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BRINGING ACCOUNTING STANDARDS INTO THE MODERN ERA: ANALYZING THE FINANCIAL ACCOUNTING STANDARDS BOARD'S PROPOSED DISCLOSURE REQUIREMENTS FOR DIGITAL ASSETS

❖ Note ❖

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I. INTRODUCTION

Technology's growth over the past decade has permeated all aspects of life.[1] Financial markets have not been isolated from this increasing digitization.[2] More specifically, the introduction of digital assets (crypto-currency, non-fungible tokens, etc.) has taken the world by storm.[3] With the introduction of new assets comes the need for new regulations. While consumer regulations are important, so too are regulations on companies and how they report their ownership of digital assets.[4]

Regulations on companies are important because they increase the transparency of companies as well as look out for the interest of investors and the general public.[5] Without government intervention and regulations, corporations would logically operate in profit-maximizing ways that are self-serving.[6] This self-serving nature often lacks an eye for public interest and may promote a lack of disclosure which is not optimal for investors.[7] With this in mind, regulators

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[1] *See* Jared Hecht, *How Technology Is Driving Change in Almost Every Major Industry*, FORBES (Nov. 30, 2018), https://www.forbes.com/sites/jaredhecht/2018/11/30/how-technology-is-driving-change-in-almost-every-major-industry/.

[2] *See id.*

[3] *See* James Royal, *Cryptocurrency Statistics 2023: Investing in Crypto*, BANKRATE (Jan. 5, 2023), https://www.bankrate.com/investing/cryptocurrency-statistics/.

[4] *See* FIN. ACCT. STANDARDS BD., PROPOSED ACCOUNTING STANDARDS UPDATE, INTANGIBLES-GOODWILL AND OTHER-CRYPTO ASSETS 17 (2023).

[5] *US GAAP: Generally Accepted Accounting Principles*, CFA INST., https://www.cfainstitute.org/en/advocacy/issues/gaap#sort=%40pubbrowsedate%20descending (last visited Mar. 17, 2023).

[6] *See* MARTIN BRUECKNER, ENCYCLOPEDIA OF CORPORATE SOCIAL RESPONSIBILITY 1921-1927 (Nicholas Capaldi et al. eds., 2013).

[7] *See* Daniel Taylor, *The Lemons Problem: How Less Disclosure Affects Risk Perceptions*, KNOWLEDGE AT WHARTON (June 23, 2015), https://knowledge.wharton.upenn.edu/article/the-lemons-problem-how-less-disclosure-affects-perceptions-of-risk-2/.

implement regulations that ensure companies operate in ways that may be in the best interest of the company, but also meet the standards required to ensure investor and general public safety.[8]

Because of the novelty of digital assets, the current regulation on how companies report their ownership of digital assets is underdeveloped.[9] On May 11, 2022, the Financial Accounting Standards Board decided it would add a project to its agenda to research and improve reporting standards for digital assets.[10] Part II of this Note discusses the background of that project and crypto assets, the short history of regulation surrounding the disclosure of digital assets, and the proposed standard changes. Part III analyzes the differences between the proposed standards and the current standards and the benefits of the proposed standards. Part IV of this Note recommends that companies should be required to release an update on their digital asset holdings on a monthly, as opposed to quarterly, basis and disclose the purchase or sale of crypto assets within a specified time frame of the purchase or sale to enhance transparency and information available to investors.

II. BACKGROUND

In May 2022 the Financial Accounting Standards Board (FASB) added a project to its agenda regarding the reporting and disclosure of crypto assets by companies that follow Generally Accepted Accounting Principles (GAAP).[11] The background on FASB and GAAP, a short background on crypto assets, the history of accounting for digital assets, and the proposed standard are discussed in this section.

A. What Is FASB and GAAP and how does FASB Operate?

FASB is an independent organization dedicated to establishing financial reporting standards for companies.[12] While it is not a government run organization, the U.S. Securities and Exchange Commission (SEC) has given FASB authority to set accounting standards for public companies.[13] GAAP "are a collection of commonly-followed accounting rules and standards for financial reporting."[14] GAAP are the standards that the FASB has established and the SEC have adopted for publicly traded companies.[15] "The purpose of GAAP is to ensure that financial reporting is transparent and consistent from one organization to another."[16]

FASB has a step based standard setting process.[17] Issues that the board needs to research are brought to the attention of the board.[18] The board then researches the issue and presents a draft of a regulation for public comment.[19] After receiving feedback, the board makes any necessary changes

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[8] CFA INST., *supra* note 5.

[9] Nicola M White, *Tesla's Bitcoin Dump Leaves Accounting Mystery in Its Wake*, BLOOMBERG (July 22, 2022, 12:47 PM), https://www.bloomberg.com/news/articles/2022-07-22/tesla-s-bitcoin-dump-leaves-accounting-mystery-in-its-wake.

[10] FIN. ACCT. STANDARDS BD., ACCOUNTING FOR AND DISCLOSURE OF CRYPTO ASSETS TENTATIVE BOARD DECISIONS TO DATE AS OF FEBRUARY 1, 2023 (2023).

[11] *Id.*

[12] *About the FASB*, FIN. ACCT. STANDARDS BD., https://www.fasb.org/facts/ (last visited Mar. 17, 2023).

[13] *Id.*

[14] CFA INST., *supra* note 5.

[15] *Id.*

[16] *Id.*

[17] *Standard-Setting Process*, FIN. ACCT. STANDARDS BD., https://www.fasb.org/Page/PageContent?PageId=/about-us/standardsettingprocess.html&isstaticpage=true&bcpath=tff (last visited Mar. 17, 2023).

[18] *Id.*

[19] *Id.*

and then publishes the proposed regulation.[20] Much of this analysis is done through a cost-benefit lens to ensure that the burden of the proposed standard on companies is not higher than the benefits the public and investors receive.[21]

On March 23, 2023, FASB published an Exposure Draft with the proposed update to the standards for accounting for Crypto Assets.[22] Comments on the proposal are due to the board by June 6, 2023.[23]

B. *Crypto Assets*

Digital, or crypto, assets are a "digital representation of value or rights which may be transferred and stored electronically."[24] Crypto assets come in different forms, one of which is cryptocurrency such as Bitcoin or Ether.[25] Crypto assets can be used to purchase goods or services, or alternatively they can be purchased as an investment.[26] These assets have become extremely popular,[27] but are highly volatile and risky.[28] Given their high risk, regulators want to increase regulations for investor safety.[29]

C. *Previous Disclosure Standards for Digital Assets*

Cryptocurrency and digital assets have been around for just over a decade, did not become mainstream until about five years ago.[30] Because of this, there has been relatively little work to determine the appropriate standards for companies to disclose their ownership of digital assets.[31] Up until this point, companies have reported cryptocurrencies and other digital assets as indefinite-lived intangible assets.[32] Indefinite-lived intangible assets are assets that will generate income for a company over an indefinite period and are not tangible, such as a company's brand name or customer relationships.[33] While there is no specific guidance on how to account for digital assets, most of them were put into the category of indefinite-lived intangible assets because they have the

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[20] *Id.*

[21] *Cost-Benefit Analysis*, FIN. ACCT. STANDARDS BD., https://www.fasb.org/Page/PageContent?PageId=/about-us/standardsettingprocess/cba.html&bcpath=tff (last visited Mar. 17, 2023).

[22] FIN. ACCT. STANDARDS BD., *supra* note 4.

[23] *Id.*

[24] *Blockchain and Crypto Assets*, EUR. INS. AND OCCUPATIONAL PENSIONS AUTH., https://www.eiopa.europa.eu/browse/digitalisation-and-financial-innovation/blockchain-and-crypto-assets_en (last visited Apr. 14, 2023).

[25] *Types of Crypto Assets*, CANADIAN SEC. ADM'RS, https://www.securities-administrators.ca/investor-tools/crypto-assets/types-of-crypto-assets/ (last visited Apr. 14, 2023).

[26] *See, e.g.*, Andy Rosen, *What Is Cryptocurrency? A Guide for Beginners*, NERDWALLET, https://www.nerdwallet.com/article/investing/cryptocurrency (Mar. 28, 2023).

[27] *See* Royal, *supra* note 3.

[28] *See* Nicole Lapin, *Explaining Crypto's Volatility*, FORBES (Dec. 23, 2021, 6:00 AM), https://www.forbes.com/sites/nicolelapin/2021/12/23/explaining-cryptos-volatility/?sh=2f14d4847b54.

[29] *See* Aditya Narain & Marina Moretti, *Regulating Crypto*, INT'L MONETARY FUND (Sept. 2022), https://www.imf.org/en/Publications/fandd/issues/2022/09/Regulating-crypto-Narain-Moretti.

[30] Evan Jones, *A Brief History of Cryptocurrency*, CRYPTOVANTAGE (Jan. 12, 2023), https://www.cryptovantage.com/guides/a-brief-history-of-cryptocurrency/.

[31] *Executive Summary: Accounting for Crypto Assets*, KPMG, https://frv.kpmg.us/reference-library/2022/crypto-asset-executive-summary.html (last visited Mar. 17, 2023).

[32] *Id.*

[33] Will Kenton, *What are Intangible Assets? Examples and How to Value*, INVESTOPEDIA (Mar. 20, 2022), https://www.investopedia.com/terms/i/intangibleasset.asp.

major properties of other indefinite-lived intangible assets, primarily that they have an indefinite useful life and meet the definition of an intangible asset.[34] Without guidance, companies simply took the most logical path and waited for FASB to provide guidance on a proper way to report these assets.

Under the current practice, and in accordance with indefinite-lived intangible asset standards, crypto assets are reported at their purchase costs.[35] If the value of the assets increases, companies are not allowed to increase the value they report in subsequent periods.[36] Instead, the companies will test the asset annually for what is called impairment.[37] Impairment is simply a permanent reduction in the value of the asset.[38] If the company determines that it is more likely than not that the asset has been impaired, then they will examine the fair value of the asset, compare that value to the value being currently reported by the company, and then the value of the asset will take whichever is lower between the current reported value and fair value.[39]

D. Proposed Disclosure Standard

The proposed standard has four main changes related to accounting for crypto assets.[40] First, companies owning crypto assets will have to record them at fair value and report changes in value during each reporting period.[41] Second, these companies will have to report their "crypto assets measured at fair value separately from other intangible assets."[42] Third, the change in value of these assets will also be reported separately from other assets.[43] Finally, companies will have to report "[t]he name, cost basis, fair value, and number of units for each significant crypto asset holding and the aggregate fair values and cost bases of the crypto asset holdings that are not individually significant."[44]

The proposed standard would only apply to companies that purchased crypto assets and carry them on their balance sheet.[45] More companies are beginning to purchase crypto assets and some companies, such as Tesla, already own a significant amount of crypto.[46] This standard would not apply originators or platforms that create crypto assets.[47]

This standard is still subject to change with the comment period and the publication of the final standard,[48] but these four requirements are the main basis of the standard and present a major change from the previous practices.

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34 KPMG, *supra* note 31.

35 *Technical Line Accounting for Digital Assets, Including Crypto Assets*, ERNST & YOUNG (June 30, 2022), https://assets.ey.com/content/dam/ey-sites/ey-com/en_us/topics/assurance/accountinglink/ey-tl16494-221us-06-30-2022.pdf.

36 FIN. ACCT. STANDARDS BD., *supra* note 4, at 3.

37 ERNST & YOUNG, *supra* note 35.

38 Alicia Tuovila, *What Does Impairment Mean in Accounting? With Examples*, INVESTOPEDIA, https://www.investopedia.com/terms/i/impairment.asp (Aug. 24, 2022).

39 ERNST & YOUNG, *supra* note 35.

40 FIN. ACCT. STANDARDS BD., *supra* note 4, at 2.

41 *Id.*

42 *Id.*

43 *Id.*

44 *Id.*

45 *Id.* at 1.

46 *See* Benzinga, *10 Public Companies with Largest Bitcoin Holdings in 2023*, MKT. INSIDER (Mar. 6, 2023, 8:33 AM), https://markets.businessinsider.com/news/stocks/10-public-companies-with-largest-bitcoin-holdings-in-2023-1032147256.

47 FIN. ACCT. STANDARDS BD., *supra* note 4, at 20.

48 *See* FIN. ACCT. STANDARDS BD., *supra* note 17.

III. ANALYSIS

The proposed standard provided by the Exposure Draft is a significant change from the earlier standard because it provides a standard specifically for crypto assets.[49] This section will distinguish the proposed standard from the current standard, look at the benefits of the proposed standard, and discuss how the proposed standard furthers the goals of FASB and GAAP.

A. Comparing the Current and Proposed Standards

Each of the four notable changes discussed in the background section is a significant change from the current standard that better fits the nature of crypto assets.[50] The four major differences between the current standard and the proposed standard are that under the new standard, companies are required to measure crypto assets at fair value, present their total value of crypto assets independently of other assets, present the gains and losses on those assets independently, and disclose the specific crypto assets they own a significant amount of.[51]

1. Fair Value Measurement Standard

Under the proposed standard, companies would be required to report their crypto holdings at fair value.[52] This may seem like the logical thing to do, but it is not the current practice for companies following traditional reporting standards for indefinite-lived intangible assets as described in the Background section.[53]

This is an important change because the current standard does not make sense when accounting for crypto assets given their nature. Traditional indefinite-lived assets are things such as land and trade names.[54] While these items may change in value over time, they are less volatile than many financial assets.[55] Crypto assets differ significantly in this aspect.[56] Cryptocurrency is highly volatile, and prices fluctuate significantly over short time periods.[57] The current standards lead to a distortion between the value reported by companies and the fair value of the crypto assets that companies own because companies are not able to increase the carrying value they report for the asset.[58] By switching to the proposed standard, companies would be required to report a more accurate value of assets that the company owns.[59] Because of this, the proposed standard of reporting crypto assets at fair value each reporting period makes much more sense given the nature of crypto assets.

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[49] *See* FIN. ACCT. STANDARDS BD., *supra* note 4, at 7-16.
[50] *Id.* at 3.
[51] *Id.* at 2.
[52] *Id.*
[53] *See supra* Section II.C.
[54] *See, e.g.*, Kenton, *supra* note 33.
[55] *See* Sean Ross, *Has Real Estate or the Stock Market Performed Better Historically?*, INVESTOPEDIA, https://www.investopedia.com/ask/answers/052015/which-has-performed-better-historically-stock-market-or-real-estate.asp (Jul. 27, 2022).
[56] *See* Lapin, *supra* note 28.
[57] *Id.*
[58] *See* FIN. ACCT. STANDARDS BD., *supra* note 4, at 3.
[59] *See id.* at 1.

2. Presenting Total Crypto Ownership Independently

The proposed standard would require companies to disclose their total ownership of crypto assets as a separate value from other intangible assets.[60] Currently, companies can report their ownership of crypto assets under indefinite-lived intangible assets without specifically listing the amount that is attributable to crypto assets.[61] While some companies that do own digital assets currently list the amount of digital assets owned, they are not forced to and can include the value with other items if they so choose.[62] Mandating the individual reporting is important to make clear how much of the company is exposed to the volatility of crypto and other digital assets.[63]

3. Independent Gains and Losses

The third difference is that companies will have to report their gains and losses on digital assets separately from gains and losses in other areas.[64] Currently, companies will have impairment losses on digital assets if the value of the assets decreases, but the impairment does not have to explicitly state that it is due to a decrease in digital asset value.[65] Companies can report a single value for impairment that represents impairments for all indefinite-lived intangible assets the company owns.[66] The proposed standard would enhance the transparency and clarity for investors to see specifically where gains and losses are coming from.[67] Since the crypto assets change value more often and more drastically,[68] it makes sense for companies to have to disclose the gains and losses of these assets separately.

4. Disclosure of Specific Crypto Assets

The fourth and final major difference is that companies will have to list the name, amount, cost, and value of specific crypto assets that they own significant amounts of and will have to list the "aggregate fair values and cost bases of the crypto asset holdings that are not individually significant."[69] As with the second change, companies do not have to individually report their owning of crypto assets, let alone the specific assets that they are holding.[70] This change increases transparency for investors and allows investors to better know the financial situation of the company.[71] These four changes have important benefits over the current reporting standard.

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60 *See id.* at 26.
61 *Id.*
62 White, *supra* note 9.
63 *See* FIN. ACCT. STANDARDS BD., *supra* note 4, at 26.
64 *Id.* at 2.
65 White, *supra* note 9.
66 *See* FIN. ACCT. STANDARDS BD., *supra* note 4, at 26.
67 *See id.* at 26-27.
68 *See* Ross, *supra* note 55.
69 *See* FIN. ACCT. STANDARDS BD., *supra* note 4, at 2.
70 *Id.* at 26.
71 *Id.* at 1.

B. Benefits of the Proposed Standard

Going through the four major differences in the change of standards, by requiring companies to disclose their ownership of digital assets at fair value, the value that companies will disclose will be a more accurate representation of the value of digital assets that companies own.[72] The current standard presents an issue for two reasons.

First, under the current standard, any increase in the value of the assets would not be disclosed and would thus understate the true value of assets owned by a company.[73] This understatement may hurt a company by making the company's returns and financial situation look worse than it truly is because it displays a crypto asset value lower than the fair value of the crypto assets.[74] The worse a company's financial position looks, the more it discourages investors from investing in the company.[75] This issue will also affect a company's ability to access credit because banks analyze a company's financial position before giving out loans or lines of credit.[76]

Second, when the value of the held crypto assets is above the amount reported, investors could be surprised if the value of the asset decreases significantly over a short amount of time. Since the value that investors see is less than the fair value,[77] the company is more exposed to changes in the price of the digital assets than investors expect. Further, with how volatile cryptocurrency is,[78] it is important for investors to know the full extent of exposure that the company has to digital asset volatility because investors should know how risky their investment is. The proposed standard removes this issue and allows investors to better know where the company stands with regards to the value of digital assets it owns.[79]

The second element of the proposed standard also improves investor transparency and better represents the financial situation of the company. Since companies do not have to report their ownership of digital assets separately from other intangible assets under the current standard,[80] it creates a similar issue as discussed above. If companies opt to disclose their digital assets combined with other indefinite-lived intangible assets instead of a separate line for digital assets, investors get a distorted view of the company.[81] Given how volatile crypto assets are,[82] when crypto assets are not disclosed separately from other indefinite-lived intangible assets investors may not know that the company has a large amount of its indefinite-lived intangible assets that are highly volatile. By making companies separate the digital assets from the rest of the indefinite-lived intangible assets, it allows investors to know the true risk portfolio of a company's assets.

This argument also supports the third element of the proposed standard, making companies disclose their earnings and losses from digital assets separately from the rest of the indefinite-lived

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72 *See id.* at 2.

73 *See id.* at 3.

74 *See, e.g.*, Chris Hamilton, *What Does Understatement Mean in Accounting*, CHRON, https://smallbusiness.chron.com/understatement-mean-accounting-33138.html (last visited Apr. 13, 2023).

75 *See, e.g.*, Miranda Marquit, *Stock Picking: 7 Things You Must Know About a Company*, U.S. NEWS (Feb. 22, 2013), https://money.usnews.com/money/blogs/the-smarter-mutual-fund-investor/2013/02/22/stock-picking-7-things-you-must-know-about-a-company.

76 *See, e.g.*, *Do Banks Look at a Company's Balance Sheet or Income Statement When Extending Credit?*, CHRON, https://smallbusiness.chron.com/financial-projections-investors-look-business-plan-60908.html (Sept. 15, 2020).

77 *See* FIN. ACCT. STANDARDS BD., *supra* note 4, at 3.

78 Lapin, *supra* note 28.

79 *See* FIN. ACCT. STANDARDS BD., *supra* note 4, at 1.

80 *Id.* at 26.

81 *See id.*

82 Lapin, *supra* note 28.

intangible assts.[83] Under the current standard, investors may not know which assets are the reason for impairments when a company reports impairment losses.[84] By requiring separate disclosures for gains and losses from the digital assets,[85] it allows investors to know if digital assets or other less volatile assets are the reason for losses. Under the proposed standards, investors can better understand where the losses and gains of a company are coming from[86] and make investment decisions better suited to their personal preferences.

The fourth element of the proposed standard mandates a more detailed disclosure than simply the amount of crypto assets the company owns.[87] This requirement works with the other requirements to further enhance transparency and allows investors to know specifically what crypto assets the company owns.[88]

All four elements of the proposed standard work in furtherance of the goals of GAAP. The main elements of the proposed standard all are aimed at increasing standardization in an area that currently lacks specific guidance.[89] FASB is taking away the choice companies currently have on how to present their holdings of crypto assets and has created this proposal to have a standardized reporting structure that allows for easier comparison between companies and increases transparency for investors and outsiders analyzing a company's financial situation.[90]

IV. RECOMMENDATION

FASB implementing the proposed standard is more than just a logical development. The proposed standard better fits the nature of digital assets, improves standardization, and increases transparency for investors regarding the business operations of a company while better representing a company's financial position.[91]

When establishing reporting standards, establishing transparency between a business and its investors as well as the general public should be a major goal.[92] This proposed standard achieves this goal. The proposed standard is an excellent starting point towards enhancing disclosure transparency in an area that has not had specifically tailored regulations on reporting.[93] The proposed standards allow investors to generally understand the full scope of a company's investment into digital assets.[94] By understanding the true nature of a company's assets, investors have a better understanding of the risk and financial situation of the company they are investing in.[95]

While these proposed standards are a good start, there is room for improvement. The first area that could use improvement is an increase in the frequency that companies report their gains and losses on crypto assets. Publicly traded companies are required to report four times each year,[96]

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[83] FIN. ACCT. STANDARDS BD., *supra* note 4, at 2.
[84] *See id.* at 5.
[85] *Id.* at 2.
[86] *See id.* at 1.
[87] *Id.* at 2.
[88] *See id.* at 1-3.
[89] *Id.* at 1.
[90] *See id.* at 1-3.
[91] *See id.*
[92] *See Our Goals*, U.S. SEC. AND EXCH. COMM'N, https://www.sec.gov/our-goals (last visited Apr. 14, 2023).
[93] *See* FIN. ACCT. STANDARDS BD., *supra* note 4, at 1.
[94] *See id.*
[95] *See* Jason Fernando, *Balance Sheet: Explanation, Components, and Exmaples*, INVESTOPEDIA, https://www.investopedia.com/terms/b/balancesheet.asp (July 5, 2022).
[96] 17 C.F.R. § 240.13a-13 (2022).

once at the end of each of their first three fiscal quarters,[97] and then a larger report at the end of their fiscal year.[98] While this frequency may be adequate for informing investors on most information, the frequency does not seem adequate when there are large values of assets that are highly volatile.

Cryptocurrencies are highly volatile and subject to significant losses over short periods.[99] For example, in June 2022, Bitcoin fell 37%.[100] This significant of a decrease can have effects on the solvency of a business and the frequency of volatility supports companies having to report their gains and losses on digital assets more often that the current requirement of four times a year. A requirement to report gains and losses on a monthly basis could mitigate this issue without overburdening the companies that own crypto assets. While there may be significant value changes over the course of a month, since the proposed regulation requires companies to disclose specifically which crypto assets and how much of those crypto assets the company owns,[101] individuals would be able to track the value of the crypto assets that the company owns. Increasing the requirement to be every two weeks or every week may become too much of a burden on the companies while keeping the requirement the same as it is and requiring quarterly disclosures may overburden investors that want to follow the value of a company's crypto assets. Thus, a monthly disclosure requirement balances this burden and aligns with the cost-benefit lens that FASB uses when determining new requirements.[102]

Another potential improvement is to require companies to disclose the purchase or sale of a significant value of crypto assets within, for example, a week of when the purchase or sale occurs. Because companies are only required to make quarterly reports,[103] the purchase and sale of crypto assets in between these periods may not be disclosed to investors until the end of the quarter. During the three months between disclosures, companies may purchase or sell significant sums of crypto assets.

If investors are unaware of these significant changes within a short time of them occurring, the investors may invest in the company without the knowledge that the company is more heavily invested in crypto assets than their most recent disclosure suggests. Because the company may be more heavily invested in crypto than the investor knows and these assets are highly volatile,[104] the investor may be taking a larger risk than they wanted to or knew they were taking.

To prevent the requirement from being unreasonable and requiring companies to report every purchase they make, the requirement could be limited to certain circumstances. A circumstance that would require reporting could be when the company is purchasing crypto assets and does not currently own any. This informs investors that the company is beginning to invest in crypto assets. Another important circumstance could be for purchases or sales that are more than 10% of the currently owned amount. This informs investors that the company is significantly increasing or decreasing its crypto holdings. These limitations prevent overburdening companies with reporting requirements while allowing investors to know when the companies are making significant changes to their crypto holding practices.

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[97] *Id.*

[98] *Id.* at § 240.13a-1 (2023).

[99] Lapin, *supra* note 28.

[100] *E.g.*, Jimmy He, *Brutal Month for Bitcoin as June Ends with Biggest Drop in 11 Years*, COINDESK (July 1, 2022, 11:56 AM), https://www.coindesk.com/markets/2022/07/01/brutal-month-for-bitcoin-as-june-ends-with-biggest-drop-in-11-years/.

[101] *See* FIN. ACCT. STANDARDS BD., *supra* note 4, at 2.

[102] *See* FIN. ACCT. STANDARDS BD., *supra* note 21.

[103] 17 C.F.R. § 240.13a-13 (2022).

[104] Lapin, *supra* note 28.

V. CONCLUSION

As technology continues to evolve and influence businesses, new regulations are important for continuing to protect investors and ensure transparency in company reporting.[105] The implementation of the proposed standard is important because the proposed standard was specifically tailored to fit the nature of crypto assets.[106] Thus, the proposed standard can better align required practices with the goals of GAAP and FASB. The proposed standard for digital asset reporting is a strong step in standardizing effective reporting and increasing transparency. But, based on how the proposed standards work in the coming years, additional changes, such as increasing the frequency of crypto asset reporting and requiring disclosures of significant crypto asset purchases or sales when they occur, may further increase transparency and benefit investors and outsiders in the long run.

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[105] *See* U.S. SEC. AND EXCH. COMM'N, *supra* note 92.
[106] *See* FIN. ACCT. STANDARDS BD., *supra* note 4.