

## Case 24-3c

### Software Provider Inc.

**Disclaimer:** While early adoption is permitted, the amendments in this Update are effective for all entities for fiscal years beginning after December 15, 2024.

In December 2023, the FASB issued ASU 2023-08, which amends the Codification to establish ASC 350-60, *Intangibles — Goodwill and Other — Crypto Assets*. Stakeholders stated that the prior accounting model — which accounts for holdings of crypto assets as indefinite-lived intangible assets and is a cost-less-impairment accounting model — did not provide investors with decision-useful information. Specifically, stakeholders asserted that accounting for only the decreases, but not the increases, in the value of crypto assets in the financial statements until they are sold does not provide relevant information that reflects the underlying economics of those assets and an entity’s financial position. The main provisions of the ASU indicate that its amendments “apply to assets that meet all of the following criteria:

1. Meet the definition of *intangible assets* as defined in the Codification
2. Do not provide the asset holder with enforceable rights to or claims on underlying goods, services, or other assets
3. Are created or reside on a distributed ledger based on blockchain or similar technology
4. Are secured through cryptography
5. Are fungible
6. Are not created or issued by the reporting entity or its related parties.”

Under ASU 2023-08, entities are now required to measure crypto assets at fair value and present the assets separately from other intangible assets in the balance sheet. Changes in the fair value measurement of crypto assets are to be separately presented from the changes in carrying amounts of other intangible assets in the income statement.

#### **Facts:**

Software Provider Inc. (the “Company”) supports and sells computer software. During the month of September 20X4, the Company began to accept cryptocurrencies (e.g., Bitcoin, Ether, Ripple, Tether, USDC, etc.) as payment for the sale of its computer software. The Company holds its cryptocurrencies partially for investment (i.e., with an expectation that they will appreciate in value) and partially to use in the future to purchase goods or services. The Company has adopted the amendments to the Codification issued in ASU 2023-08 in the fiscal year beginning January 1, 20X4, including interim periods within the fiscal year.. In addition, the Company has recognized an intangible asset related to a trademark (an intangible asset with an indefinite useful life accounted for in accordance with ASC 350-30), in the amount of \$10 million.

During the month of September 20X4, Software Provider Inc. collected sales of software in the following cryptocurrencies (and amounts):

- 10 Bitcoin
- 50 Ether

The fair value of Bitcoin and Ether as of September 30, 20X4, is the following:

- 1 Bitcoin = \$20,000
- 1 Ether = \$1,500

As of September 30, 20X4, the fair market value of the trademark is \$10 million.

The fair value of Bitcoin and Ether as of December 31, 20X4, is the following:

- 1 Bitcoin = \$24,000
- 1 Ether = \$2,000

As of December 31, 20X4, the fair market value of the trademark is \$9 million.

The fair value of Bitcoin and Ether as of March 31, 20X5, is the following:

- 1 Bitcoin = \$22,000
- 1 Ether = \$1,800

As of March 31, 20X5, the fair market value of the trademark is \$12 million.

**Required:**

1. How should the Company's holdings of cryptocurrency and intangible assets be presented in the balance sheet under U.S. GAAP as of September 30, 20X4?
2. How should the Company's holdings of cryptocurrency and intangible assets be presented in the balance sheet under U.S. GAAP as of December 31, 20X4?
3. How should the Company account for the change in the fair value of its intangible assets under U.S. GAAP during the three months ended December 31, 20X4 in its income statement?
4. How should the Company's holdings of cryptocurrency and intangible assets be presented in the balance sheet under U.S. GAAP as of March 31, 20X5?