because it is an unrealised change in value.

Proceeds from the Sale of Digital Assets is the amount of money earned by HUT 8 Mining Corp. from the sale of their crypto assets. It is the cash flow earned from the company's operating activities. However, since it relates to the sale of non-cash assets (digital assets), proceeds from the sale of digital assets is recorded as change in non-cash operating items. By recording digital assets mined, gain on disposition of digital assets, (gain) loss on revaluation of digital assets, and proceeds from the sale of digital assets as change in non-cash operating items in its financial statements, HUT 8 Mining Corp. provides comprehensive information about their crypto operations that do not involve direct cash flows but have an important impact on the company's financial performance.

Purchase of digital assets is recorded in the financial statements as investing activities. The purchase of digital assets reflects investments made by companies in crypto assets, such as Bitcoin, Ethereum, and other crypto assets. These actions are recorded as investing activities in the financial statements because they reflect the use of company funds to acquire crypto assets as part of their investment strategy. These purchases can be made for a variety of purposes, including expanding asset portfolios, anticipating potential future growth in the value of crypto assets, or for speculative purposes. By recording purchases of digital assets as investing activities, financial statements provide visibility into a company's investment strategy in the crypto ecosystem and how their use of investment funds supports business growth and development.

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BITFARMS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of U.S. dollars - audited)

	Notes	As of December 31, 2022	As of December 31, 2021
Assets			
Current			
Cash	6	30,887	125,595
Trade receivables	7	701	1,038
Other assets	8	4,512	3,225
Short-term prepaid expenses		12,921	3,202
Taxes receivable		12,142	—
Digital assets	9	4,635	66,031
Digital assets - pledged as collateral	9, 16, 17	2,070	86,825
Assets held for sale	10	1,220	1,211
		69,088	287,127

Figure 16.
Financial statement bitfarms LTD.

BITFARMS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of U.S. dollars - audited)

	Notes	Year ended December 31, 2022	2021 (Revised - Note 3e)
Cash flows from (used in) operating activities			
Net income (loss)		(239,050)	22,130
Adjustments for:			
Depreciation and amortization	28	72,420	24,476
Impairment on equipment and construction prepayments, property, plant and equipment and right-of-use assets	11	75,213	1,800
Impairment reversal on property, plant and equipment	11	—	(1,860)
Impairment on goodwill	11	17,900	—
Net financial (income) expenses	28	(27,560)	21,003
Digital assets mined	9	(138,985)	(164,393)
Proceeds from sale of digital assets mined	9	158,674	6,387
Realized loss on disposition of digital assets	9	150,810	289
Change in unrealized (gain) loss on revaluation of digital assets	9	(2,166)	4,861
Share-based payment	27	21,788	22,585
Income tax expense (recovery)	19	(17,412)	8,842
Loss (gain) on disposition of property, plant and equipment		1,277	(848)
Interest and financial expenses paid		(17,724)	(3,981)
Income taxes paid		(14,957)	—
Changes in non-cash working capital components	30	(3,978)	15,390
Net change in cash related to operating activities		36,250	(43,319)
Cash flows used in investing activities			
Purchase of property, plant and equipment		(153,138)	(108,161)
Proceeds from sale of property, plant and equipment		10,500	1,109
Purchase of marketable securities	28	(150,730)	(6,692)
Proceeds from disposition of marketable securities	28	202,379	12,841
Purchase of digital assets	9	(43,237)	—
Proceeds from sale of digital assets purchased	9	21,055	—
Acquisition through business combination	5	—	(23,000)
Equipment and construction prepayments and other		(41,840)	(85,095)

Figure 17.
Financial statement bitfarms LTD.

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In Figures 16 and 17 Bitfarms Company, LTD. records digital assets and digital assets - pledged as collateral in the financial statements as assets on the balance sheet. Digital Assets which are crypto assets that are not limited to Bitcoin, Ethereum, Litecoin, and other crypto assets. These crypto assets are an integral part of the company's operations and form a major component of the asset portfolio. The value of these digital assets reflects the dynamic price fluctuations of the crypto market and can contribute significantly to the value of the company's total assets. Whereas Digital Assets - Pledged as Collateral are crypto assets used by Bitfarms Ltd. as collateral to support loans or other transactions. These digital assets are held by the company and used as collateral to fulfil obligations or as a condition for obtaining loans or other services. Although used as collateral, these digital assets are still owned by Bitfarms Ltd. and are still recorded as part of the company's total assets.

In addition to digital assets the company Bitfarms Ltd. has Digital Assets Mined which reflects the amount of crypto assets that Bitfarms Ltd. has successfully mined through Bitcoin mining operations or other cryptocurrencies. This mining involves transaction processing and validation of new blocks in the crypto network. The amount of digital assets mined is recorded as cash flow from operating activities as it reflects the company's main source of income from their core operations.

Proceeds from Sale of Digital Assets Mined is the amount of money earned by Bitfarms Ltd. from the sale of digital assets that they have mined. It reflects the cash flow received from the company's operating activities. Proceeds from sale of digital assets mined is recorded as cash inflow in cash flow from operating activities. Realised Loss on Disposition of Digital Assets is the loss incurred when Bitfarms Ltd. sells their digital assets at a price lower than their acquisition cost or carrying value. This realised loss is recorded as a cash outflow in cash flow from operating activities as it reduces the company's net cash flow from operations.

Change in Unrealised (Gain) Loss on Revaluation of Digital Assets is the change in unrealised (gain) loss on revaluation of digital assets which reflects the change in market value of digital assets owned by Bitfarms Ltd. but not yet realised through sales or other transactions. If the value of crypto assets increases, the company will record an unrealised gain, while if the value of crypto assets decreases, the company will record an unrealised loss. These changes are recorded as part of cash flow from operating activities as they are unrealised changes in the value of the company's operating assets.

And finally, the Purchase of Digital Assets is recorded which reflects the use of funds by Bitfarms Ltd. to acquire crypto assets such as Bitcoin, Ethereum, and other crypto assets. This action is recorded as an investing activity in the financial statements as it reflects the use of company funds to acquire crypto assets as part of their investment strategy. These purchases can be made for a variety of purposes, including expanding asset portfolios, anticipating potential future growth in the value of crypto assets, or for speculative purposes. By recording the purchase of digital assets as cash flow used in investing activities, financial statements provide visibility into a company's investment strategy in the crypto ecosystem and how their use of investment funds supports business growth and development.

Proceeds from Sale of Digital Assets Purchased is the amount of money earned by Bitfarms Ltd. from the sale of their previously purchased digital assets. It reflects the cash flow obtained from the company's investing activities. The income from sale of digital assets purchased is recorded as cash inflow in cash flow used in investing activities. By recording this income, the financial statements provide information about Bitfarms Ltd.'s success in making investments in crypto assets and their ability to generate cash flow from those investment activities.

Based on the description of the company's financial statements related to the use of cryptocurrency assets above that implies the importance of accounting regulation and standardisation, the absence of specific accounting standards from IFRS or GAAP for cryptocurrencies creates a need for clearer guidance and regulations. Existing non-authoritative guidance from IFRS and GAAP represents a step in addressing the uncertainty of accounting for cryptocurrencies. However, regulation is needed to create consistency in financial reporting globally. The high price volatility of cryptocurrencies is a major challenge in financial reporting. Changes in the value of cryptocurrency assets can significantly

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affect a company's net cash position and its liquidity. This suggests that companies should be prepared with robust risk management strategies to cope with sharp market fluctuations.

Cryptocurrencies owned by companies can affect the company's cash flow and liquidity. Therefore, companies need to consider how cryptocurrency assets can be easily converted into legal currency to fulfil their financial obligations. This suggests that the liquidity of cryptocurrency assets is becoming a key factor in the financial management of companies. Some companies, such as Tesla and MicroStrategy, have integrated cryptocurrencies in their financial statements separately, demonstrating the importance of transparency in financial reporting regarding digital assets. This illustrates companies' commitment to financial strategies that are inclusive and responsive to global financial market developments.

To develop effective guidance and regulation, co-operation between financial institutions, accounting practitioners, and regulators is necessary. This is important to ensure that all stakeholders can adapt to the evolving dynamics of the cryptocurrency market. Companies such as MicroStrategy and Riot Platforms record impairment of their digital assets as part of operating expenses. This suggests that fluctuations in the value of cryptocurrencies can directly affect a company's operational performance. These implications also underscore the importance of prudent accounting policies in dealing with the risk of cryptocurrency asset impairment, especially in an industry that is heavily influenced by market volatility.

The purchase and sale of cryptocurrencies by companies, such as those by Bitfarms Ltd. is recorded as investment activity in the financial statements. This suggests that companies are using cryptocurrencies not only as a short-term liquidity tool but also as part of a long-term investment strategy. This implication also emphasises the need for smart and flexible portfolio management in the face of rapidly changing digital asset prices. Security threats such as hacking and theft are a major concern for companies holding cryptocurrencies. Therefore, companies should implement robust security strategies to protect their digital assets. The implications also suggest that security risk management is becoming a critical factor in maintaining the value of cryptocurrency assets in the long run.

In these cases, cryptocurrencies are classified as current or intangible assets in a company's balance sheet. For example, Galaxy Digital Holdings classifies digital assets as current assets, reflecting the ability to convert such assets into cash in the short term. This suggests that proper classification and measurement of cryptocurrencies on the balance sheet is critical to reflect the liquidity and true value of such assets. Companies that are actively involved in the crypto ecosystem, such as Riot Platforms Inc. and HUT 8 Mining Corp. record revenue from activities such as Bitcoin mining as part of their primary revenue. This shows that direct involvement in crypto activities can be a significant source of revenue for companies, but also carries risks that must be properly managed.

The use of cryptocurrencies to pay for operating expenses or as part of operating cash flow, as done by Coinbase Global Inc. shows that cryptocurrencies are increasingly being used as a transaction tool in day-to-day business operations. This illustrates the wider adoption of cryptocurrencies in the business environment, although there are still challenges to overcome, such as value volatility and regulatory uncertainty.

The implications of this case emphasise that while cryptocurrencies provide exciting opportunities for companies, they also carry significant risks that require a prudent approach and robust management strategies. Companies should ensure transparency in financial reporting, develop effective risk management strategies, and keep abreast of regulatory developments related to cryptocurrencies to maintain their financial stability and sustainability in the global market.

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5. Conclusion

1. The separate listing of digital assets in Tesla's corporate financial statements demonstrates the company's commitment to transparency and inclusivity in the face of changing global financial market dynamics. By recognising the significant role of digital assets in their financial portfolio, Tesla provides a clear view of its responsive financial strategy. This move not only confirms effective financial management, but also provides a solid foundation for the evaluation and reporting of digital asset performance separately, generating valuable information for stakeholders.
2. MicroStrategy Incorporated's corporate financial statements demonstrate high transparency regarding digital assets. By recording impairment losses on digital assets as part of operating expenses, as well as recording digital assets in its balance sheet as part of intangible assets, MicroStrategy confirms the direct influence and importance of cryptocurrencies in its operations and financial strategy. Moreover, the detailed bitcoin purchases and sales provide a clear picture of the company's use of excess cash to strengthen its position in digital assets.
3. In Coinbase Global, Inc.'s financial statements, a transparent and comprehensive approach to digital assets is reflected in the careful adjustments in the cash flow statement as well as the recording of USDC assets. Through revenue, fee payments, and loss adjustments, Coinbase aligns net revenue with net cash flow used in their operations, providing a clear picture of the impact crypto assets have on financial performance. Meanwhile, the recording of changes in their USDC assets and investment activities provides deep insights into the use and growth of crypto assets in the company's operations.
4. The corporate financial statements of Marathon Digital Holdings, Inc. show a strong commitment to the crypto ecosystem by listing digital assets as key assets on its balance sheet. By holding various types of crypto assets, including Bitcoin, Marathon integrates the value of crypto into its operations and investment strategy. Furthermore, the recording of Gains (Losses) on Digital Assets and Digital Assets Loan Receivable, Impairment of Digital Assets, and Gain (Losses) on Digital Assets Held within Investment Fund as operating expenses, reflects the company's transparency towards the costs associated with their crypto activities.
5. Riot Platforms, Inc.'s corporate financial statements demonstrate a strong commitment to the Bitcoin mining industry through the recording of Bitcoin as a valuable asset on their balance sheet. Revenue earned from Bitcoin mining is recognised as revenue, while costs associated with mining activities, such as equipment costs and other operational costs, are recorded as cost of revenue. The recording of changes in Bitcoin value, realised gains from the sale of Bitcoin, and impairment of mining-related assets are also recorded as part of cost of revenue, reflecting the direct impact of the company's operational activities in the dynamic crypto landscape.
6. In the company's financial statements CleanSpark, Inc. recognises the value of Bitcoin as a key asset in their portfolio, reflecting the company's commitment to the crypto ecosystem. Revenue derived from Bitcoin mining operations is recognised as revenue, while costs associated with the decline in Bitcoin value are recorded as costs and expenses. This transparent approach not only provides a clear picture of the value of digital assets in the company's performance, but also demonstrates CleanSpark's responsibility in managing the risks and market fluctuations associated with crypto assets.
7. In Galaxy Digital Holdings' corporate financial statements, recording digital assets, receivables for digital asset trades, digital asset loans receivable, and digital assets receivable as current assets confirms the company's involvement in the crypto ecosystem and its liquidity in digital assets. This approach reflects the company's ability to manage crypto assets efficiently and exploit opportunities in the dynamic crypto market. Conversely, recording digital assets loans payable as

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current liabilities demonstrates the company's obligation to manage digital assets loans prudently, ensuring the right balance of liquidity in the company's financial structure.

8. In HUT 8 Mining Corp.'s financial statements, digital assets - held in custody, digital assets - pledged as collateral, and AOCI - Unrealised gain on digital asset revaluation are recognised as current assets and shareholders' equity, effectively illustrating the company's involvement in the crypto ecosystem and its financial strategy regarding digital assets. Meanwhile, the recording of digital assets mined, gain on disposition of digital assets, (gain) loss on revaluation of digital assets, and proceeds from the sale of digital assets recognised as change in non-cash operating items provides a comprehensive picture of the company's operational activities in the crypto asset environment. Furthermore, recording the purchase of digital assets as investing activities highlights the company's investment strategy in expanding their asset portfolio. Thus, HUT 8 Mining Corp.'s financial statements provide an in-depth understanding of the role and impact of digital assets in the company's operations and financial strategy.
9. In Bitfarms Ltd.'s corporate financial statements, the listing of digital assets and digital assets - pledged as collateral recognised as assets on the balance sheet highlights the integral role of crypto assets in the company's operations. This illustrates the company's commitment to the crypto ecosystem and the value of digital assets in the company's portfolio. Meanwhile, the recording of digital assets mined as cash flow from operating activities provides an overview of the company's primary revenue from crypto mining operations. Furthermore, recording proceeds from sale of digital assets mined and realised loss on disposition of digital assets as part of cash flow from operating activities provides insight into the cash flows generated and losses experienced by the company from the sale of crypto assets. On the other hand, change in unrealised (gain) loss on revaluation of digital assets as part of cash flow from operating activities highlights changes in the value of crypto assets that have not been realised through transactions. Listing purchase of digital assets as cash flow used in investing activities and proceeds from sale of digital assets purchased provides insight into the company's investment strategy in the crypto ecosystem and their ability to generate cash flow from those investment activities.

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