

From Intangible to Digital Monetary Assets: Bridging the Gap in Cryptocurrency Financial Reporting

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ABSTRACT

The treatment of cryptocurrencies presents a significant challenge within consolidated financial reporting frameworks. Traditional models under IFRS and U.S. GAAP primarily classify cryptocurrencies as intangible assets or inventories, which fail to capture the unique characteristics and extreme volatility of digital assets. Recent developments, such as the FASB's move toward fair value measurement, mark a pivotal shift toward more relevant and faithful financial reporting. This study adopts a narrative review methodology to investigate current practices, challenges, and emerging solutions in accounting for cryptocurrencies under consolidated reporting standards. By applying fair value accounting theory, stakeholder theory, and agency theory to cryptocurrency, the research critically analyzes how existing frameworks affect transparency, comparability, and decision-usefulness in financial reporting. These findings also highlight significant inconsistencies across jurisdictions, underscore the need for a new asset classification such as "digital monetary assets," and call for harmonized international standards. This study contributes valuable insights for policymakers, accounting practitioners, and scholars aiming to advance the reliability and relevance of cryptocurrency financial reporting.

Keywords: Cryptocurrency, Cryptocurrency Accounting, Fair Value Measurement, Cryptocurrency Consolidated Financial Reporting

INTRODUCTION

Cryptocurrencies are a form of digital or virtual currency that use cryptographic techniques to secure transactions and control the creation of new units, with ownership and transfers guaranteed by decentralized technology. Unlike conventional government-issued currencies managed by central banks, cryptocurrencies function on networks like blockchain, enabling peer-to-peer transactions without intermediaries. Founded and introduced in 2009 by Satoshi Nakamoto in the wake of the 2008 global financial crisis, Bitcoin was the pioneering cryptocurrency and has maintained its position as the dominant digital asset, created to offer a decentralised alternative to traditional monetary systems (Mounis et al., 2022). Since its introduction, the cryptocurrency ecosystem has expanded significantly, giving rise to thousands of new digital currencies that serve diverse functions, including facilitating payments, powering smart contracts and acting as investment vehicles.

Over the past decade, cryptocurrencies like Bitcoin and Ethereum have grown into widely traded, highly volatile financial instruments that now play an increasing role in investment portfolios, corporate treasury management, and speculative markets. Their presence in financial markets is underscored by growing institutional adoption, the emergence of cryptocurrency-focused financial products, and the inclusion of crypto-related assets in mainstream exchanges. As this digital asset class continues to expand in scale and influence, the question of how to properly account for cryptocurrencies within financial statements has become a pressing issue for companies, investors, regulators, and accounting standard-setters alike. Despite their growing importance, cryptocurrencies currently lack a universally agreed-upon classification and treatment

under major accounting frameworks such as the International Financial Reporting Standards (IFRS), Generally Accepted Accounting Principles (GAAP), and the guidance issued by the Financial Accounting Standards Board (FASB) (Luo & Yu, 2022).

Under existing IFRS and GAAP guidelines, cryptocurrencies are typically accounted for either as intangible assets or inventory, neither of which fully capture their unique characteristics, particularly in the context of their fair market volatility and liquidity. These classification limitations hinder users of financial statements, such as investors, analysts, and regulators, from forming a clear, accurate understanding of a company's financial position when cryptocurrencies are involved (Georgiou et al., 2024). The urgency of this issue has been further elevated by the FASB's recent decision in 2024 to transition toward fair value measurement for certain crypto assets. This change reflects a growing recognition that historical cost accounting fails to adequately represent the economic realities of holding cryptocurrencies (Huang, Deng, and Chan, 2023). While fair value measurement offers greater transparency and relevance, it also introduces new challenges particularly in relation to valuation methods, volatility management, and disclosures. Furthermore, this shift raises fundamental questions about the comparability and reliability of financial statements across jurisdictions that may adopt different valuation models or continue to follow legacy guidance.

This research aims to explore the current accounting treatment of cryptocurrencies under consolidated financial reporting frameworks, specifically focusing on IFRS, GAAP, and FASB standards, and assess the implications of adopting fair value measurement practices. The study will address several key research questions, including how cryptocurrencies are accounted for under existing frameworks, the impact of fair value measurement on financial statement users such as investors, regulators, and other stakeholders, and the primary challenges associated with applying fair value measurement to cryptocurrencies, including issues of volatility, valuation techniques, and disclosure requirements. Additionally, the research will investigate how existing accounting frameworks can be adapted or improved to provide more accurate, consistent, and useful information regarding cryptocurrency holdings. By answering these questions, this study will contribute to the ongoing discourse surrounding the standardization of cryptocurrency accounting, offering valuable insights for future policy development, regulatory guidance, and practical application within financial reporting.

LITERATURE REVIEW

The rise of cryptocurrencies has posed significant challenges to traditional accounting frameworks. As decentralised digital assets operating independently of central banks and governments, cryptocurrencies often do not align neatly with existing financial reporting categories. The increasing use of assets such as Bitcoin, Ethereum, and a wide range of altcoins, both as a medium of exchange and as a store of value, has forced accountants, regulators, and standard-setters to reconsider how these instruments should be classified, measured, and disclosed (Dupuis et al., 2021). However, the extreme volatility of cryptocurrencies, combined with their lack of intrinsic value, complicates efforts to apply conventional accounting principles. As institutional adoption continues to grow, the need for clearer guidance on their financial statement treatment becomes increasingly urgent.

Historically, the classification of cryptocurrencies in accounting has largely depended on interpretations of existing standards rather than specific guidance tailored to digital assets. Under International Financial Reporting Standards (IFRS), cryptocurrencies are typically not considered financial instruments because they do not confer a contractual right to receive cash or another financial asset. As a result, the two most applied standards under IFRS for cryptocurrency accounting are International Accounting Standard 38, Intangible Assets (IAS 38), and International Accounting Standard 2 Inventories (IAS 2) (Luo & Yu, 2022).

When cryptocurrencies are held for investment or as a means of storing value, they generally fall under IAS 38. This standard treats them as intangible assets with indefinite useful lives. Under this framework, cryptocurrencies are measured at cost less any accumulated impairment losses. For example, companies like Tesla have historically accounted for their Bitcoin holdings under IAS 38, recognizing impairments when the market value dropped below the carrying amount (Luo & Yu, 2022). The key limitation here is that increases in value are not recognised until a sale occurs. Consequently, entities cannot reflect the actual market appreciation of their holdings in the financial statements, leading to potential undervaluation.

Alternatively, if an entity holds cryptocurrencies for sale in the ordinary course of business, IAS 2 may be applicable. This standard classifies such holdings as inventory and measures them at the lower of cost or net realizable value. However, critics argue that this approach inadequately captures the highly volatile and often appreciating nature of cryptocurrencies, especially during periods of market optimism (Zhang et al., 2024). Thus, the method can significantly distort the entity's true financial position.

Under United States Generally Accepted Accounting Principles (U.S. GAAP), which are promulgated by the Financial Accounting Standards Board (FASB), cryptocurrencies have traditionally been accounted for as indefinite-lived intangible assets, in accordance with the guidance set forth in Accounting Standards Codification (ASC) 350, Intangibles—Goodwill and Other. Due to the absence of a specific standard directly addressing cryptocurrencies, entities have defaulted to applying the accounting treatment for indefinite-lived intangible assets. This has led to practical inconsistencies, as companies are forced to recognize impairments without the ability to record subsequent recoveries, even when their market prices rise (Chen, 2024). Similar to International Accounting Standard (IAS) 38 under IFRS, this approach requires impairment testing but prohibits any subsequent upward revaluation.

Some academics and practitioners have argued for alternative classifications, including treating cryptocurrencies as financial instruments or even as cash equivalents. Nonetheless, under current frameworks, such proposals face significant obstacles due to the decentralised structure and lack of enforceable contractual rights inherent to most digital assets.

Challenges in Applying IFRS and U.S. GAAP to Cryptocurrencies

The application of standards such as IAS 38 and IAS 2 under IFRS and ASC 350 under U.S. GAAP to cryptocurrency assets presents a number of significant conceptual and practical difficulties. One major challenge lies in the limitations of the measurement models. The cost-based models under both IFRS and U.S. GAAP do not allow for upward adjustments when market prices rise, resulting in the persistent undervaluation of assets. This becomes particularly problematic given the inherent price volatility of cryptocurrencies, where significant unrealized gains may go unreported for long periods (Georgiana-Iulia Lazea et al., 2024).

Due to cryptocurrencies' market prices changing often and unpredictably, conducting impairment testing presents a considerable challenge. The impairment of cryptocurrencies is required to be tested annually or when there is an indication of loss. However, once an impairment loss is recognised, regardless if the market prices grow or not, entities are prohibited from reversing it (Chen, 2024). As a result, financial statements often fail to reflect the true economic value of these assets, creating a disconnect with actual market conditions. Relevance and reliability of reported information are also compromised under these standards. For instance, because the financial statements often do not reflect the fair market value of cryptocurrency holdings, investors may find it difficult to gauge the true financial position of a company, potentially leading to misguided investment decisions. This misalignment between reported figures and economic reality reduces the credibility and decision-making utility of financial statements.

Ambiguity in classification adds to the complexity of cryptocurrency accounting. Without a dedicated standard, entities must make subjective determinations regarding whether to apply IAS 2 or IAS 38. This results in inconsistent practices across firms, impeding comparability and reducing transparency. In the context of consolidated financial reporting, these challenges are magnified. When cryptocurrency transactions occur within a group structure, for example, questions arise regarding intra-group eliminations, transfer pricing, and consistency in valuation across entities. Moreover, the lack of harmonized guidance exacerbates these difficulties, leaving preparers uncertain about the appropriate treatment.

Recent Developments in Cryptocurrency Accounting

The FASB 2024 Update and the Shift to Fair Value Accounting for Cryptocurrencies

To counter these issues, the Financial Accounting Standards Board (FASB) issued an update in 2024 that requires eligible cryptocurrencies to be accounted for at fair value, with changes in value recognised through

net income. This means that cryptocurrencies are required to be measured at fair value, while any unrealized gains and losses in earnings are acknowledged, and the measurement basis is disclosed (Zhang et al., 2024). This change marks a decisive break from the traditional cost-based model.

The FASB justified this change on several grounds. Firstly, fair value accounting provides financial statement users with more timely and relevant information, aligning reported figures more closely with market realities. Secondly, it enhances comparability across firms by applying a uniform measurement basis. Finally, it allows gains and losses to be recognised as they occur, thus presenting a more accurate depiction of an entity's financial performance and risk exposure (Zhang et al., 2024).

Despite these advantages, the shift to fair value accounting also introduces new challenges. The generated profit from cryptocurrency may become more volatile due to the rapid fluctuations in cryptocurrency prices. This could lead to significant variability in net income, complicating financial planning and performance evaluation. Moreover, entities must now implement rigorous valuation methodologies and obtain reliable market data, raising the bar for internal controls and audit procedures.

International Perspectives: Differences in Treatment Under IFRS vs. U.S. GAAP

While FASB has taken steps toward modernising cryptocurrency accounting, the IFRS Foundation has not yet followed suit. Under IFRS, cryptocurrencies continue to be accounted for under IAS 38 or IAS 2, neither of which captures the dynamic nature of digital assets. As a result, a significant divergence now exists between U.S. GAAP and IFRS. This discrepancy has wide-ranging implications. Multinational corporations may present vastly different valuations depending on whether they report under IFRS or U.S. GAAP. This divergence undermines the comparability of financial statements across jurisdictions. It also opens the door to regulatory arbitrage, where companies may structure operations to benefit from more favorable accounting treatments. For investors and analysts, navigating these differences adds another layer of complexity and diminishes the transparency and reliability of financial reports.

Impact on Financial Statement Users

Investors benefit from fair value accounting by gaining access to more relevant and timely information. When cryptocurrencies are measured at fair value, the financial statements more accurately reflect an entity's economic position. This improves the predictive value of earnings and enhances the decision-making process. However, the resulting volatility in reported earnings may also complicate assessments of operational performance. Investors must be equipped to interpret these fluctuations in the context of broader market conditions and company strategy.

Auditors and regulators encounter considerable challenges in verifying crypto asset holdings and ensuring compliance. Key among these challenges is establishing control and ownership, particularly when assets are stored in third-party custodial wallets or offline "cold" storage. In addition, determining fair value requires the use of active markets or valuation models, which may vary in reliability. Auditors must also navigate a constantly evolving regulatory landscape, including differing legal definitions and compliance obligations across jurisdictions (Postnikov, 2023, Georgiou et al., 2024, Dupuis et al., 2021).

Corporate management must grapple with the dual implications of enhanced transparency and increased earnings volatility. The adoption of fair value accounting requires firms to invest in new systems, policies, and procedures to manage valuation, disclosure, and internal controls. Moreover, management must address the risks associated with fluctuating asset prices, potentially by employing hedging strategies or selectively using more stable digital assets. Clear and strategic communication with stakeholders becomes essential to contextualize these earnings fluctuations and align expectations.

Gaps in Existing Literature

There is a lack of academic literature that explores the implications of applying fair value accounting to cryptocurrencies within consolidated financial statements. Consolidation introduces complexities such as intra-group cryptocurrency transfers, non-controlling interests, and differences in reporting practices among

subsidiaries. These issues have not been adequately addressed in current research, leaving preparers and auditors with little guidance on how to implement fair value principles consistently across a group structure (Postnikov, 2023, Georgiou et al., 2024, Dupuis et al., 2021).

Despite the global nature of digital assets, there remains a fundamental disconnect between the treatment of cryptocurrencies under different financial reporting standards. While the FASB has moved towards fair value accounting, IFRS continues to rely on cost-based models through IAS 38 and IAS 2. This divergence not only complicates cross-border financial reporting but also undermines efforts to achieve comparability and consistency in global financial disclosures (Chen, 2024). Academic studies offering comparative analyses or proposals for unified standards are extremely limited, creating an urgent need for further exploration and international collaboration.

Empirical studies examining the real-world impact of different accounting models such as cost vs. fair value on investor behavior, firm valuation, or financial volatility are sparse. Additionally, industry-specific research remains underdeveloped despite the varying use of cryptocurrencies across sectors such as tech, finance, and retail. Furthermore, emerging crypto innovations like decentralised finance (DeFi), non-fungible tokens (NFTs), and stablecoins also raise unique accounting issues that have yet to be thoroughly examined in the literature (Kanu, 2025).

As cryptocurrencies continue to transform global finance, the need for robust, coherent, and harmonized accounting standards has never been more urgent. The FASB's 2024 move to fair value accounting represents a significant step forward, but the absence of corresponding action from IFRS and the lack of comprehensive academic inquiry highlight critical areas for further development. Addressing these gaps is essential to ensure that financial reporting remains relevant, reliable, and fit for purpose in a rapidly evolving digital landscape.

METHODOLOGY

Using a narrative review methodology, this study investigates the impact of fair value accounting on cryptocurrency financial reporting. The integration of theoretical, regulatory and empirical perspectives from many academic and professional sources are suitable for this qualitative approach. This method places a strong emphasis on identifying key concepts, frameworks and contemporary debates surrounding the accounting treatment of cryptocurrency in business settings.

Research Design: Narrative Review Methodology

A narrative review offers a comprehensive synthesis of previously published research on a specific topic, incorporating a subjective analysis and critical evaluation of the broader body of literature. Unlike systematic reviews, narrative reviews do not adhere to a rigid protocol, allowing for greater flexibility in exploring diverse viewpoints and tracking the evolution of research over time. This approach is particularly valuable for identifying research gaps, contributing to theory development, and proposing new conceptual frameworks. Nevertheless, due to its inherently subjective nature, it is essential to mitigate potential biases by clearly outlining the methodology and maintaining a balanced and objective assessment of the available literature.

Key Steps in Conducting a Narrative Review: Data Collection via Google Scholar

The data collection process for this narrative review was carried out using Google Scholar, a specialized academic search engine developed by Google that indexes scholarly sources such as journal articles. The procedure involved the following steps:

Formulating the Research Question: The topic of the review was clearly defined to guide the development of an effective search strategy.

Constructing Search Terms: Relevant keywords and phrases were carefully formulated based on the research question to ensure the retrieval of appropriate literature.

Executing the Search: The search was conducted on Google Scholar using precise filters to refine and limit the results to relevant studies.

Screening and Selection of Studies: The retrieved articles were assessed against predefined inclusion and exclusion criteria to determine their eligibility for the review.

Data Extraction and Synthesis: Key information was extracted from the selected studies and synthesized to address the research question and highlight key findings.

According to the description above, Figure 1 illustrates the data collection steps that were conducted.

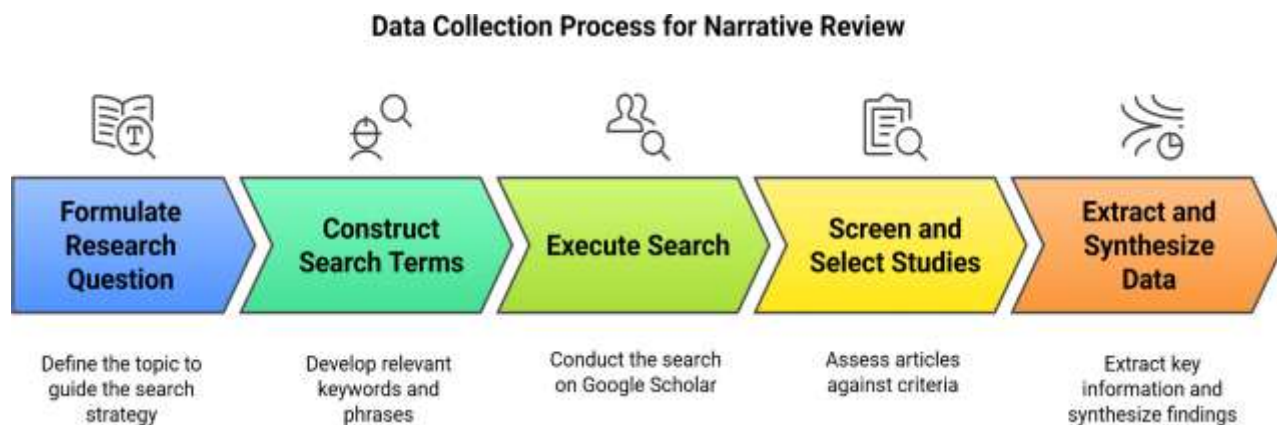


Figure 1. Illustration of the Data Collection Process of Narrative Review

By adhering to these steps, the narrative review seeks to deliver a comprehensive and impartial synthesis of existing research, utilizing the vast academic resources accessible through Google Scholar.

Data Collection and Review Strategy

In undertaking a comprehensive narrative review focused on the accounting treatment of cryptocurrencies within consolidated financial reporting frameworks, a systematic data collection and review strategy is important. This section details the formulation of a well-defined search strategy and the use of integrative thematic analysis to uncover and bring together the main themes, ideas, and theoretical viewpoints presented in the existing body of literature.

Development of Search String

To facilitate a comprehensive review of existing journal articles, a carefully designed search string was developed, incorporating a broad spectrum of synonyms and related concepts to ensure the inclusion of all pertinent scholarly research. The search string utilized is as follows:

("Cryptocurrency" OR "Cryptocurrencies") AND ("Blockchain" OR "Smart Contracts") AND ("History of Bitcoin" OR "Origin of Cryptocurrency" OR "Evolution of Digital Currency" OR "Satoshi Nakamoto" OR "Origins of Bitcoin" OR "Cryptocurrency evolution") AND ("Accounting Treatment of Cryptocurrencies" OR "Financial Reporting of Cryptocurrencies" OR "Cryptocurrency Accounting Standards" OR "Recognition and Measurement of Crypto Assets" OR "Valuation of Cryptocurrencies") AND ("IFRS and Cryptocurrency" OR "IAS 2" OR "IAS 38" OR "U.S. GAAP") AND ("Fair Value" OR "Fair Value Accounting" OR "Fair Value Measurement"). The constructed search string aims to identify literature that explores diverse aspects of the accounting treatment of cryptocurrencies within the context of consolidated financial reporting frameworks. Filters were also utilized to refine the search, ensuring that only sources published between 2019 and 2025 were included, thus guaranteeing the collection of up-to-date and relevant material. Developing such comprehensive search strategies is crucial for ensuring the retrieval of a wide range of relevant scholarly articles, as it integrates synonyms and related concepts to enhance the scope and depth of the review.

Application of Integrative Thematic Analysis

After collecting the articles retrieved from Google Scholar related to the study, a comprehensive analysis was conducted to categorize the literature based on recurring themes. The study focused on identifying common issues such as valuation methods, the accounting standard used to classify cryptocurrency, challenges in reporting cryptocurrency, and global regulatory discrepancies. Each source was carefully reviewed, and the key findings were organized in a tabular format to assess their impact on consolidated financial reporting disclosures.

Implications Of This Study

Theoretical Implication

The treatment of cryptocurrencies within all the financial reporting frameworks presents numerous theoretical challenges and opportunities for development. Traditional accounting theories must be re-examined and updated to take into account the distinctive characteristics and complexities in reporting digital assets. While Fair Value Accounting Theory, Stakeholder Theory, and Agency Theory remain central analytical frameworks, reassessment of these applications and scope should be done to realize the realities of cryptocurrency usage.

Theoretically, Fair Value Accounting Theory is potentially well suited to cryptocurrencies which are often market-driven and frequently traded. This model style helps deliver timely, relevant information by reflecting the latest market conditions. However, cryptocurrencies are often highly volatile in nature (Alharasis et al., 2020). Markets can be illiquid, prices subject to manipulation, and valuation practices inconsistent across jurisdictions (Zhang et al., 2024). When applied within a consolidated setting, where subsidiaries may use varying valuation techniques or operate under different regulatory regimes, the fair value model struggles to provide comparability and reliability. These inconsistencies will question the assumptions which underpin the Fair Value Accounting Theory would be sufficient for capturing the economic reality of digital assets at the group level.

Stakeholder Theory, which advocates for transparency and accountability to a wide array of stakeholders, also faces limitations in this context (Mahajan et al., 2023). Although the shift toward fair value accounting, particularly under revised United States Generally Accepted Accounting Principles (U.S. GAAP), has the potential to improve information quality, the lack of standardized disclosure requirements limits its effectiveness. Stakeholders such as investors, analysts, regulators, and even employees are often not given a clear picture of how digital assets are valued, secured, and integrated into broader financial strategies. In the context of consolidated reporting, these limitations are compounded when disclosure practices vary across subsidiaries. This suggests that Stakeholder Theory must be updated to reflect the rising expectations from the technologically literate and risk-aware stakeholder group who view cryptocurrency holdings as both a financial risk and a signal of strategic direction.

Agency Theory has become particularly relevant in highlighting the opportunities for discretion and earnings manipulation presented by cryptocurrency transactions. Within a consolidated group, the ability to transfer digital assets among entities, sometimes across borders, opens the door to complex intra-group arrangements that may obscure the economic substance of transactions. Furthermore, the technical complexity of blockchain-based transactions increases information asymmetry between managers and external stakeholders (Emmanuel Onjewu et al., 2023). These developments point to the need for extending Agency Theory to incorporate the unique governance challenges posed by digital assets. Issues such as private key custody, wallet access control, and decentralised transaction validation create new forms of agency risk that must be addressed through both theoretical and practical means.

Academic Contributions

The emergence of cryptocurrency as a financial reporting issue presents a rich opportunity for academic exploration. Current literature in financial accounting has only begun to address the implications of digital assets for recognition, measurement, and disclosure practices (Chen, 2024). The treatment of cryptocurrencies

in consolidated financial statements raises important questions about the boundaries of intangible asset classifications, the operationalization of fair value under volatile conditions, and the role of disclosure in reducing information asymmetry. These issues invite scholars to extend existing theories or propose new conceptual frameworks that reflect the realities of digital finance. Interdisciplinary collaboration with fields such as information systems, computer science, and financial regulation may be particularly fruitful in developing accounting models that can accommodate the decentralised and borderless nature of digital assets. As such, this topic offers a meaningful contribution to the evolving literature on accounting innovation, digital asset governance, and global standard-setting.

Practical Implications

From a practical perspective, accountants, auditors, and corporate managers are faced with considerable ambiguity in the absence of clear, consistent guidance on how to treat cryptocurrencies in consolidated reports. Preparers must navigate conflicting interpretations across international accounting standards, determine appropriate classification and measurement approaches, and establish internal controls over assets that may be held in digital wallets or custodial arrangements. For auditors, the task of verifying the existence, ownership, and fair value of such assets is especially challenging due to the lack of observable market data and the technical opacity of blockchain transactions (Dupuis et al., 2021).

Corporate managers must also consider the broader strategic and reputational implications of holding or transacting in cryptocurrencies. Treasury decisions involving crypto investments or operational uses must account for not only financial volatility but also the impact on reported earnings and stakeholder perceptions. In a group context, this is further complicated by the need to harmonise accounting policies and disclosures across subsidiaries, particularly when entities operate in jurisdictions with differing levels of regulatory maturity and digital infrastructure. Without unified internal policies and group-level guidance, there is a risk that financial statements may be inconsistent, opaque, or misleading (Luo & Yu, 2022).

Policy Implications

Policymakers and standard-setters, including the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB), are increasingly urged to provide comprehensive guidance on the treatment of cryptocurrencies. While the FASB's recent shift toward fair value measurement for crypto assets represents a significant step, greater clarity is needed regarding recognition thresholds, disclosure requirements, and consolidation procedures. Additionally, there is an urgent need for alignment between International Financial Reporting Standards (IFRS) and U.S. GAAP to ensure global comparability and prevent fragmented reporting practices among multinational corporations (Luo & Yu, 2022). To ensure comprehensive oversight, future regulatory guidance should encompass not only traditional accounting concerns like valuation and impairment but also the broader risks and operational characteristics associated with digital assets. These include custody arrangements, cybersecurity risks, exposure to decentralized finance, and the legal status of digital tokens. Consequently, a detailed disclosure framework must evolve to fully capture these aspects, providing stakeholders with the necessary information to evaluate both performance and risk (Bourveau et al., 2024).

Moreover, regulators must anticipate the ongoing evolution of digital asset ecosystems. This includes the emergence of tokenised securities, blockchain-based debt instruments, and non-fungible tokens (NFTs), which may not fit neatly within existing accounting categories (Kanu, 2025). The absence of forward-looking standards could leave companies unprepared for the integration of these innovations into corporate balance sheets and income statements.

The accounting treatment of cryptocurrencies within consolidated financial statements raises important questions for theory, practice, and policy. It challenges the sufficiency of established accounting theories, exposes significant operational difficulties for practitioners, and reveals gaps in current regulatory frameworks. As digital assets continue to gain prominence in corporate finance, accounting as both a discipline and a profession must evolve accordingly. The future of financial reporting will depend not only on technical precision but also on the ability to adapt theoretical foundations, implement consistent practices, and establish

comprehensive regulatory oversight that reflects the complexities of a digital economy.

RECOMMENDATION

To improve the accuracy, consistency, and relevance of accounting for cryptocurrencies in consolidated financial reports, it is recommended that companies and entities adopt and consistently apply fair value accounting as the primary measurement basis for cryptocurrency holdings. Due to the high volatility, active trading markets, and investment-like characteristics of cryptocurrencies, fair value measurement provides a more accurate representation of their economic substance compared to the existing cost-based models under IAS 2, IAS 38, and ASC 350. These cost-based models often lead to distorted financial statements by recognizing only impairment losses while failing to account for unrealized gains.

Additionally, it is recommended that a new asset category, such as 'digital monetary assets,' be introduced, as suggested by some researchers, to specifically address cryptocurrencies and other blockchain-based digital assets that serve as both mediums of exchange and stores of value (Cpa et al., 2020). Creating a distinct category would help resolve classification inconsistencies observed across firms and jurisdictions, which will better align accounting standards with technological advancements, and enhance comparability and transparency for investors and regulators

Collectively, the adoption of fair value accounting and the creation of a new asset class specifically for digital assets would greatly enhance the reliability, relevance, and decision-usefulness of consolidated financial reports involving cryptocurrencies, supporting the broader goal of maintaining high-quality, globally consistent financial reporting standards.

CONCLUSION

The rapid growth of cryptocurrencies has highlighted significant gaps in current consolidated financial reporting frameworks. Both IFRS and U.S. GAAP classify cryptocurrencies as either intangible assets or inventories, leading to inconsistencies, limited transparency, and potential misrepresentation of financial realities (Luo & Yu, 2022). The FASB's 2024 update, which mandates fair value measurement, marks an important advancement by offering a more precise and timely representation of crypto asset values. However, discrepancies remain at the global level, with IFRS still relying on outdated cost-based models. However, global divergence persists, with IFRS still reliant on outdated cost-based models. By integration of fair value accounting theory, stakeholder theory, and agency theory reveals that fair value measurement enhances the quality, comparability, and decision-usefulness of consolidated financial statements involving cryptocurrencies. Furthermore, to further improve reporting practices, this study recommends the consistent adoption of fair value measurement and the introduction of a dedicated asset class tailored to digital assets. Finally, policymakers, standard-setters, and corporations must work together to create cohesive, future-oriented frameworks that tackle the complexities of digital finance, ensuring that consolidated financial reports stay relevant, reliable, and globally consistent in the age of cryptocurrency innovation.

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