

# 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.*

**armanino** 

# 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



**Andries Verschelden**

Partner-in-Charge -  
Blockchain & Digital Assets

[Andries.Verschelden@armaninollp.com](mailto:Andries.Verschelden@armaninollp.com)



**Heather Moore**

Partner - Audit

[Heather.Moore@armaninollp.com](mailto:Heather.Moore@armaninollp.com)



**Jeremy Nau**

Manager - Blockchain & Digital Assets

[Jeremy.Nau@armaninollp.com](mailto:Jeremy.Nau@armaninollp.com)



**Heinrich von Horsten**

*Manager - Audit*

[Heinrich.vonHorsten@armaninollp.com](mailto:Heinrich.vonHorsten@armaninollp.com)

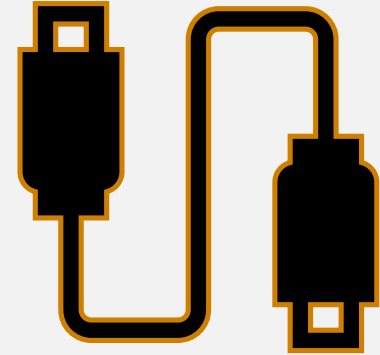
# How to BuiDL & Manage a Best-in-Class Digital Asset Accounting Environment



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.

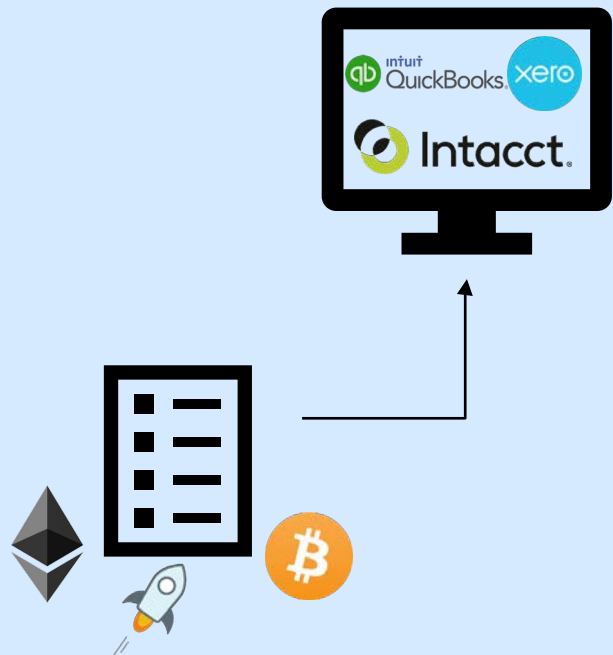


# Crypto Accounting Solutions – Use Cases

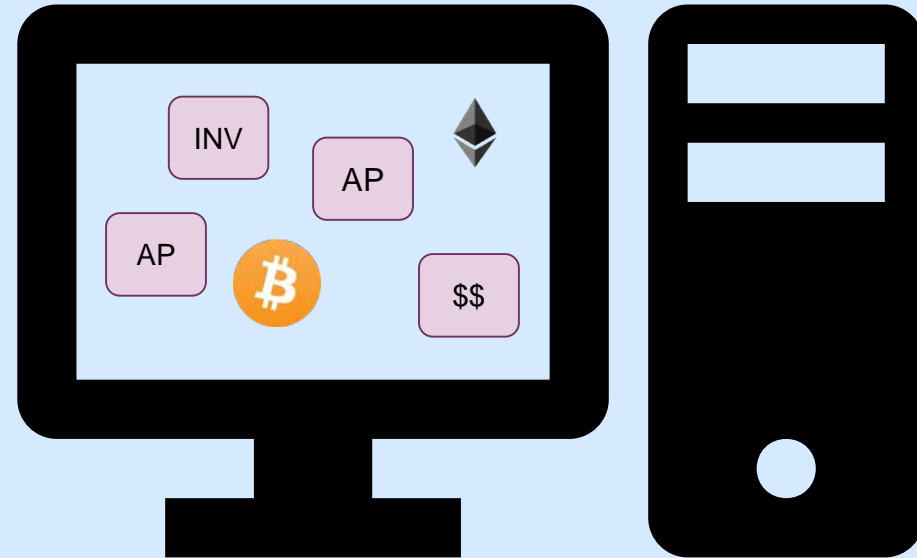


## 1. Accounting Use Case – 2 Main Varieties

### 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



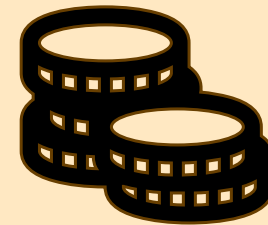
+

Roadmap



=

Your Environment



Tokens



Exchanges

# Data Integrity – 3<sup>rd</sup> Party Price Feeds

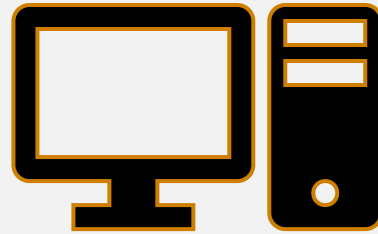


### Single Source



Binance  
Coinbase  
Gemini  
Local BTC

### Price Aggregator



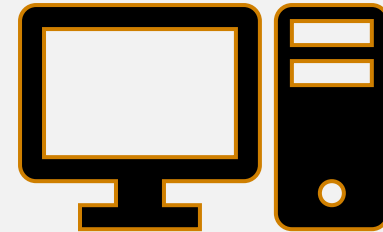
Nomics  
CMC

Gemini    Coinbase



Local BTC    Binance

### Manual Aggregation



Gemini    Coinbase



Local BTC    Binance

# Data Integrity – 3<sup>rd</sup> Party Price Feeds



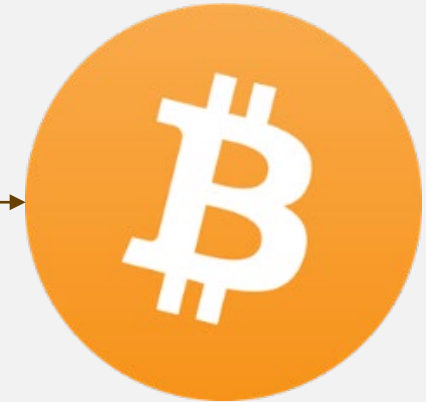
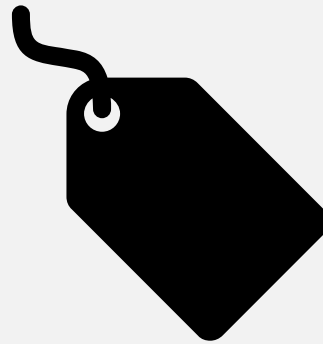
## Tangible Takeaway #4:

	<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 <sup>rd</sup> -Party Source of Failure SOC Potential
<u>Cons</u>	Vulnerable to Manipulation Limited 3 <sup>rd</sup> Party Assurance (SOC) Single Point of Failure	Limited 3 <sup>rd</sup> Party Assurance (SOC) 3 <sup>rd</sup> Party Single Point of Failure	Difficult to Employ Limited 3 <sup>rd</sup> 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:

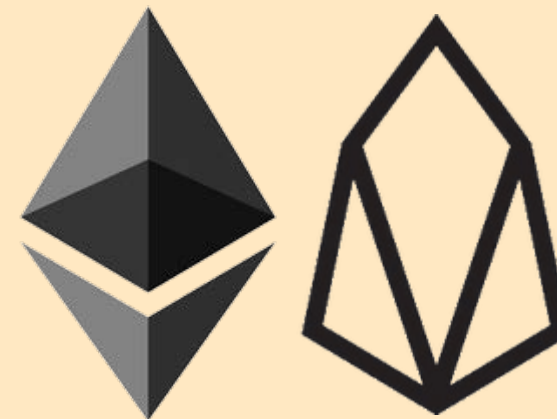
For basis tracking, when possible use...

Specific ID



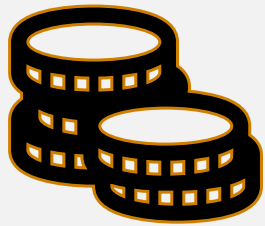
UTXO-based

FIFO



Account-based

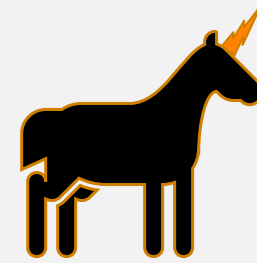
# Organizing to Scale – Your Crypto Chart of Accounts



**Tokens**



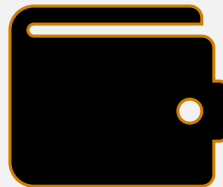
**Exchanges**



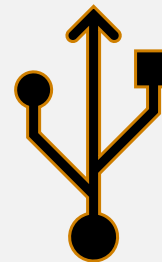
**Special Cases**

NFT's  
Joint Owned  
Wallets

**Wallets**



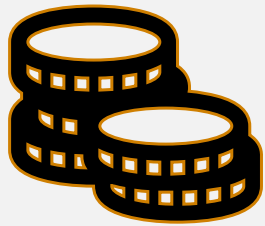
**Uses**





*Break them out into different  
accounts*

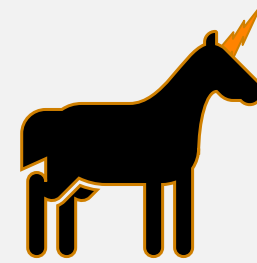
# Organizing to Scale – Your Crypto Chart of Accounts



**Tokens**



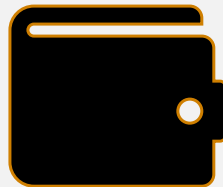
**Exchanges**



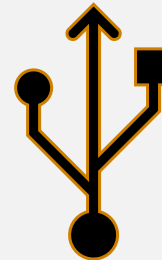
**Special Cases**

NFT's  
Joint Owned  
Wallets

**Wallets**



**Uses**



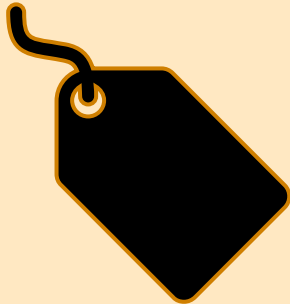
# Organizing to Scale – Your Crypto Chart of Accounts



## Tangible Takeaway #6:

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

Gain/Loss  
Tracking



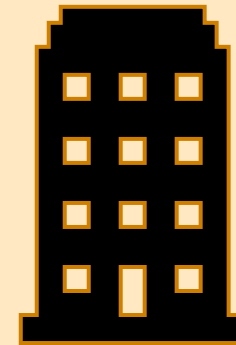
Homogenous  
Application



Auditability



Organization

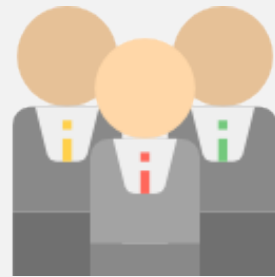


# Are you ready for a Financial Statement Audit?



***Demand from:***

## Stakeholders



Equity Investors



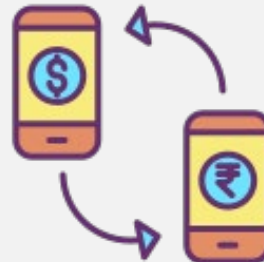
Debt Holders



Management

---

## Regulators

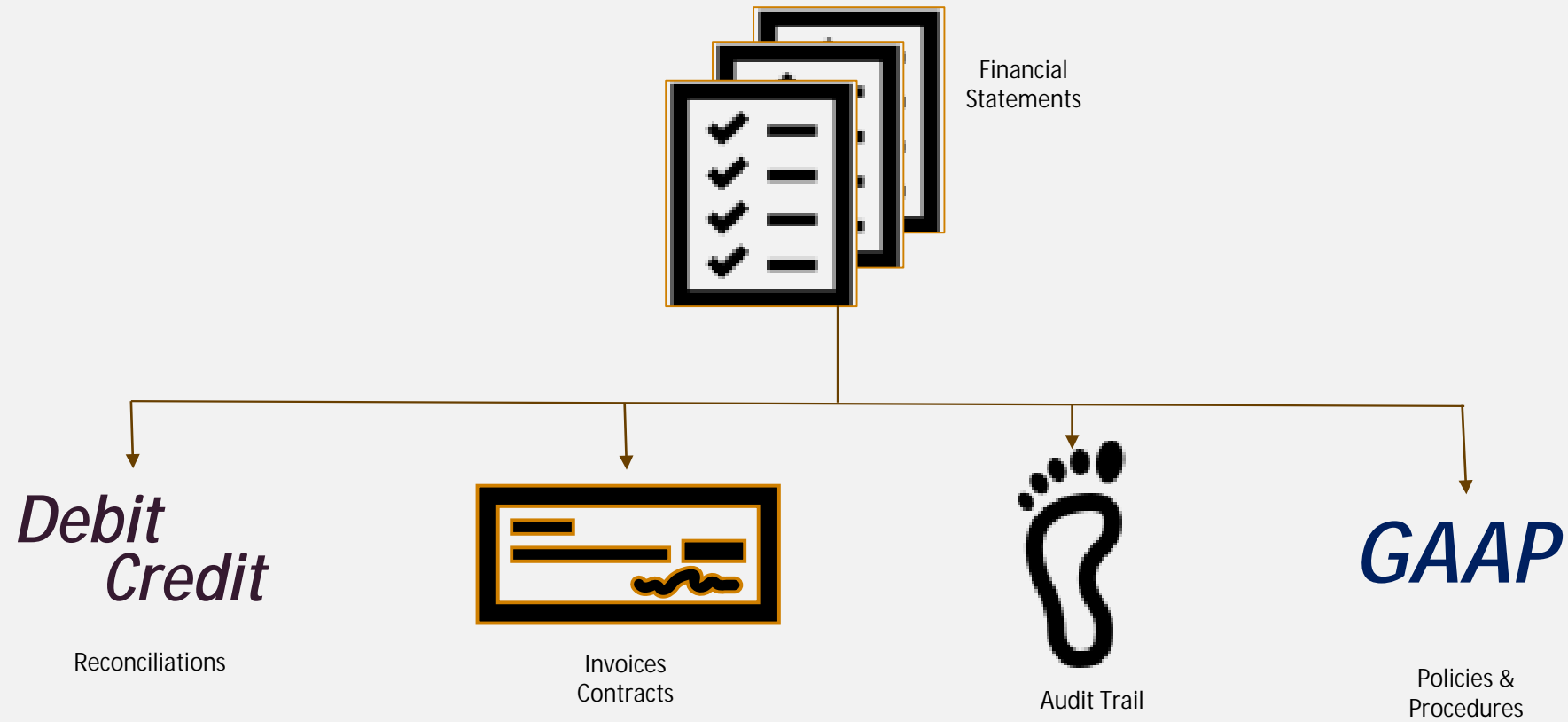


State Bodies (MTL)



National Bodies (SEC)

# Are you ready for a Financial Statement Audit?

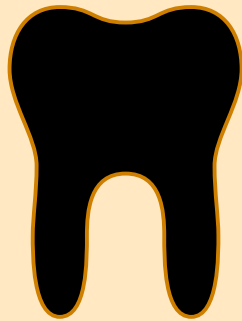


# Are you ready for a Financial Statement Audit?



## Tangible Takeaway #7:

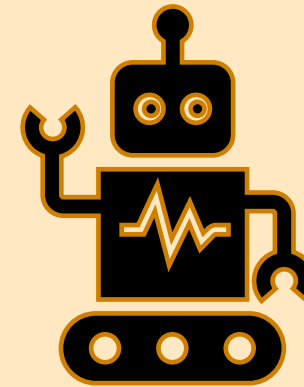
**Start with a Healthy Accounting Environment EARLY**



**Organizational  
Hygiene**



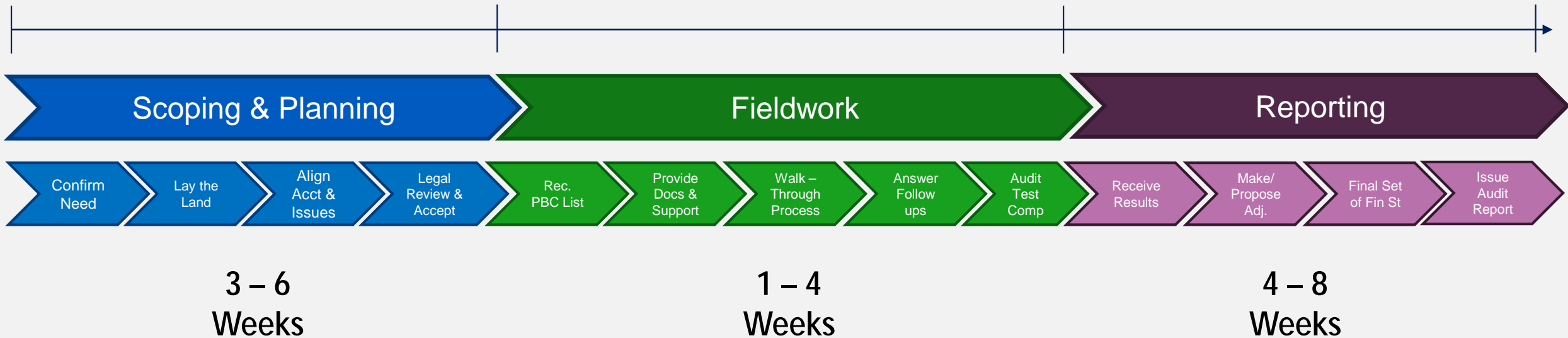
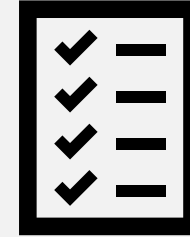
**Plan for Future Needs**



**Unknown Crypto  
Environment**



# What does a Financial Statement Audit Entail?



# What does a Financial Statement Audit Entail?



## Tangible Takeaway #8:

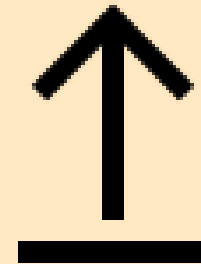
Preparation saves...

10

Weeks

50%

on Fees

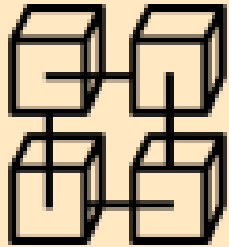


% of Success

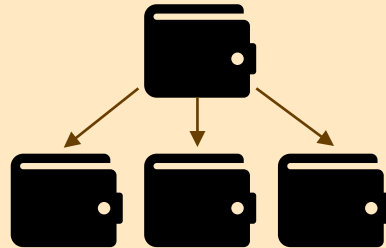


## Tangible Takeaway #9:

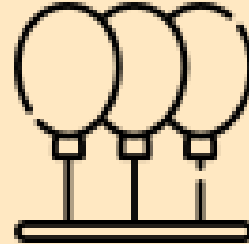
Limit Small  
Blockchains



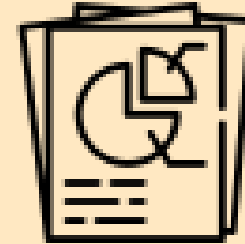
Use HD  
Wallets



Maintain  
Records 7+  
yrs



Have  
Reporting  
Capabilities



Not Prepared? We got you...



Not Prepared? We got you...

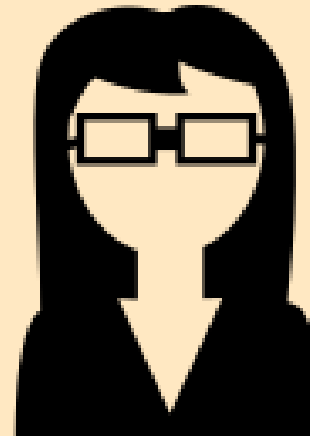


## Tangible Takeaway #10:

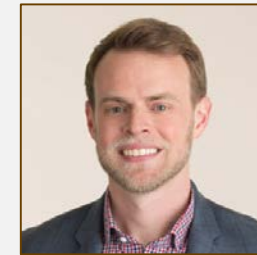
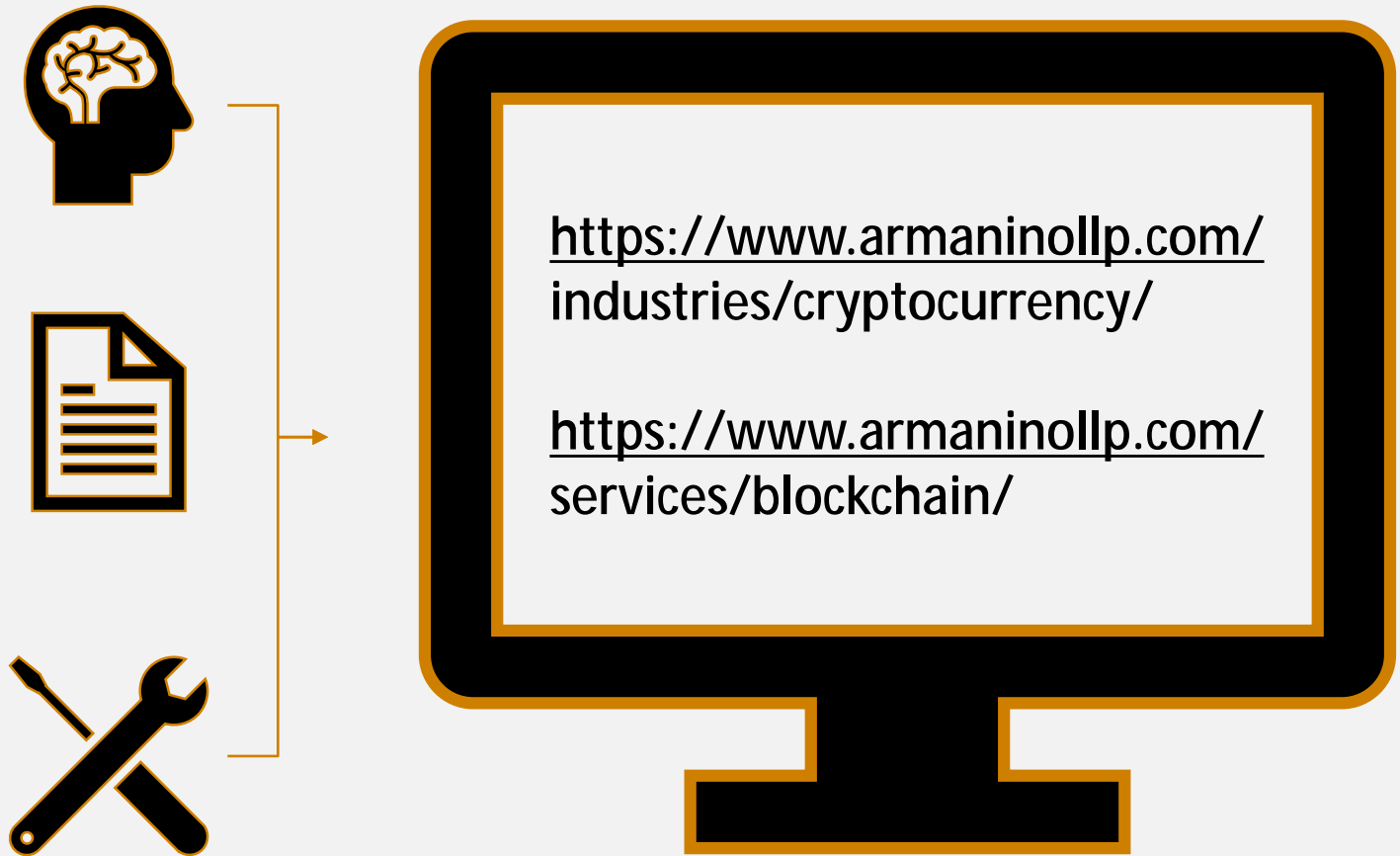
Go Back in Time



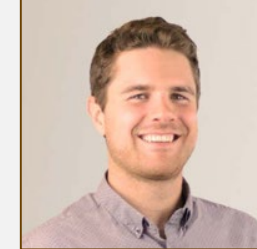
Get the Right People



# Learn More!



**Andries Verschelden**  
Partner-in-Charge -  
Blockchain & Digital Assets  
*Andries.Verschelden  
@armaninollp.com*



**Jeremy Nau**  
Manager -  
Blockchain & Digital Assets  
*Jeremy.Nau  
@armaninollp.com*



**Heather Moore**  
Partner -  
Audit  
*Heather.Moore  
@armaninollp.com*



**Heinrich von Horsten**  
Manager -  
Audit  
*Heinrich.vonHorsten  
@armaninollp.com*