



The Association of  
Accountants and  
Financial Professionals  
in Business

via email

To: [director@fasb.org](mailto:director@fasb.org)

June 7, 2023

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

Re: File Reference No. 2023-ED200 *Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60)*

Dear Ms. Salo:

The Financial Reporting Committee (FRC) of the Institute of Management Accountants (IMA) is writing to express its views on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, *Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60)* (the "Proposed ASU").

The IMA is a global association representing over 140,000 accountants and finance team professionals. Our members work inside organizations of diverse sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities, and multinational corporations. The FRC is the financial reporting technical committee of the IMA. The FRC includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics, and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals, and other documents issued by domestic and international agencies and organizations. Additional information on the FRC is available at [www.imanet.org](http://www.imanet.org) (About IMA, Advocacy, Financial Reporting Committee).

We agree with the Board's conclusion that crypto assets within the scope of the Proposed ASU should be recognized at fair value with changes in fair value recognized in earnings. Since a holder of a crypto asset will only generate cash flows by selling or exchanging it for goods or services, we believe fair value is the appropriate measurement basis for crypto assets. We have comments on two areas where we think the guidance in the Proposed ASU should be clarified that we discuss further below.



Contracts Covered by Paragraph 1(b) of ASC 350-60-15

We generally agree with the scope guidance in proposed paragraph 1 of ASC 350-60-15. However, we believe the Board should clarify what it intends by the condition in proposed paragraph 1(b). Members of the FRC had different views on how that condition should be applied.

Paragraph BC16 of the Proposed ASU indicates some Board members were concerned that, without the condition in paragraph 1(b), contracts with customers could inadvertently be included within scope of the Proposed ASU. If that concern arises because the contract could be placed on the blockchain, which would allow the parties to the contract to conclude they have a crypto asset that should be reported at fair value, we believe the FASB should include an example in the final ASU that makes those concerns clear. We developed the following examples to illustrate the arrangements we think the Board is trying to address with the condition in paragraph 1(b):

Entity A purchases a business interruption insurance policy from Entity B. Entity A pays Entity B for the insurance by transferring one Bitcoin to Entity B's wallet. The insurance policy was created on a distributed ledger based on blockchain technology. The insurance policy is an asset to Entity A but is not within the scope of ASC 350-60 because it provides Entity A with an enforceable right against Entity B. However, the Bitcoin Entity B received from Entity A is within the scope of ASC 350-60 even though it is obligated to perform under the insurance policy.

Entity C enters into an agreement to manufacture a line of equipment for Entity D for consideration of two Bitcoin. Entity D will transfer 1.5 Bitcoin to Entity C's wallet at the commencement of the arrangement and will transfer the remaining Bitcoin on delivery of the equipment. The contract was created on a distributed ledger based on blockchain technology. The contract is an asset to Entity D but is not within the scope of ASC 350-60 because it provides Entity D with an enforceable right to the underlying equipment line to be manufactured by Entity C. However, the Bitcoin Entity C received from Entity D is within the scope of ASC 350-60 even though it is obligated to manufacture the equipment promised to Entity D.

If the examples above accurately reflect the concerns that resulted in the inclusion of proposed paragraph 1(b) of ASC 350-60-15, we encourage the Board to include them in the final ASU so that the application of that guidance is clear. If the examples do not accurately reflect the Board's concerns, then we believe it is even more important that the Board provide examples that clarify the circumstances that raised the concerns identified in paragraph BC16.

We assume the FASB did not intend to exclude the crypto asset (i.e., Bitcoin) received by a seller or service provider prior to the satisfaction of its performance obligations, but without further clarification that can be provided through examples, we believe there will be diversity in practice over how to apply the scope condition. If the Board intends to exclude crypto assets received by a



seller or service provider in advance of satisfying its performance obligations, or that will be received by the seller or service provider on satisfaction of its performance obligations, we recommend including guidance in the final ASU on how the seller or service provider should measure the crypto asset prior to satisfaction of the performance obligation. We assume the seller or service provider should assess whether the fair value of the crypto asset received (or receivable) is impaired and, if so, should recognize that impairment in earnings.

### Wrapped Tokens

We do not understand the conclusion reached by the Board in paragraph BC17 of the Proposed ASU and disagree with excluding wrapped tokens from the scope of the guidance. According to an article on Decrypt:

Wrapped tokens are assets that allow the value of a native asset from one blockchain to transfer to another blockchain. One of the best-known wrapped tokens is Wrapped Bitcoin (WBTC). WBTC is pegged 1:1 to the price of Bitcoin (BTC), so that one WBTC should always equal one BTC. But unlike BTC, WBTC is available as ERC-20 or TRC-20 tokens, which means it can be used and traded on the Ethereum and Tron blockchains.

Wrapped tokens are created and destroyed by a process called “minting” and “burning.” To mint a wrapped token such as WBTC, the underlying asset, in this case BTC, is sent to a custodian who stores the BTC in a digital vault. Once the underlying BTC has been locked away, an equivalent amount of WBTC can be minted.

This process can also be understood as “wrapping.” The underlying asset is “wrapped up” in a digital vault using a smart contract, and a newly wrapped asset is minted for use on another blockchain.

To burn WBTC, the same process is followed, but in reverse. The WBTC is removed from circulation, and the equivalent amount of BTC is released from the digital vault and allowed back into circulation.<sup>1</sup>

Because a wrapped token is ultimately settled by delivery of the underlying crypto asset that would be within the scope of ASC 350-60, we think excluding those crypto assets from the scope of the Proposed ASU would result in accounting that is inconsistent with the economics of the crypto asset. The wrapped token is not an enforceable right to, or a claim on, underlying goods, services, or other assets that themselves would be outside of the scope of the Proposed ASU, so the basis for excluding wrapped tokens from the scope was not clear to us.

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<sup>1</sup> O’Neill, “What Are Wrapped Tokens? How They Work and What They’re Used For,” May 11, 2022, <https://decrypt.co/resources/what-are-wrapped-tokens>.



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We would be pleased to discuss our comments with the FASB or its staff at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Josh Paul". The signature is written in a cursive, slightly slanted style.

Josh Paul  
Chair, Financial Reporting Committee  
Institute of Management Accountants  
[jpaul@paloaltonetworks.com](mailto:jpaul@paloaltonetworks.com)