



Accounting aspects of Crypto Transactions

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Presented at J.B. Nagar CPE Study Circle



Disclaimer

This session is only for sharing knowledge

We do not encourage trading/investing in Crypto Currency

We are not financially exposed to Crypto Currency



Gratitude

Mitesh Katira for trusting and giving opportunity to work together

Jigar Shah for his inputs and sharing experiences

My Clients, who have Contributed to my knowledge

Asset Classification - Crypto Currencies	Intangibles - Global practice to recognize it as Intangible asset, basis virtuality.
	Cash & Bank Balances - No recognition by Federal Government.
Investors	Investments (or Current Assets)
Trader (Crypto held for Trading)	Inventory
Business accepting Crypto as valid Tender for Receipt / Payment	Current Assets



Asset Classification - F&O positions in Crypto Currencies	Net of M2M
Investors	Current Assets and exposure is shown as Contingent Liabilities
Trader (Crypto held for Trading)	Current Assets and exposure is shown as Contingent Liabilities

Cost of Acquisition

Investors & Trader (Crypto held for Trading)	
Purchase using fiat Currency	Cost including fees, if any 1 ETH = 1,52,337 INR
Purchase using another Crypto (Quote Currency)	Fiat Value equivalent of Cost of Purchase 1 ETH = (0.066006 BTC * 22,65,831 INR) = 1,49,558 INR
	1 ETH = (0.066006 BTC * 22,65,831 INR) + (0.00002 BNB * 24,737 INR Fee Currency) = 1,49,545 INR



Cost of Acquisition

Investors & Trader (Crypto held for Trading)	
Received in Performance of Duty (Salary) or Service (Professional Fees)	Salary or Cost of Services rendered or bill amount for which Crypto asset is received
Business accepting Crypto as valid Tender	Cost of Services rendered or bill amount for which Crypto asset is received



Sell Value

Investors & Trader (Crypto held for Trading)	
Sell and Withdrawal of fiat Currency	Including fees, if any. 1 ETH = 1,52,337 INR
Sell using another Crypto (Quote Currency)	Fiat Value equivalent of Cost of Purchase 1 ETH = (0.066000 BTC * 22,65,831 INR) = 1,49,544 INR
	1 ETH = (0.06600 BTC * 22,65,831 INR) - (0.00002 BNB* 24,737 INR Fee Currency) = 1,49,544 INR
Business accepting Crypto as valid Tender	Cost of Services received or bill amount for which Crypto asset is tendered as payment

Closing Valuation

Investors	At Cost or Market value
Trader (Crypto held for Trading)	At Cost or Market value
Business accepting Crypto as valid Tender	At Cost or Market value



Policy

- Asset Classification
- Conversion to Base Currency (Accounting Currency INR)
@ what rate - Moment / Day end rate?
- Method for Closing “Stock” Valuation
- Turnover - Trading in PAIR
- Expenses attributable towards Cost of Purchase



Challenges

- Exchanges are mostly Start-ups and are not as matured as our own **BSE** and **NSE**
- Availability and completeness of Data
 - Contract
 - Historical Rates
 - Balance Certificates - Quantity and Value (in INR)
- Maintenance of Quantity up to 8 decimals
- Applicability of TDS on Sell Value from 1st July 2022
 - Salary or Fees credited in Crypto post TDS will be Subject to dual level of Tax on Sell or Conversion to Fiat Currency

Airdrop

Airdrop are given to Large Traders and are Discretionary by Issuer Equivalent to **Distribution of Free Samples**

Cost of Acquisition to be considered as Zero and **Sale / Utilization Value** as discussed earlier

Closing Balance should have Quantitative effect **Closing Valuation**, if on Market Value, then Market Value to be added

Distributions

Distributions are Balancing done by Exchange towards over Heat position, after studying Spot vis-à-vis Futures position.

Distributions are received or charged in base Crypto Asset for the Exchange (BNB) or in some Stable Coins (USDC).

Cost of such asset will be Zero and **Sale / Utilization Value** as discussed earlier.

Closing Balance should have Quantitative effect **Closing Valuation**, if on Market Value, then Market Value to be added.



Case Study

Kruti & APMH

- ❖ Company in Algo based Crypto Trading
- ❖ Volumes of Data - Billion+ Trades across 4 Exchanges, 100+ Account/ Strategies and F&O Exposure
- ❖ Certain Pair not directly convertible to Reporting Currency - hence Dual level Conversion



Thank you

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