CRYPTO CURRENCY

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Crypto Introduction

- Cryptocurrency is a digital form of money
- It is decentralized (No central authority like banks or governments controls it)
- Transactions are secure, transparent and fast
- Can be used for payments, investments and online transfers
- Examples: Bitcoin, Ethereum, Solana



Important terms to know in crypto

- Blockchain (Public ledger)
- Token vs Coin
- Gas Fees (Paid to use blockchain)
- CEX
- DEX
- Wallet (Metamask, Phantom, Exodus)



How cryptocurrency works

- Cryptocurrencies will work on blockchain technology

Blockchain is a shared digital notebook that many people keep together, where once something is written, it can't be secretly changed.

- Very few crypto coins will work on DAG (Directed Acyclic Graph)



How people can invest or trade crypto coins

I. Centralized Cryptocurrency Exchanges (CEX)

- CEX is a middleman between users and blockchain. They are run by companies, handle custody of your crypto.

  Examples: Binance, Coinbase, Kraken, KuCoin etc.

II. Decentralized Exchanges (DEX)

- DEX is not a middleman and you trade directly from your own wallet. Examples: Uniswap, SushiSwap, PancakeSwap etc.

III. Broker Apps



Crypto Transactions

- Buy & sell transactions for cash
- SWAP transactions
- Transfers to other wallets
- Rewards/Airdrop
- Gas fees/Gas credit
- Mining transactions
- Staking transactions



Crypto accounting process

Accounting steps below:

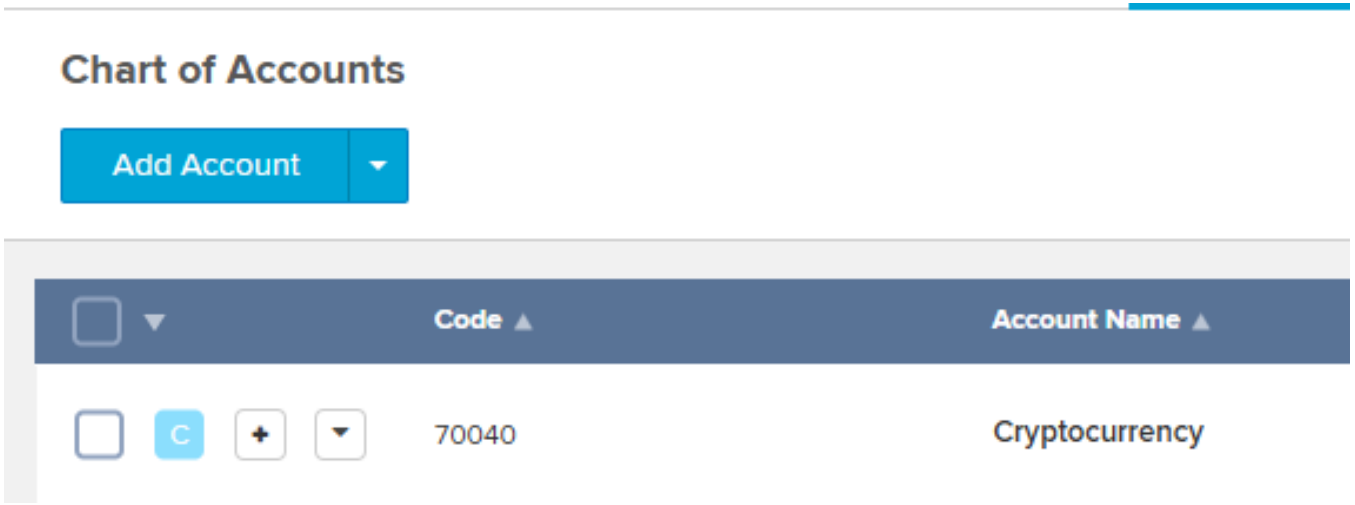
- Step 1 - Create crypto bank in BGL/Class.
- Step 2 - Transfer all the withdrawals from superfund bank to crypto bank.
- Step 3 - From crypto bank, account all the buy & sale, swaps, rewards etc.
- Step 4 – Nothing to do with coin transfers, required transferred wallet or any individual blockchain address screenshot to confirm transfers.
- Step 5 - Finally update market value for all coins at yearend.



Crypto accounting process

Crypto in BGL :

Create crypto in the below code:





Crypto accounting process

Crypto in Class :

Create crypto in the below market type:

GL Classification	Shares in Unlisted Companies (default)
Tax Return Classification	Unlisted shares (default)
Capital Gain Classification	Shares & Units - Other Shares (default)
Market Type	Unlisted Market (default)



Crypto accounting process

Swap transaction:

Swap is about selling one coin for particular value & buying another coin for the same value.

Below are the documents possible to get from client,

1. Tax invoices
2. Swap transactions screenshot directly from platforms.
3. Transaction history in excel sheet for swaps.



Crypto accounting process

Swap transaction:

If documents not provided, calculate manually to derive purchased units.

Purchased unit calculation below: (DOGE/SOL)

1. Go to yahoo finance – Search purchased coin (Eg. SOL-AUD).
2. Pick the AUD value on the swap transaction date. (Eg. value is $404).
3. Pick the sold value of coin (Eg. Sold value is $1,600).
4. Divide $404 from $1,600. Eg. $1,600/$404 = 3.96 units purchased.



Crypto accounting process

Refer below screenshot for Swap tax invoice.

CoinSpot

Casey Block Services
ABN: 19 619 574 186

Tax Invoice

Date: 12/03/2023

To: The Vallis Superannuation Fund (money@pvaa.com.au)
ABN: 47 451 253 077
11 Campbell Street
Eastwood NSW 2122

Qty	Description	Unit Price	GST	Total	AUD GST	AUD Total
4,360.00000000	SELL USDC / BTC	BTC 0.00004639	-	BTC 0.20226040	$ 0.00	$ 6,430.24
1	Transaction Fee	BTC 0.00183873	BTC 0.00018387	BTC 0.00202260	$ 5.85	$ 64.30
	Total amount received:			**BTC 0.20023780**		$ 6,365.93641760

* At the time of sale: 1 AUD = 0.00003145 BTC



Crypto accounting process

Send & Receives of crypto coins:

1. If crypto send/receive transfers happened, only transfer fees need to be accounted.

2. Transfers will not affect cost/value of coins. Just transferring from one wallet to another.

3. To identify transfer fee, note the transferred coin Eg. 5 coins reflecting as 4.50 coins in transferred wallet. Difference of 0.50 coin is transfer fee.

4. Raise queries for transferred wallet/platform to support the transfers.



Crypto accounting process

Reward transactions:

Mostly rewards are reinvestments, so purchase crypto coins for the received rewards.

BGL:

Record as other investment income (26500 code).

Class:

Record as general investment income in Class.



Crypto accounting process

Market Valuation:

There is no standardized procedure to follow while update market values for crypto coins.

Consider while updating market value for crypto’s

1. Follow based on previous years.
2. If no crypto coins in previous years, then leave with system prices.
3. If no documents provided to update market value, leave with system prices.



Crypto accounting process

4. If no system price & no document provided, then update market value for crypto’s using yahoo finance.

Always take market value as at 30/06/2025, even though there will be huge fluctuations in prices if 29/06/2025 market value is picked.



Crypto Documentation

Crypto reports below:

- Balance summary/Account balances.
- Transaction history.
- Withdrawals/deposits history.
- Send/Receive history.
- Capital gains/losses report if any (Excel sheet format).



Crypto Documentation

Reports from crypto portfolio tracker apps: (Third party)

Prepared using original reports (Examples: Cryptotax calculator, SUMM crypto, Koinly).

If coins held in many exchanges, you could request for the above third-party reports from the client. It will help to account easier.


THANK YOU