PSAB
Public Sector
Accounting Board

Accounting for Cryptocurrency

Extract, PSA Discussion Group Report on the Public Meeting – May 15, 2025

At its meeting on April 26, 2019, the Group discussed various issues related to the accounting treatment of cryptocurrency. Many of the issues discussed at this meeting remain relevant today, as the use of cryptocurrency is complex, and its accounting treatment remains uncertain for many within the public sector. Many different types of cryptocurrencies are on the market, each with their own terms, conditions, and fact patterns. As cryptocurrency continues to gain popularity worldwide as a digital currency that can be substituted for cash, some Canadian public sector entities are considering whether cryptocurrency could be held as an investment and/or used in lieu of cash in transactions with third parties.

The purpose of this submission is to have the Group reexamine the accounting treatment for cryptocurrency, considering its increasing potential use in the public sector and the evolution of accounting standards and guidance.

The Group was asked to provide feedback related to the accounting treatment of a cryptocurrency, specifically:

Issue 1: Can cryptocurrency meet the definition of an asset?

The Group was asked to discuss the following views on whether cryptocurrencies meet the definition of an asset:

View A: Yes, it meets the definition of an asset.

Cryptocurrency meets the definition of an asset because it has future economic benefits, public sector entities can control access to it, and the transaction or event giving rise to it has occurred; or

View B: No, it does not meet the definition of an asset.

Cryptocurrency does not meet the definition of an asset because it may not have future economic benefits and may be subject to factors beyond the entity’s ability to control.

Summary

Group members supported View A and felt that the asset definition is met with cryptocurrencies based on the following points:

- the currency is being used in a transaction, which supports control. Blockchains and keys may provide a level of control over cryptocurrencies; and
- the currency is readily exchangeable for funds or other potential sources of funds.

Group members expressed hesitation about the legitimacy of virtual currencies, noting that some cryptocurrencies may be considered more credible than others. Some Group members emphasized the importance of internal controls and due diligence in assessing the viability and stability of various types of cryptocurrencies and exchanges.

Another Group member shared that cryptocurrency is not currently recognized as legal tender in Canada. Despite its growing popularity, utilizing cryptocurrency remains a risky venture for public sector entities. A Group member acknowledged that the inherent risks likely explain why many public sector entities are not exploring cryptocurrencies.

Generally, members acknowledged that cryptocurrency meets the asset definition, but valuation concerns, recognition, and other risks need to be addressed.

Issue 2: Assuming it can meet the definition of an asset, what type of asset is it?

The Group was asked to deliberate on views regarding the classification of cryptocurrency as an asset. Group members considered the following types of asset classes and discussed which may be most appropriate for cryptocurrency:

View A: Financial instrument asset

A Group member suggested that cryptocurrency could be recognized as an investment. This classification implies that a public sector entity would hold onto cryptocurrency and settle to market on an exchange for the cryptocurrency at a later date. This would become a financial instrument consideration based on the intended use of the cryptocurrency. Another Group member supported this view and shared that, given the volatility and risks associated with cryptocurrencies, this view allows for an assessment of gains and losses that may result from settling the investment. One Group member stated that in the absence of a contract, the definition of a financial instrument as noted in FINANCIAL INSTRUMENTS, Section PS 3450 may not be met.

View B: Inventory held for resale

Group members agreed that cryptocurrency could be inventory if the public sector entity intends to sell it within one year.

View C: Intangible asset

Most Group members supported that cryptocurrency best met the definition of an intangible asset since it is an identifiable, non-monetary economic resource without physical substance.

View D: Cash or cash equivalent

One Group member shared that cryptocurrency is not readily exchangeable for goods and services, and as such, should not be recognized as cash or cash equivalent. However, another Group member suggested that a public sector entity could decide to accept cryptocurrency in lieu of cash to facilitate a transaction.

Summary

Group members acknowledged that the asset classification of a particular cryptocurrency will depend on its specific substance, terms, conditions, and the facts patterns of each arrangement. One Group member noted that public sector entities would have to develop policies and procedures involving the use of cryptocurrencies so that appropriate accounting treatments can be applied. For example, Group members shared that contractual obligations involving the use of cryptocurrency may help determine its asset classification and related recognition and disclosure requirements. As this area continues to evolve, public sector entities will need to consider the risks, as well as guidance on recognition, measurement, and disclosure of cryptocurrency from an accounting and reporting perspective.