Case 1

Digitalization and IFRS

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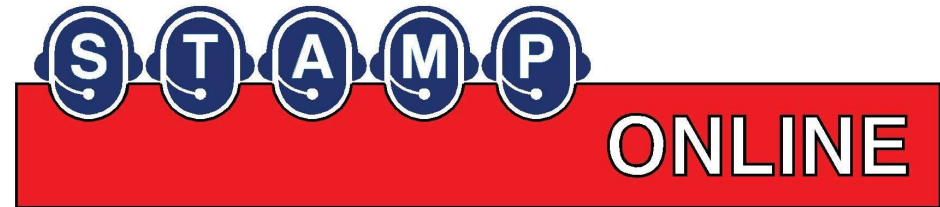
WORK PLAN	STUDENTS' TASKS
MONDAY	
14.00 – 14.15	**Introduction to Delta Case and briefing on how to manage cryptocurrencies in the IFRS** - *Plenary session*
14.15 – 14.45	**Working on Case 1 –** Getting familiar with the case **–** *Breakout rooms*
14.45 – 15.30	Working on Case 1 - Preparing the accounting entries for the case – *Breakout rooms*
15.30 – 16.00	Coffee break
16.00 – 17.30	**Working on Case 1 –** Preparing the accounting entries for the case (continuation) **–** *Breakout rooms*
TUESDAY	
9.30 – 11.00	**Working on Case 1 – Task 1 -** Preparing the financial statement extracts **–** *Breakout rooms*
11.00 – 11.30	Coffee break
11.30 – 12.30	**Working on Case 1 - Task 2 –** Explore the processes and give recommendations - *Breakout rooms*
12.30 – 13.00	**Presentation of the groups about Delta case -** Present finding on processes and recommendations (cca. 3 slides or an infograph) - *Plenary session*

Delta case

Delta Ltd. is a duly established company with a single owner (Mr. Delta) for the purpose of operating a webshop.

The company started operations on 1st March 2021.

The business documents of the first month are attached together with a guideline regarding what happened within the company (i.e., the "Delta case").

Delta case – Task 1

Please record the business transactions in the books of

Delta Ltd. and prepare

- the **Income Statement** and

- the **Statement of Changes in Equity** for the period

  ending March 31 and

- the **Statement of Financial Position** as of March 31.

Delta case – Task 2

Delta Ltd. is considering whether to outsource the bookkeeping activities to a third-party supplier or to keep this function within the company.

Please **design a digital document flow process** for both of these alternatives and **pay attention to creating the necessary control points** in order to minimize the risk of losing information.

Cryptocurrency

Definition	a. a digital or virtual currency recorded on a distributed ledger that uses cryptography for security.
	b. not issued by a jurisdictional authority or other party.
	c. does not give rise to a contract between the holder and another party.
Applicable Standard(s)	IAS 2 Inventories (if held for sale)
	IAS 38 Intangible Asset (if IAS 2 does not apply)
Source	Holdings of Cryptocurrencies; IFRS Interpretations Committee, 2019.

VAT Treatment of Cryptocurrency

EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION
Indirect Taxation and Tax administration
Value Added Tax

Group on the Future of VAT
12th meeting – 7 November 2014

**taxud.c.1(2014)3931884 – EN**

Brussels, 23 October 2014

GROUP ON THE FUTURE OF VAT

GFV No 049

VAT treatment of Bitcoin

As to supplies of any goods and services subject to VAT remunerated by way of Bitcoin, they should be treated in the same was as any other supplies for VAT purposes. When payment for goods or services is made in bitcoins, it is difficult to imagine that the payment itself constitutes a supply of services, because Bitcoin does not represent consumption but acts as a means of payment, *i.e.*, its supply would fall outside the scope of VAT. Alternatively, if bitcoins were treated as a digital product, the transaction could become a barter. If bitcoins were seen as a negotiable instrument, the exemption under Article 135(1)(d) of the VAT Directive would apply.
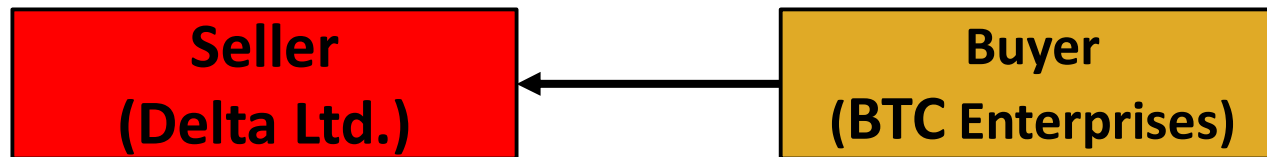
How BTC Payment Works

Seller (Delta Ltd.)	→	Buyer (BTC Enterprises)
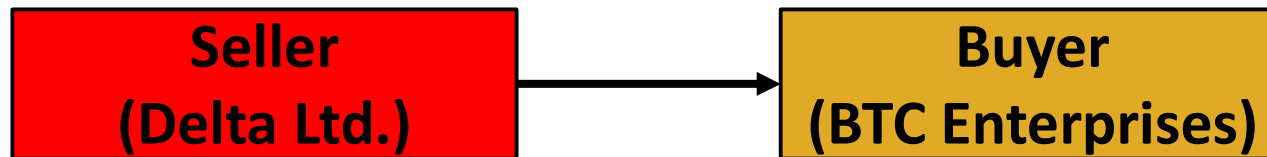
<u>Step 1</u>

Seller sends the following to Buyer:

1. Invoice
2. Amount (e.g., 0.2 BTC)
3. Public Key generated by Seller's Wallet

How BTC Payment Works

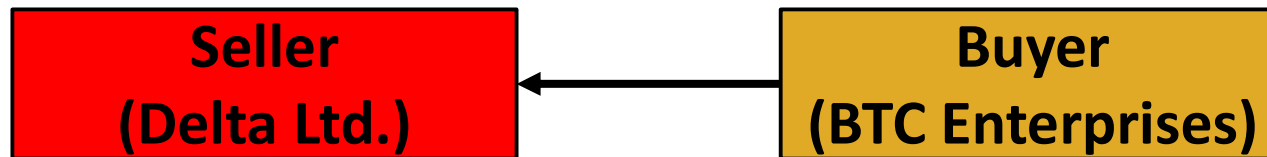| Seller (Delta Ltd.)	←	Buyer (BTC Enterprises)

Step 2

Buyer sends the following to Seller:

1. The Buyer's Public Key
2. Amount (e.g., 0.2 BTC)
3. Public Key provided by Seller

How BTC Payment Works

| Seller (Delta Ltd.) | ← | Buyer (BTC Enterprises) |

Step 3

Seller receives the BTC and reconciles the following with the accounting records:

1. Invoice
2. Amount (e.g., 0.2 BTC)
3. The date received.

Definitions

- **Public Key**: Think of this as the bank account number that companies provide for receiving payments or that individual give to their employers for receiving their salaries. It is not secret. There can be multiple Public Keys associated with a specific Private Key. In fact, you can generate a unique Public Key for every transaction.

- **Private Key:** Think of this as a signature or complex Pin Code that authorizes payment from a bank account. Whoever has this key can initiate payments. There is a single Private Key.

Definitions

- **Wallet**: The Bitcoin wallet is the proof that the owner has BTC. It provides the following functions:

    1. generate and store a user's public and private keys
    2. makes it possible to easily send and receive BTC
    3. provides a record of a users transaction history
    4. shows the balance of BTC available.