

10 Tangible Takeaways

How To BuiDL and Manage a Best-in-Class Digital Asset Accounting Environment

The webinar will begin in a few moments

NOTE: Participants will receive an email within 48 hours with a link to the slide deck and recording.

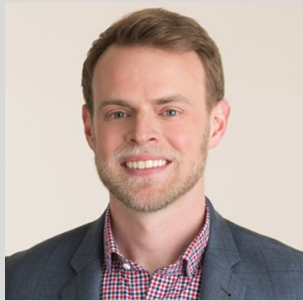
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Learning Objectives



- **Evaluate** best practices for accounting and auditing cryptocurrencies and digital assets
- **Review** and debunk common accounting misconceptions and questions
- **Discuss** tangible takeaways to help you navigate accounting, audit, tax and risk issues common to fast-growing companies

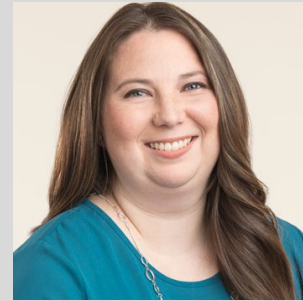
Presenters



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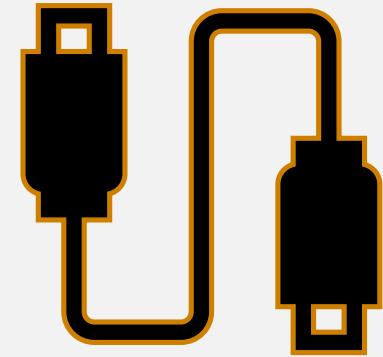
How to BuiDL & Manage a Best-in-Class Digital Asset Accounting Environment



Crypto Accounting Solution Considerations



Setting up an Auditable Environment



IT Considerations & Data Management

Debunking Common Misconceptions



1: “Why even maintain the books or invest in a crypto accounting program. It’s all on the blockchain!”

Debunking Common Misconceptions



2: “Audit preparation is easy. It’s all on the blockchain!”

Debunking Common Misconceptions



3: “Confirming ownership is unnecessary, all the activity is public. It’s all on the blockchain!”

Debunking Common Misconceptions



4: "I am not showing an auditor my private keys! Good luck auditing me!"

Debunking Common Misconceptions



Tangible Takeaway #1:

- ***The proper Accounting infrastructure is necessary to maintain and scale your crypto business. You can optimize your environment by:***
 - + Investing in a Crypto-Accounting Solution
 - + Implementing Crypto-specific Internal Controls (use CCSS)
 - + Understand and build for your future needs like scaling, audit, etc.

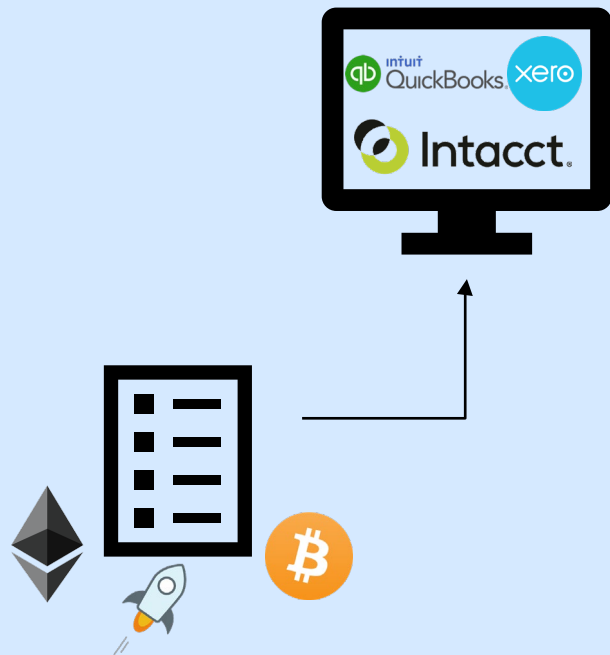


Crypto Accounting Solutions – Use Cases

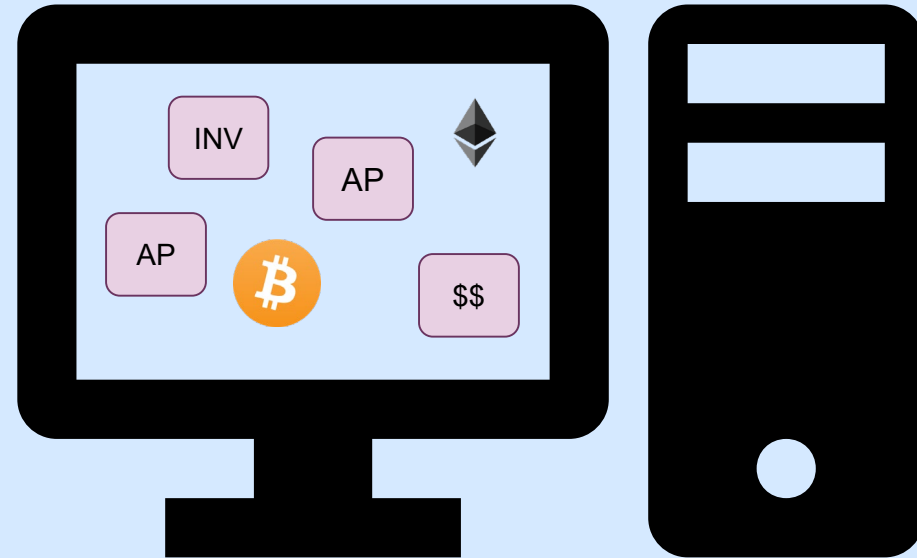


1. Accounting Use Case – 2 Main Varieties

Sub-Ledger



Stand-Alone Acct. Solution



Crypto Accounting Solutions – Use Cases



■ Tangible Takeaway #2:

+ Subledger recommended to:

- **Non-crypto native companies** transacting in crypto as a subset of business ops
- **Crypto & Non-crypto native companies** using an accounting system integrated with a complex IT environment, looking for a simple way to account for crypto
- **Startup crypto-native projects** looking for a tool with asset tracking and reporting functionalities

■ Full-Scale Solution recommended to:

- + **Crypto native projects** looking to centralize the accounting function (including AP, AR) and related IT accounting infrastructure
- + **Non-Crypto native companies** that have relatively basic accounting environment and a large percentage of transactional volume in crypto



2. Blockchain Node & Exchange Integrations

Currencies Supported:

All platforms	Most Platforms	Some Platforms	Few Platforms
Ethereum ERC-20	Bitcoin	Bitcoin Cash (ABC & SV) Bitcoin Gold Dash Litecoin NFT's (ERC-721)	Stellar EOS NEO Doge Other

Exchanges Supported:

All platforms	Most Platforms	Some Platforms	Few Platforms
N/A	Binance	Bittrex, Bitfininex, Bitstamp, Coinbase Pro, HitBTC, Huobi, Kraken, Poloniex, OKex	Bibox, Gemini, Cryptopia, Lbank, ZB



Tangible Takeaway #3:

Current State



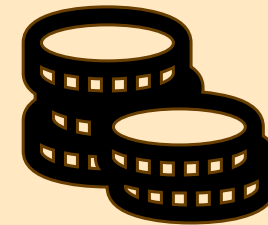
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Roadmap



=

Your Environment

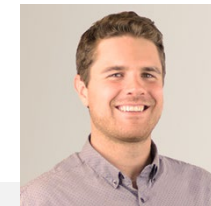


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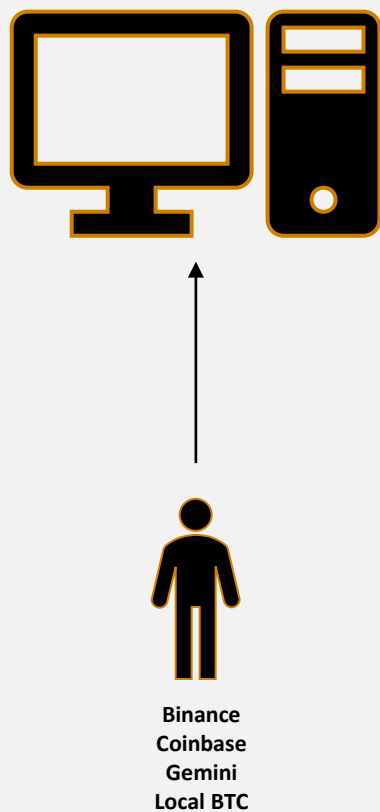


Exchanges

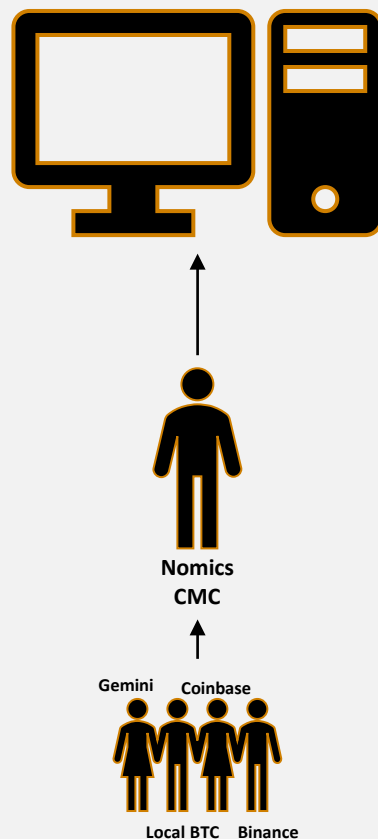
Data Integrity – 3rd Party Price Feeds



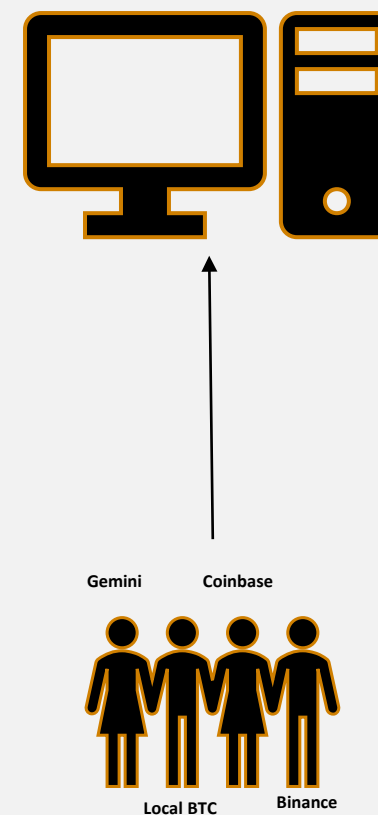
Single Source



Price Aggregator



Manual Aggregation



Data Integrity – 3rd Party Price Feeds



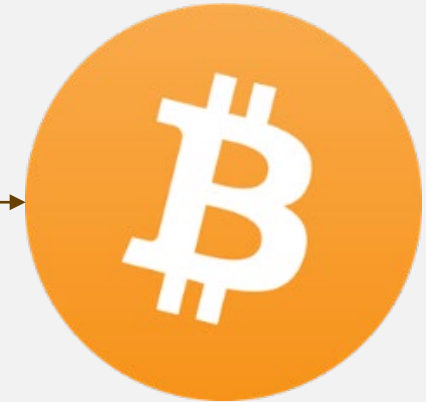
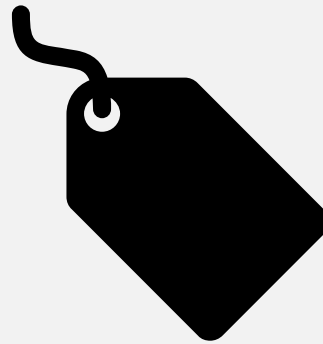
Tangible Takeaway #4:

	<u>Single Source</u>	<u>Price Aggregator</u>	<u>Manual Aggregation</u>
<u>Pros</u>	Easy	Difficult to Manipulate Easy SOC Potential	Difficult to Manipulate No 3 rd -Party Source of Failure SOC Potential
<u>Cons</u>	Vulnerable to Manipulation Limited 3 rd Party Assurance (SOC) Single Point of Failure	Limited 3 rd Party Assurance (SOC) 3 rd Party Single Point of Failure	Difficult to Employ Limited 3 rd Party Assurance (SOC)

Why Pricing Matters – Tracking Cost Basis



Basis Tracking Method



Account/Balance-model

FIFO
W/A
LIFO
VS.
Specific ID

UTXO-based

Why Pricing Matters – Tracking Cost Basis



Tangible Takeaway #5:

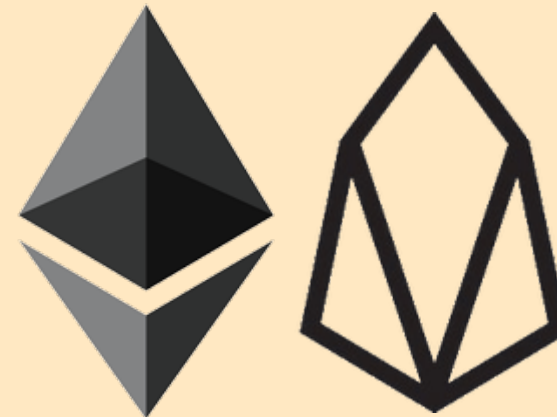
For basis tracking, when possible use...

Specific ID



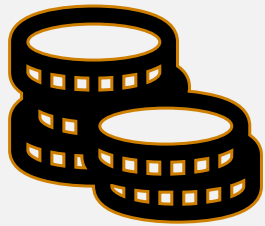
UTXO-based

FIFO



Account-based

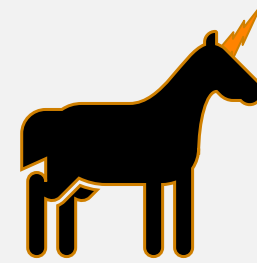
Organizing to Scale – Your Crypto Chart of Accounts



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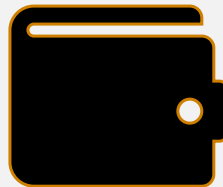
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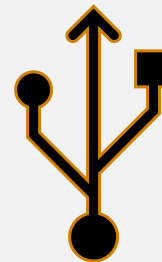
Special Cases

NFT's
Joint Owned
Wallets

Wallets



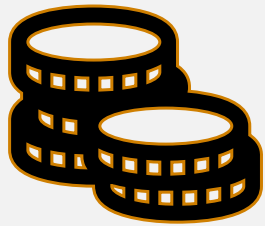
Uses





*Break them out into different
accounts*

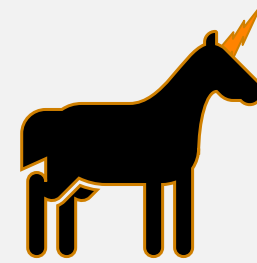
Organizing to Scale – Your Crypto Chart of Accounts



Tokens



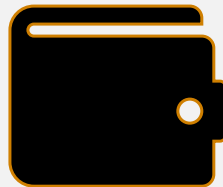
Exchanges



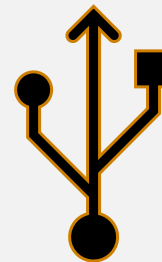
**Special
Cases**

NFT's
Joint Owned
Wallets

Wallets



Uses

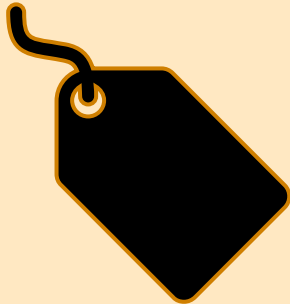




Tangible Takeaway #6:

When possible, break out your financial statement accounts to increase...

Gain/Loss
Tracking



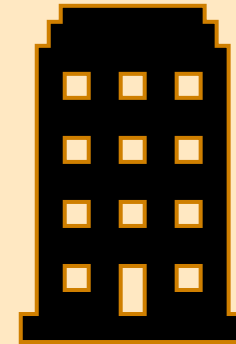
Homogenous
Application



Auditability



Organization

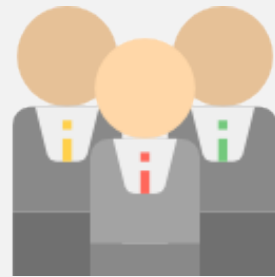


Are you ready for a Financial Statement Audit?



Demand from:

Stakeholders



Equity Investors

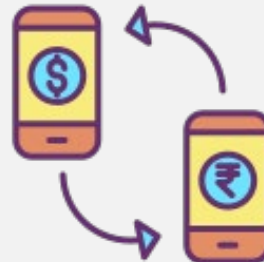


Debt Holders



Management

Regulators

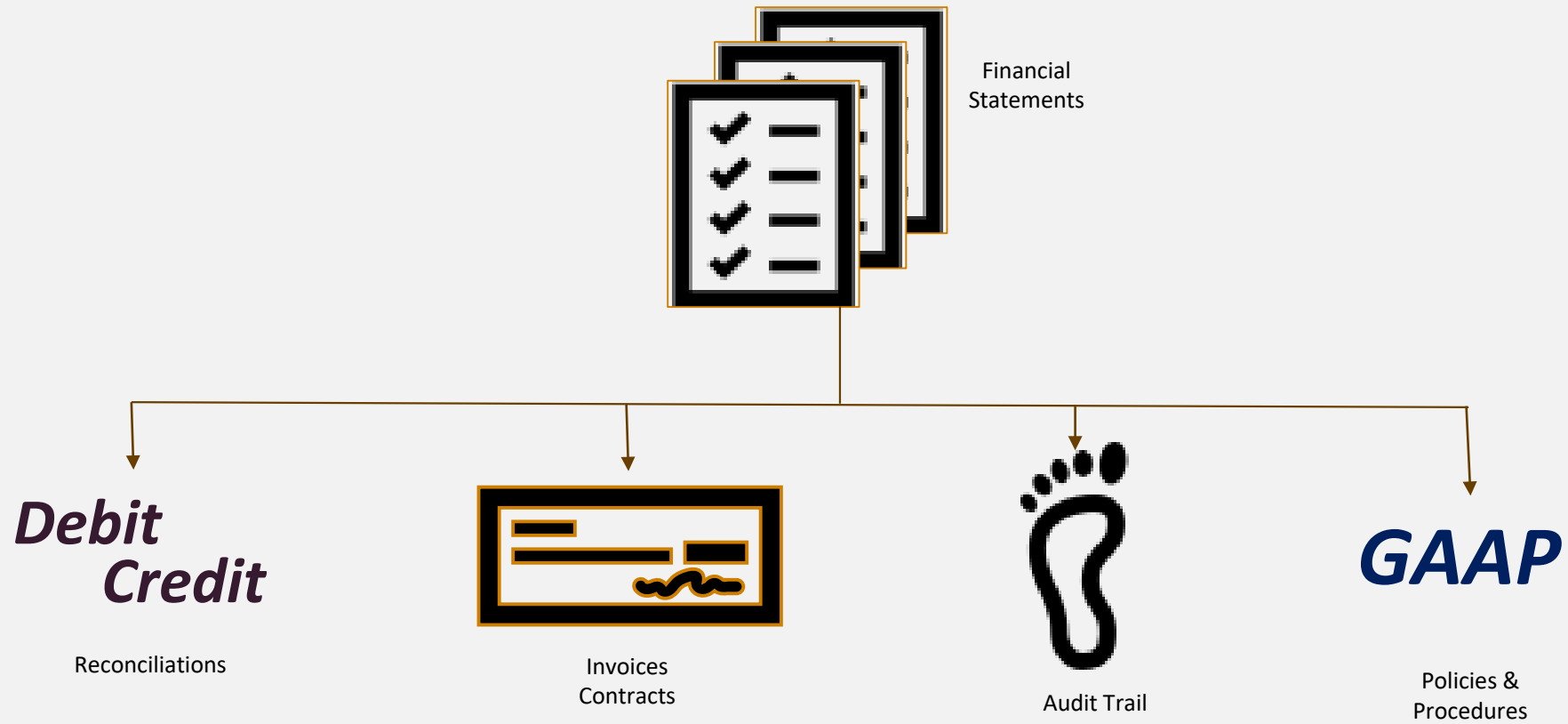


State Bodies (MTL)



National Bodies (SEC)

Are you ready for a Financial Statement Audit?

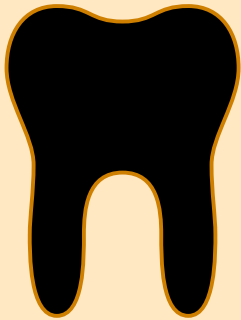


Are you ready for a Financial Statement Audit?



Tangible Takeaway #7:

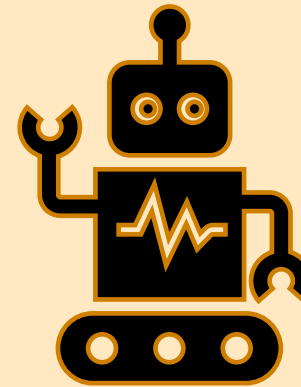
Start with a Healthy Accounting Environment EARLY



**Organizational
Hygiene**

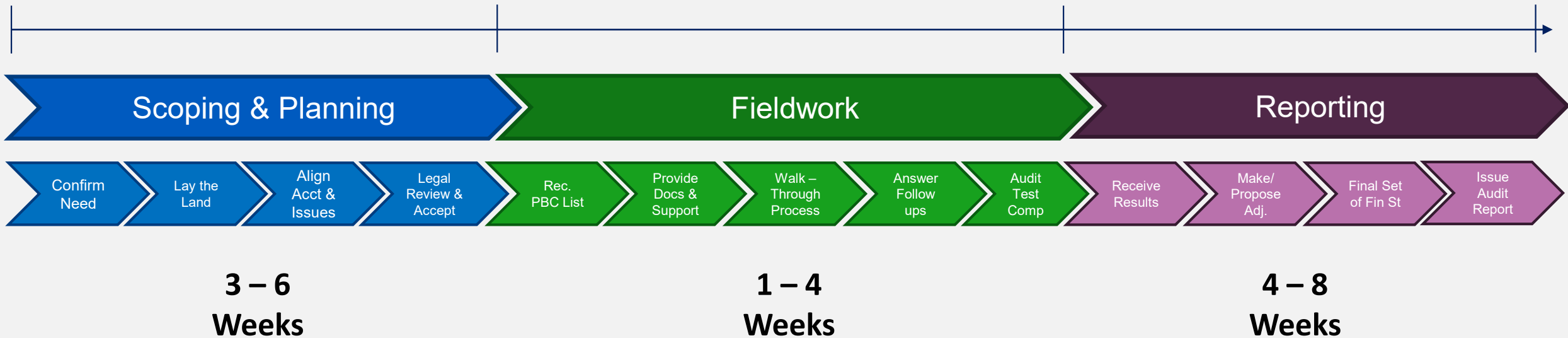
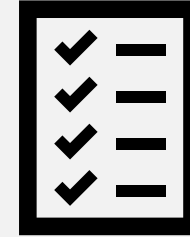


Plan for Future Needs



**Unknown Crypto
Environment**

What does a Financial Statement Audit Entail?



What does a Financial Statement Audit Entail?



Tangible Takeaway #8:

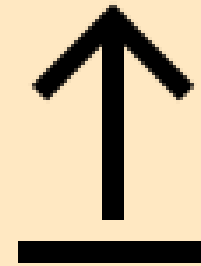
Preparation saves...

10

Weeks

50%

on Fees

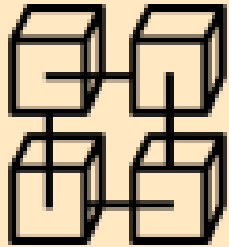


% of Success

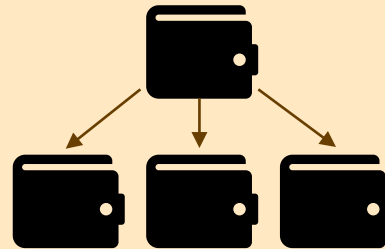


Tangible Takeaway #9:

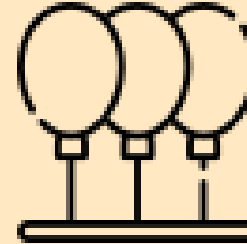
Limit Small
Blockchains



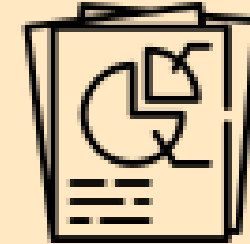
Use HD
Wallets



Maintain
Records 7+
yrs



Have
Reporting
Capabilities



Not Prepared? We got you...



Not Prepared? We got you...

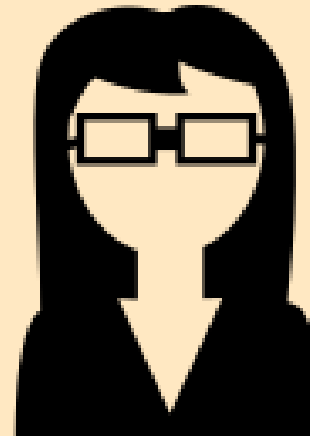


Tangible Takeaway #10:

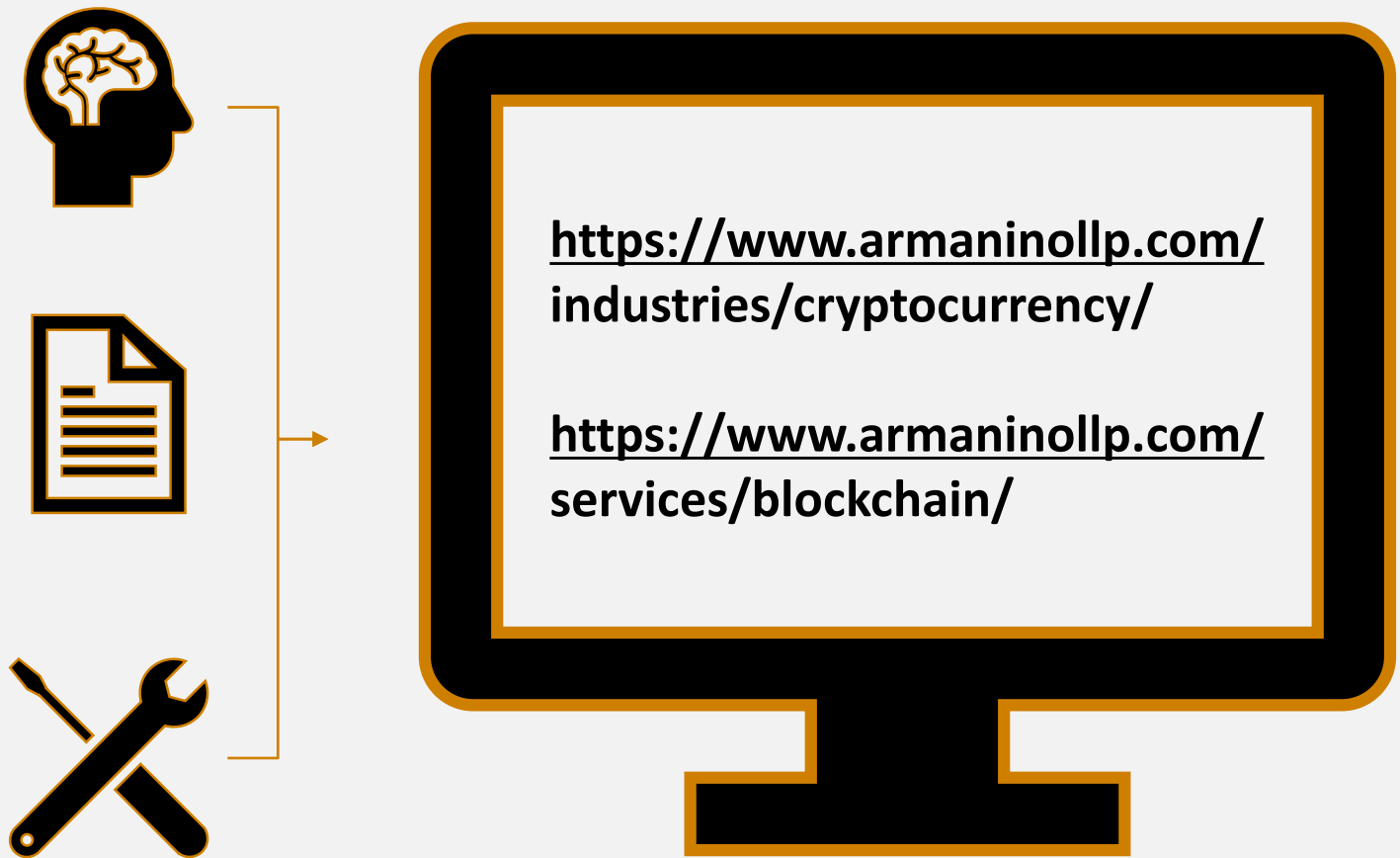
Go Back in Time



Get the Right People



Learn More!



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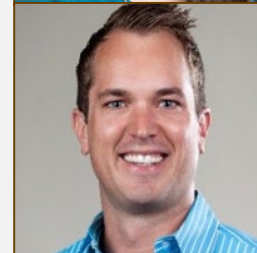
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