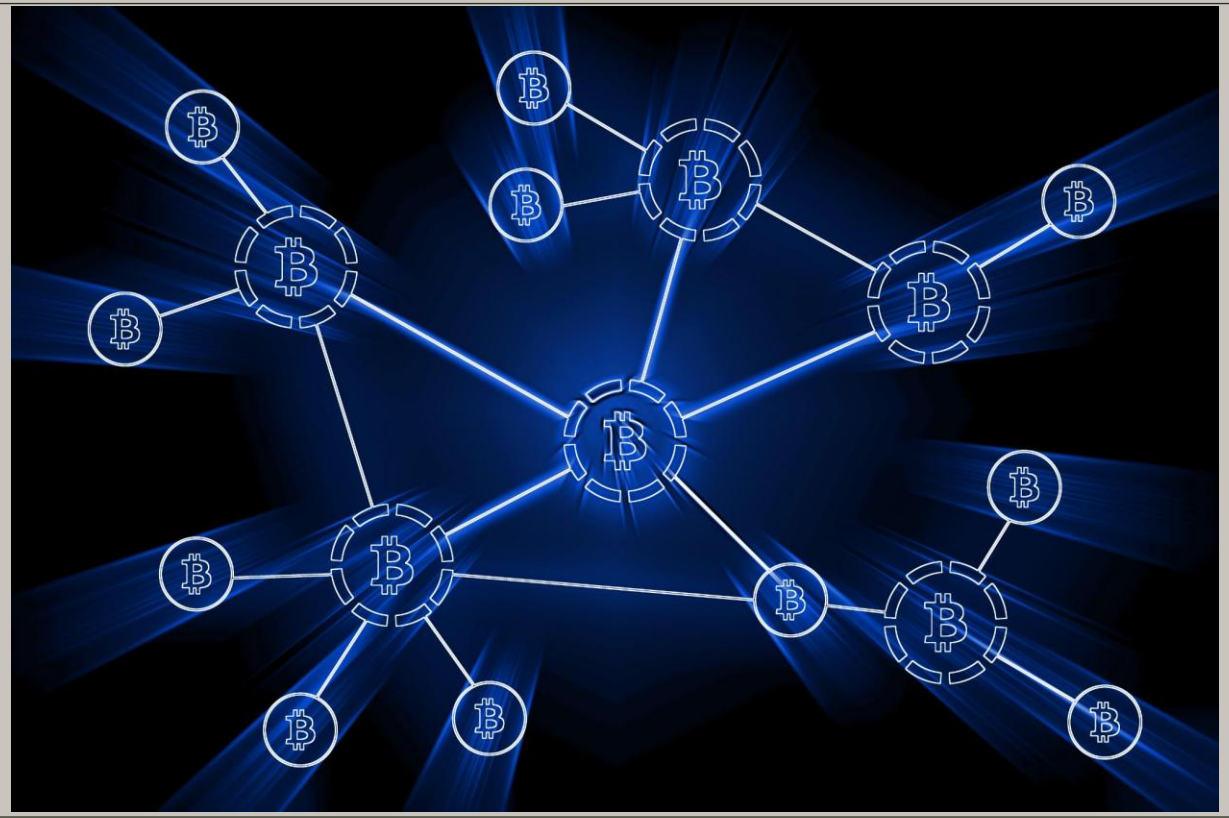


CRYPTOCURRENCY FUNDAMENTALS

Understanding the basics of decentralized digital currency

UNDERSTANDING CRYPTOCURRENCY

DEFINITION AND MEANING OF CRYPTOCURRENCY

Cryptocurrency Basics

Cryptocurrency is a digital currency secured by cryptographic techniques operating on decentralized blockchain networks.

Decentralization and Security

Transactions are validated by global networks without central authorities, enhancing transparency and security.

Cryptocurrency Functions

Cryptocurrencies act as a medium of exchange, store of value, and foundation for decentralized applications.

Risks and Innovation

While cryptocurrencies offer innovation and financial democratization, they carry volatility and regulatory risks.



HOW CRYPTOCURRENCY WORKS



Blockchain Technology

Blockchain is a distributed ledger recording all transactions in linked, chronological blocks ensuring transparency and immutability.

Consensus Mechanisms

Consensus algorithms like Proof of Work and Proof of Stake validate transactions securely and prevent fraud.

Cryptographic Security

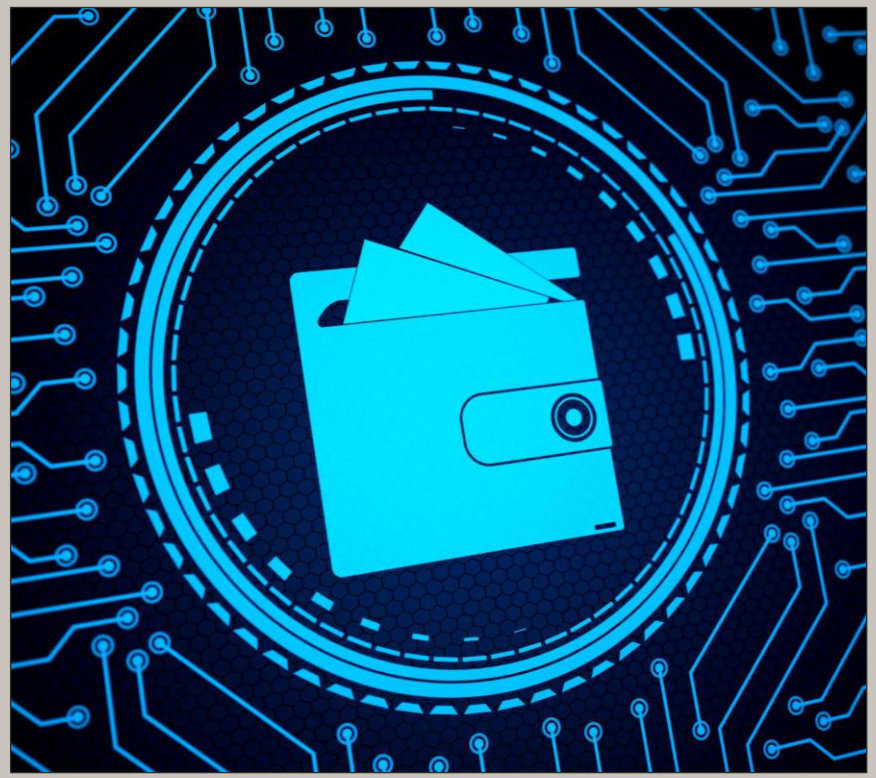
Public and private keys enable secure digital signatures proving ownership without revealing sensitive information.

Wallets and Exchanges

Wallets manage keys and transactions while exchanges facilitate buying, selling, and liquidity of cryptocurrencies.

APPLICATIONS, FEATURES, AND BENEFITS

USES AND APPLICATIONS OF CRYPTOCURRENCY



Digital Payments and Remittances

Cryptocurrencies enable fast, borderless, and low-cost digital payments, improving efficiency in international remittances.

Investment and Portfolio Diversification

Cryptocurrencies act as investment assets offering portfolio diversification and inflation hedging due to limited supply features.

Decentralized Finance and Smart Contracts

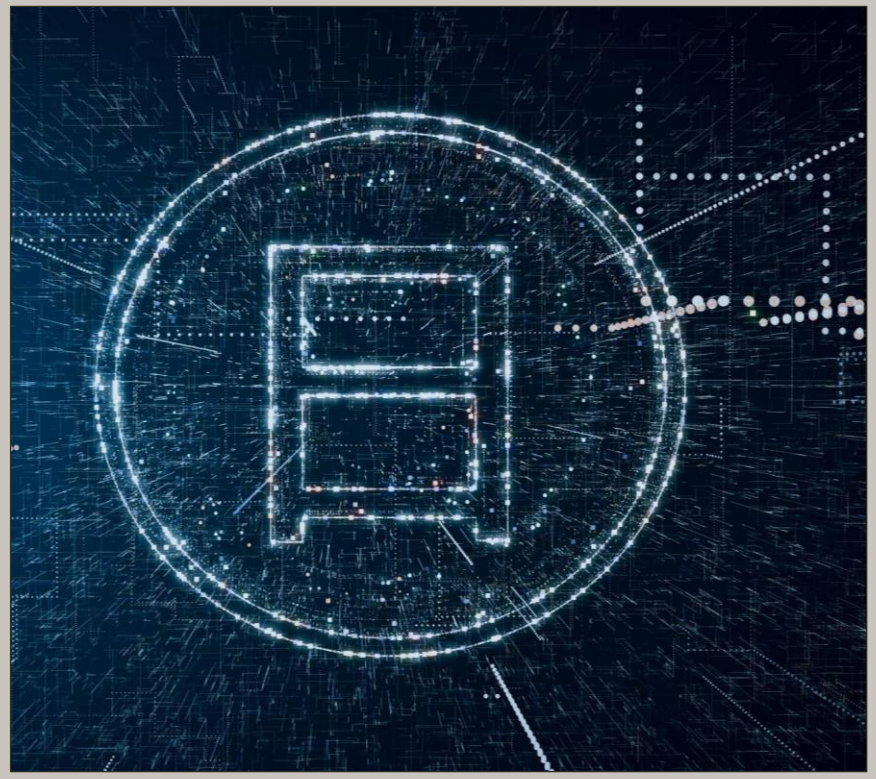
DeFi platforms provide lending, borrowing, and staking without intermediaries, while smart contracts enable automated agreement execution.

NFTs and Digital Ownership

Non-fungible tokens facilitate digital ownership in art, gaming, and intellectual property management on blockchain platforms.

FINANCIAL AND ACCOUNTING ASPECTS

MAINTAINING BOOKS OF ACCOUNTS FOR CRYPTOCURRENCY



Cryptocurrency Accounting Principles

Cryptocurrencies are accounted for like intangible assets, requiring cost recording and fair value adjustments where applicable.

Accurate Transaction Recordkeeping

Transactions must document dates, amounts, wallet addresses, and exchange rates for precise bookkeeping and tax compliance.

Use of Specialized Software

Crypto accounting software automates tracking, valuation updates, and tax reporting by integrating with wallets and exchanges.

Internal Controls and Compliance

Businesses must secure private keys, authorize transactions, reconcile balances, and ensure compliance with tax regulations.

MARKET VALUE AND PRICE VOLATILITY OF CRYPTO

24/7 Market Volatility

Crypto markets operate around the clock, causing continuous price fluctuations driven by real-time supply and demand.

Market Capitalization

Market value is calculated by multiplying the current token price by its circulating supply, defining overall capitalization.

Factors Influencing Price

News, regulations, technology upgrades, and investor sentiment significantly impact cryptocurrency price movements.

Trading Dynamics

High-frequency trading, derivatives, and global exchange liquidity contribute to rapid and amplified price volatility.



TAXATION AND COMPLIANCE

COMPUTATION OF CAPITAL GAINS TAX (CGT) FOR CRYPTOCURRENCY



Basic CGT Calculation

CGT is calculated as the difference between sale price and purchase cost including transaction fees.

Taxable Events in Crypto

Selling, trading, or spending cryptocurrency triggers taxable events requiring gains or losses computation.

Accounting Methods

Methods like FIFO, LIFO, or specific identification determine which crypto units are disposed of for CGT.

Record Keeping & Compliance

Maintaining detailed transaction records and using software tools ensures accurate CGT reporting and compliance.