

Cryptocurrency Investing and Mining Transactions Accounting and Taxation

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Nancy Orben, CPA

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Nancy is a Senior Manager at Blue & Co., a regional CPA firm where she has worked for 19 years. She is a Certified Bitcoin professional and is the accountant and business advisor for a cryptocurrency mining operation. She recently attended D4C – Day for Crypto, a symposium of international ICO experts and Blockchain Week in NYC. She is the co-host of the Ethereum Cincinnati meetup group.

Nancy specializes in accounting software, integrations and related consulting. She works with a variety of accounting software including QuickBooks, Sage, Xero and industry software for construction, manufacturing and non-profits. Nancy is advanced certified and/or certified in all QuickBooks software. She was selected as Insightful Accountant's 2017 QuickBooks Desktop ProAdvisor of the year.

Her prior experience includes audit at Arthur Andersen and controller positions in the following industries: manufacturing, construction and non-profit.



Topics

- Examples of Cryptocurrencies
- What is an ICO and Different Types
- Overview of function of exchange
- Overview of mining
- Cryptocurrency Investment Taxation and Reporting
- Use of software to calculate Cryptocurrency gains and losses – Demonstration
- Accounting software compatibility with cryptocurrencies
- Demonstration of exporting and importing data from mining transactions to create accounting records for a mining company

What is Bitcoin?

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//

Everything you don't know about
money combined with everything
you don't know about computers.

//

John Oliver

Types of Cryptocurrencies

<https://bitcoin.org/bitcoin.pdf>

Bitcoin: A Peer-to-Peer Electronic Cash System



Satoshi Nakamoto
satoshi@bitcoin.com
satoshi@bitcoin.org

...purely peer-to-peer electronic cash. It would allow online payments to be sent directly from one party to another without going through a financial institution. Digital signatures provide part of the solution, but the main benefits are lost if a trusted third party is still required to prevent double-spending. We propose a solution to the double-spending problem using a peer-to-peer network. The network timestamps transactions by hashing them into an ongoing chain of back-pointing hashes of proof-of-work, forming a record that cannot be changed without redoing

Crypto Names and Abbreviations

- BTC = Bitcoin
- BCH = Bitcoin Cash
- LTC = Litecoin
- ETH = Ether – Ethereum is the protocol
- XRP = Ripple
- XMR= Monero
- Dash = Dash
- ZEC = Zcash

Currency or Security/Utility Token

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CURRENCY

SECURITY/UTILITY TOKEN

Bitcoin

Bitcoin Cash

Litecoin

Monero

Dash

ZCash

Ether – purchase services on
Ethereum network

Ripple – purchase payment
services

tZero – security to fund a
licensed security trading
platform

Filecoin- file storage

State of United States ICOs 2018

- Move country of origin from United States
No US Investors
- Regulation D, S, A+ offering

Basic steps of an ICO (initial coin offering) CPAS / ADVISORS

- Business idea for a blockchain project
- Determine token technology
- Assemble a team of experts
- Understand the SEC regulations for securities and how your token fits in. Get knowledgeable legal advice. (Reg D, S, A+, crowdfunding)
- Develop a White Paper
- Market the ICO – ICO and blockchain sites, website, traditional methods
- Pre-sales and token generation

COINS / TOKENS



<https://github.com/cjdowner/cryptocurrency-icons.git>

The function of exchanges and examples



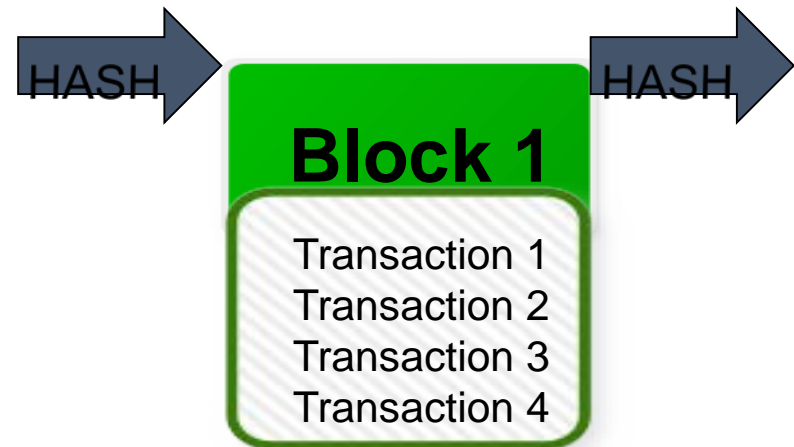
COIN\$WITCH



Function of the Miners

Miners

- Collect and add transactions to each block
- Compete to solve the hash
- Validate each block
- Validate unique past transactions (no “double-spend”)



How Mining Works - Hardware

CPU



GPU



Asic



ASIC Miner – Application Specific Integrated Circuit

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Cost analysis for a mining business

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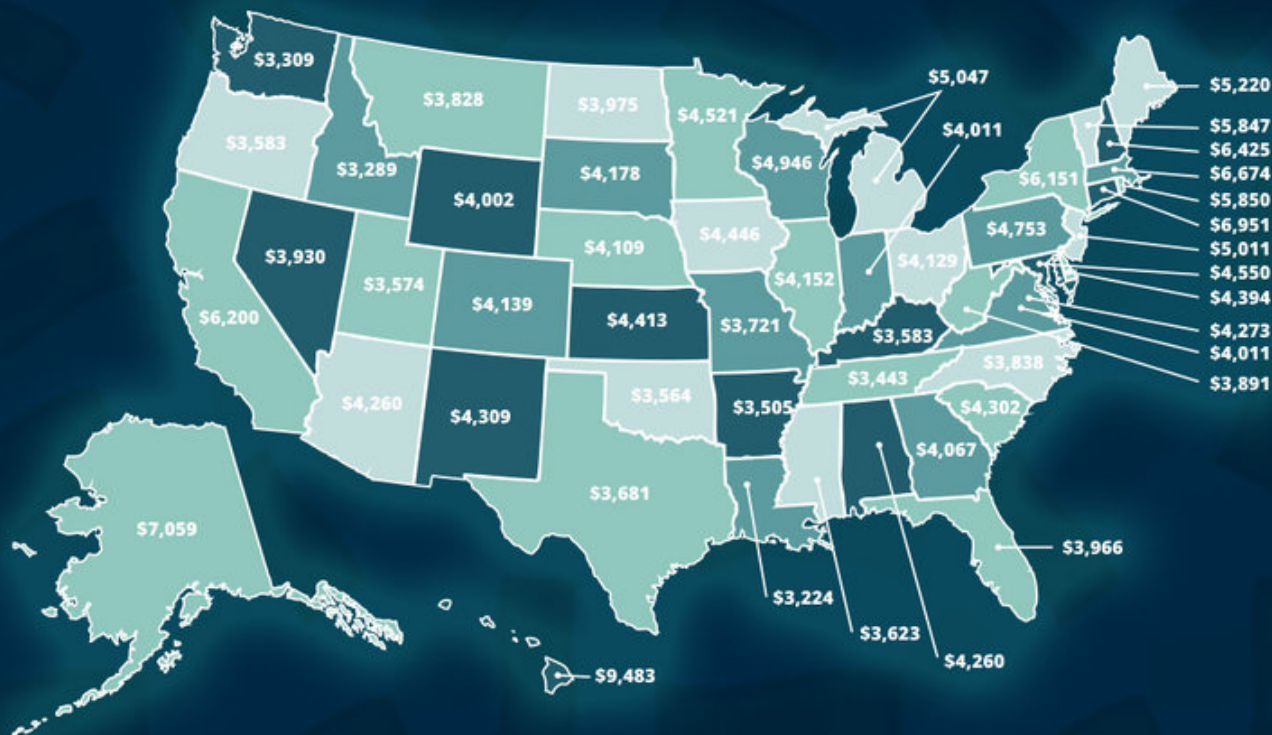


- Electricity
- HVAC
- Internet
- Facilities / Infrastructure
 - Rent rackspace
 - Own / rent office space
- Business formation, insurance and accounting



THE COST TO MINE 1 BITCOIN

BASED ON AVERAGE ELECTRICITY RATE PER STATE





Sales of Bitcoin and other cryptocurrencies
taxed as property

Investment Taxation -Guidance

IRS 2014-21 – March 24, 2014

- 16 Questions and Answers, 6 pages
- Focus is on treatment of payments made with virtual currencies, fair market value determination, mining, 1099-K >200 transactions and > \$20,000

AICPA comment letter – May 30, 2018

- 27 Questions and Answers, 21 pages
- Broad range of topics



AICPA Comment Letter

1. Expenses of Obtaining Virtual Currency
2. Acceptable Valuation and Documentation
3. Calculation of Gains and Losses
4. Need for a De Minimis Election
5. Valuation for Charitable Contribution Purposes
6. Virtual Currency Events
7. Virtual Currency Held and Used by a Dealer
8. Traders and Dealers of Virtual Currency
9. Treatment under Section 1031
10. Treatment under Section 453
11. Holding Virtual Currency in a Retirement Account
12. Foreign Reporting Requirements for Virtual Currency

Calculation of Gains and Losses

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FIFO Issue – AICPA Appendix A – Double Gain Paradox

Sell \$10,000 worth of NXT

\$1,000 basis = \$9,000 Gain

Sell for Bitcoin worth \$10,000

FIFO basis Bitcoin cost basis \$2,000

Creates \$8,000 gain for a total gain of \$17,000

<https://www.irs.gov/newsroom/irs-reminds-taxpayers-to-report-virtual-currency-transactions>

For more info: IRS 2014-21

<https://www.irs.gov/pub/irs-drop/n-14-21.pdf>

<https://www.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/20180530-aicpa-comment-letter-on-notice-2014-21-virtual-currency.pdf>

Investment Taxation

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Forms to Use:

Form 8949 – Sales and Other Dispositions of Capital Assets –
Totals Carryforward to Schedule D

FINCEN 114 – Report of Foreign Bank and Financial
Accounts (FBAR) – Non-US exchanges

Form 8938 - Statement of Specified Foreign Financial Assets
Non-US exchanges



FINCEN 114 Report of Foreign Bank and Financial Accounts - FBAR



<https://bsaefiling.fincen.treas.gov/NoRegFilePDFIndividualFBAR.html>

The screenshot shows the BSA E-Filing System interface. At the top left is the FinCEN logo. The main header reads "BSA E-FILING SYSTEM" and "FINANCIAL CRIMES ENFORCEMENT NETWORK". A left sidebar contains navigation links: "BSA Home", "File an Individual FBAR", and "Help". The main content area is titled "File the Report of Foreign Bank and Financial Accounts (FBAR) as an Individual". It includes a detailed explanation of who is considered an individual filer, a note for non-individual filers, and two primary action buttons: "Prepare FBAR" and "Submit FBAR". The "Prepare FBAR" button is accompanied by a document icon and a link to "FinCEN Report 114". Below it, a note advises reviewing filing instructions and downloading the Adobe PDF version of the report. The "Submit FBAR" button is accompanied by an envelope icon and instructions on how to electronically file the report, including the requirement to provide contact information and receive an email acknowledgment.

BSA Home
File an Individual FBAR
Help

BSA E-FILING SYSTEM

FINANCIAL CRIMES ENFORCEMENT NETWORK

File the Report of Foreign Bank and Financial Accounts (FBAR) as an Individual

This section applies only to individuals filing the FBAR (FinCEN Report 114) through FinCEN's BSA E-Filing System. An FBAR filer is considered an individual when he/she personally owns (or jointly owns with a spouse) a reportable foreign financial account that requires the filing of an FBAR for the reportable year. A filer is also considered an individual if they wish to file an FBAR on their own behalf to report signature or other authority they have over a reportable foreign financial account that they do not have a financial interest in.

NOTE: A non-individual FBAR filer, such as an attorney, CPA, or an enrolled agent filing the FBAR on behalf of a client must register to [Become a BSA E-Filer](#) and file as an institution rather than an individual.

Prepare FBAR

[FinCEN Report 114](#)

NOTE: Please review the [How to File the FBAR Electronically](#) instructions before starting your FBAR. There may be browser settings required in order for your system to function properly.

Click the above button to download the Adobe PDF version of the individual FBAR. Once downloaded, fill out the report, sign and save a copy, and then proceed to Submit FBAR below. As a reminder, you must [Download the Adobe Reader](#) if you have not already done so.

Submit FBAR

Click the above button to access the submission page in order to electronically file your completed Individual FBAR. Enter your email address, first name, last name and phone number and then browse on your computer to locate the individual FBAR you have completed. Once attached, you can file your FBAR electronically by clicking submit, at which time you should receive an email notification of acceptance. The FBAR filing process is complete when you receive an email acknowledgment containing a BSA Identifier within a few days of filing your FBAR. Please retain these email notifications for record keeping purposes.

User Quick Links

FBAR Filers

- [How to E-File Pdf FBAR Form](#)
- [How to E-File Online FBAR Form](#)
- [Line Item Instructions For Completing the FBAR](#)
- [FinCEN Form 114\(a\)](#)
- [FBAR FAQ's](#)
- [Downloading the Adobe Reader](#)

Form 8938



Statement of Specified Foreign Financial Assets

Form 8938 **Statement of Specified Foreign Financial Assets** OMB No. 1545-2195
 Department of the Treasury Internal Revenue Service **2017** Attachment Sequence No. 175
 For calendar year 20 or tax year beginning , 20 and ending , 20

If you have attached continuation statements, check here Number of continuation statements

1 Name(s) shown on return 2 TIN

3 Type of filer
 a Specified individual b Partnership c Corporation d Trust

4 If you checked box 3a, skip this line 4. If you checked box 3b or 3c, enter the name and TIN of the specified individual who closely holds the partnership or corporation. If you checked box 3d, enter the name and TIN of the specified person who is a current beneficiary of the trust. (See instructions for definitions and what to do if you have more than one specified individual or specified person to list.)
 a Name b TIN

Part I Foreign Deposit and Custodial Accounts Summary

1 Number of Deposit Accounts (reported in Part V) ▶
 2 Maximum Value of All Deposit Accounts \$
 3 Number of Custodial Accounts (reported in Part V) ▶
 4 Maximum Value of All Custodial Accounts \$
 5 Were any foreign deposit or custodial accounts closed during the tax year? Yes No

Part II Other Foreign Assets Summary

1 Number of Foreign Assets (reported in Part VI) ▶
 2 Maximum Value of All Assets (reported in Part VI) \$
 3 Were any foreign assets acquired or sold during the tax year? Yes No

Part III Summary of Tax Items Attributable to Specified Foreign Financial Assets (see instructions)

(a) Asset Category	(b) Tax item	Where reported		
		(c) Amount reported on form or schedule	(d) Form and line	(e) Schedule and line

Part VI Detailed Information for Each "Other Foreign Asset" Included in the Part II Summary (see instructions)
 If you have more than one asset to report in Part VI, attach a continuation statement for each additional asset (see instructions).

1 Description of asset 2 Identifying number or other designation

3 Complete all that apply. See instructions for reporting of multiple acquisition or disposition dates.
 a Date asset acquired during tax year, if applicable
 b Date asset disposed of during tax year, if applicable
 c Check if asset jointly owned with spouse d Check if no tax item reported in Part III with respect to this asset

4 Maximum value of asset during tax year (check box that applies)
 a \$0 - \$50,000 b \$50,001 - \$100,000 c \$100,001 - \$150,000 d \$150,001 - \$200,000
 e If more than \$200,000, list value \$

5 Did you use a foreign currency exchange rate to convert the value of the asset into U.S. dollars? Yes No
 If you answered "Yes" to line 5, complete all that apply.

6 (a) Foreign currency in which asset is denominated (b) Foreign currency exchange rate used to convert to U.S. dollars (c) Source of exchange rate used if not from U.S. Treasury Department's Bureau of the Fiscal Service

7 If asset reported on line 1 is stock of a foreign entity or an interest in a foreign entity, enter the following information for the asset.
 a Name of foreign entity b GIIN (Optional)
 c Type of foreign entity (1) Partnership (2) Corporation (3) Trust (4) Estate
 d Mailing address of foreign entity. Number, street, and room or suite no.
 e City or town, state or province, and country (including postal code)

8 If asset reported on line 1 is not stock of a foreign entity or an interest in a foreign entity, enter the following information for the asset.
Note: If this asset has more than one issuer or counterparty, attach a continuation statement with the same information for each additional issuer or counterparty (see instructions).
 a Name of issuer or counterparty
 Check if information is for Issuer Counterparty
 b Type of issuer or counterparty
 (1) Individual (2) Partnership (3) Corporation (4) Trust (5) Estate
 c Check if issuer or counterparty is a U.S. person Foreign person
 d Mailing address of issuer or counterparty. Number, street, and room or suite no.
 e City or town, state or province, and country (including postal code)



Mining – taxed as self employment income

Accounting and Tax Reporting

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- Investment/Trading Accounting
- Status of Accounting Software
Crypto Capabilities
- Mining Accounting in QuickBooks

Cryptocurrencies - Investment Accounting

- Use an Excel spreadsheet
- Reporting on exchanges
- Third party software available
 - bitcoin.tax
 - cointracking.info
 - Zenledger.io
 - Coincall.io – Portfolio Tracker, no tax features yet
- Using QuickBooks, SAGE or Xero

Demonstration of bitcoin.tax

1. Obtain all of the purchases and sales transactions from the various exchanges – transaction history report
2. Analyze the transactions for transfers to other wallets, gifts, transfers between exchanges, etc.
3. Import into bitcoin.tax (alternately you can sync from various exchanges)
4. Enter any gifts so they are removed from the portfolio
5. Analyze the end results to make sure everything makes sense

KRAKEN - Export Data Screen

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	XBT/EUR ▾	LAST €6,617.8	HIGH €6,651.6	LOW €6,487.9	24 HOUR VOLUME 2,936.24	WEIGHTED AVG €6,603.2
--	-----------	------------------	------------------	-----------------	----------------------------	--------------------------

[Trade](#) [Funding](#) [Security](#) [Settings](#) [History](#) [Get Verified](#) [MtGox Claim](#) Current time: 06-03-18 17:07:13 -04:00

[Ledger](#) [Orders](#) [Trades](#) [Export](#)

Export Data

trades ▾

01-01-17 - 01-01-18 ▾

Fields

Select All Order Tx Time Order Type Price Cost Fee Volume Margin Misc Ledgers

[Submit](#)

Requests

ID	Type	Format	Date Range	Submitted	Status	Expiration	
HZCA	trades	CSV	06-03-18 -> 01-01-18	2 minutes ago	Processed	06-17-18	Download Delete
IGSD	trades	CSV	06-03-18 -> 01-01-18	2 minutes ago	Processed	06-17-18	Download Delete
QLEW	trades	CSV	06-03-18 -> 01-01-18	2 minutes ago	Processed	06-17-18	Download Delete


coinbase - Export Data Screen




coinbase Nancy Orben


Dashboard Buy/Sell Accounts Tools Settings Invite friends, earn \$10

Tax Center Addresses Recurring Transactions Reports History


 **Need help preparing your taxes?**
Our blog post contains guidance to help you and your tax professional determine your portfolio's performance. Learn more

 **Transaction History**

This report details all buys, sells, sends, and receives of all currencies associated with your Coinbase account. You and your tax professional can use this document to calculate your portfolio's performance.

 **Transaction History (All)** Download

Last generated Sun Jun 03 2018
[Generate New Report](#)

 **Gain/Loss Calculator** BETA

This report applies first-in-first-out (FIFO) cost basis method to determine your portfolio's performance. Please be advised that this will only be accurate for investors who have only bought or sold digital assets on Coinbase.

coinbase - Transaction History Report

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coinbase

Dashboard Buy/Sell Accounts

Tax Center Addresses Recurring

Reports scheduled and one-time reports

Account Type

Transaction History for Tax

Nancy Orben

New Report

Type Transaction history

Account ETH Wallet (0.01889685 ETH)

Time range Last year

Email to [REDACTED]

Show Repeating Options

Show Advanced Options

Cancel Create Report

+ New Report

Next Run	Download
-	Download

coinbase - Cost Basis For Taxes Report



<p>This report does not constitute legal or tax advice. Tax laws and regulations change frequently, and their application can vary widely based on the specific facts and circumstances involved. You are responsible for consulting with your own professional tax advisors concerning specific tax circumstances for your business. Coinbase disclaims any responsibility for the accuracy or adequacy of any positions taken by you in your tax returns.</p> <p>This tool considers all sends and receives as taxable events, even if that is not the case. As such, this tool WILL NOT BE ACCURATE if you have sent cryptocurrency to a non-Coinbase wallet, another exchange (including GDAX), an external storage device, or if you have participated in an ICO.</p> <p>We use a FIFO (first in first out) method for this report. For all digital asset transactions the prices are calculated based on the market price at the time of transaction. If you have more specific records, please update the field in question and recalculate capital gains as sale proceeds minus cost basis.</p>												
User												
Account	LTC Wallet											
SUMMARY:												
Year	Total Buys (USD)	Total Quantity Sold (LTC)	Total Sells (Total Gains/Losses (USD)									
2017	7751.75	164.33	8281.08	529.33								
DETAILS:												
BUYS										SELLS		GAIN / LOSS
Received Transaction ID	Received Date	Received Description	Received PrCost Basis (USD)		Sent Transe	Sent Date	Sent Description	Sent Price F	Sent Quant	Sent Total (USD)	Gains / Los Short / Long T	
	6/24/2017 4:21	Received from an external account	45.24	1131	594e55c63	6/24/2017 5:06	Sold using FIFTH THIRD BANK ****x000x	44.04	25	1100.98	-30.02 Short Term	
	6/24/2017 4:40	Received from an external account	45.09	1127.25	594e55c63	6/24/2017 5:06	Sold using FIFTH THIRD BANK ****x000x	44.04	25	1100.98	-26.27 Short Term	
	6/24/2017 4:47	Received from an external account	45.18	1129.5	594e55c63	6/24/2017 5:06	Sold using FIFTH THIRD BANK ****x000x	44.04	25	1100.98	-28.52 Short Term	
	8/7/2017 19:31	Received from an external account	46.16	442.05	59a2ba29c	8/27/2017 5:25	Sent to LZoxz2yWtZrh	58.79	9.57638	563	120.95 Short Term	
	8/7/2017 19:31	Received from an external account	46.16	165.07	59b3dbda1	9/9/2017 5:17	Sent to LKM3WUyV	71.68	3.576101	256.33	91.26 Short Term	
	8/7/2017 19:31	Received from an external account	46.16	1977.84	59f1ab74e	10/26/2017 2:31	Sold using USD Wallet	54.6	42.84752	2339.3	361.46 Short Term	

BITTREX - Transaction Report

OrderUuid	Exchange	Type	Quantity	Limit	CommissionPaid	Price	Opened
	BTC-BCC	LIMIT_SELL	18.54219	0.3357	0.01728491	6.91399494	
	BTC-BTG	LIMIT_SELL	1.513804	0.0216001	0.00009033	0.03613925	12
	BTC-BURST	LIMIT_BUY	10000	0.00000581	0.00014491	0.05797459	
	BTC-CANN	LIMIT_BUY	0.05	0.05	0	0.00000017	
	BTC-CLOAK	LIMIT_BUY	100	0.00096659	0.00024164	0.096659	
	BTC-DGB	LIMIT_BUY	20000	0.00000687	0.00034347	0.13739997	
	BTC-DGB	LIMIT_BUY	100	0.00000615	0.00000153	0.000615	!
	BTC-DGB	LIMIT_BUY	0.05	0.05	0	0.00000029	
	BTC-ETC	LIMIT_BUY	1	0.00747	0.00001867	0.00746973	!
	BTC-ETC	LIMIT_BUY	0.05	0.05	0.00000097	0.00038899	
	BTC-ETH	LIMIT_SELL	0.25	0.0524043	0.00003639	0.01455675	10
	BTC-GNT	LIMIT_BUY	4.9875	0.005	0.00000222	0.00088942	!
	BTC-GNT	LIMIT_BUY	100	0.00022318	0.00005579	0.022318	!

OPENING BALANCES – Purchased Prior To Current Tax Year

Tax Year: 2017 (Premium) ▼

[Support / Questions](#)

Trading

Income

Spending

Opening

Calculate

Reports & Export

Addresses

Account

Enter the details of any coins you owned before the start of the tax year. Do not include anything from this tax year.

This is so the cost basis of each coin can be calculated when they are sold. You should include any coins that you bought, mined or gained by other means.

7 position(s) costing \$4,457.91

[Import from 2016](#)[Remove All](#)

10 per page ▼

Date/Time	Source	Coin	Volume	Price	Fees	Cost Basis
01/29/2015	COINBASE	BTC	1.293989	\$251.3700	\$0.0000	\$325.27
04/28/2016	COINBASE	BTC	1.10256125	\$453.4900	\$0.0000	\$500.00

Add Positions

Manual Add

Enter the date, type, how many and cost of any coins you owned.

 ▼

Import CSV

Select one or more comma-separated files from your computer. The files must either contains the following fields or have these names in the header row:

- **Date** (date of acquisition as yyyy-mm-dd or yyyy-mm-dd hh:mm:ss)
- **Source** (optional, source such as Localbitcoins, Gift, Mined)
- **Symbol** (optional, defaults to BTC or specify BTC, LTC, DASH, etc)
- **Volume** (number or quantity of coins)
- **Price** (price per coin, can optionally include currency e.g. \$123.45 or 123.45 USD)

Manually Add Trades



Add Trades

Manually Add Trades: Buys, Sells and Fees

Enter the details of any trades as well as any other withdrawal or transaction fees.

Add Buy / Sell

Add Buy / Sell

Enter the details of any trades you have made:

Enter either the price per coin and any fees

Or, the total cost of the trade

Import Purchases And Sales



Import Trades

Follow the instructions below for each exchange where you have traded during the tax year, or choose the General CSV option to upload a comma-separated list of all of your trades.

- + Binance
- + Bitfinex
- + bitFlyer
- + Bitstamp
- + Bittrex
- + BTC-e / WEX
- + CampBX
- + CEX.IO
- + Circle
- + Coinbase
- + Cryptopia
- + Gemini
- + GDAX

Coinbase

Coinbase provides permission based access to your account as well as providing a CSV export of trade history.

If you would like us to use their API, which is easiest and safe, please click the button below to authorise access. We only request access to your trade history to be able to import this information. We cannot access anything else about you or do anything with your account.

Request Access

Or, you can manually download and import your trade history:

1. Log into your [Coinbase](#) account
2. Click on **Tools** on the left side
3. Click on the **Reports** link near the top of the page
4. Click the "+ New Report" button
5. Change the Type field to "Buys, Sells, and merchant payouts"
6. Select your wallet to export
7. Choose a suitable date range, or just "Last full year"
8. Click **Export** and you will receive an email with a link to your file
9. Click below to select the file:
10. **Warning: if you have any cancelled orders, they will still appear in the downloaded file from Coinbase as if they were successful orders. You must either remove those lines from the file or delete them once they have been imported.**

Choose the wallet currency:

Replace all existing Coinbase trades

Click to select and upload your file

Form 8949 Statement

Export To CSV Or Create

Trading

Income

Spending

Opening

Calculate

Reports & Export

Addresses

Account

These are the *Sales of Capital Assets* that are reported as part of your 1040 Schedule D. Each sale you have made during the tax year is listed along with its cost basis, which is determined from selecting the appropriate coin by the method you chose previously.

Capital Gains Report : Sales of Capital Assets							Download ▾	Options ▾	10 per page ▾
Asset	Date Acquired	Date Sold	Proc	Cost	Sell	Loss			
0.111754 BTC	01/29/2015	01/06/2017				\$72	<ul style="list-style-type: none"> CSV Form 8949 Statement Form 8949 PDF TaxACT TurboTax (CD/Download) / H&R Block 1 		
0.112439 BTC	01/29/2015	01/18/2017			\$69				
0.108075 BTC	01/29/2015	01/28/2017			\$73				
0.09457 BTC	01/29/2015	02/19/2017	\$100	\$24	\$76				
0.09459 BTC	01/29/2015	02/19/2017	\$100	\$24	\$76				
0.25 BTC	01/29/2015	03/13/2017	\$310	\$63	\$247				

Tax Reporting On Exchanges and Accounting Software



Tax Reporting provided By Exchanges is only usable if client:

- Only Used One Exchange
- Did Not Gift Coins
- Had No Mining Income
- Did Not Transfer Coins To Alternate Wallet

QuickBooks, Xero and Peachtree are not good solutions If Client Is Just Investing In Cryptos

Accounting Software & Crypto

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Currency decimal places

- QuickBooks Desktop – 2
- QuickBooks Online – 2
- Xero – 2
- SAGE 50 – 2
- SAGE 100 – 2
- Dynamics Great Plains – 2
- Intaact – at least 4 decimal places
- Accumatica – at least 4 decimal places

Error potential



Price of BTC X Quantity of BTC = US\$ Value

$$\$7,600 \times .000006 = .46$$

$$\$20,000 \times .000006 = 1.20$$

$$\$7,600 \times .0001 = .76$$

$$\$20,000 \times .0001 = 2.00$$

$$\$7,600 = 0$$

$$\$20,000 = 0$$

$$\$7,600 \times .006 = 45.60$$

$$\$20,000 \times .006 = 120.00$$

$$\$7,600 \times .01 = 76.00$$

$$\$20,000 \times .01 = 200.00$$

QuickBooks - Demonstration of Mining Accounting

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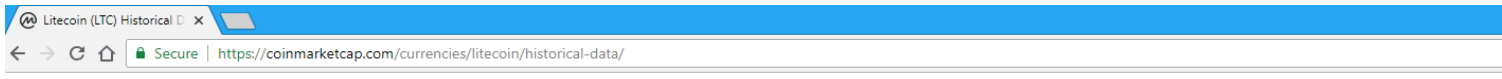


- Download info needed from various exchanges or wallets
 - Transactions
 - Exchange Rates
- Using Excel and Vlookup to add exchange rates to transactions
- Importing into QuickBooks using Transaction Pro Importer

Download Mining Activity

1. Determine what type of coins your client is mining. You need to obtain the activity for each coin separately.
2. Determine if they are being paid in the same coin as they are mining. It could be that they are mining different coins but getting paid in bitcoin.
3. Determine where their mining pool was depositing their mining income to during the year. Find out if it was the same wallet for the whole year. Each coin has a different wallet and the client could have used different wallets for each coin during the year.
4. Obtain downloads from their wallets accordingly.

Use Coinmarketcap.Com To Download Historical Rates For Coin



2018's Biggest Surprise: XYO ★★★★★ 5.0 / 5.0 [VISIT WEBSITE →](#)

Litecoin (LTC)

\$107.40 USD (-9.92%)
0.01576660 BTC (0.81%)

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- ★ Rank 6
- [Website](#)
- [Website 2](#)
- [Announcement](#)
- [Explorer](#)
- [Explorer 2](#)
- [Explorer 3](#)
- [Message Board](#)
- [Chat](#)
- [Source Code](#)
- [Coin](#) [Mineable](#)

Market Cap	Volume (24h)	Circulating Supply	Max Supply
\$6,113,463,939 USD 897,498 BTC	\$364,759,000 USD 53,549 BTC	56,923,973 LTC	84,000,000 LTC

[Charts](#) [Markets](#) [Social](#) [Tools](#) [Historical Data](#)

Historical data for Litecoin

Currency in USD

May 11, 2018 - Jun 10, 2018

Date	Open*
Jun 09, 2018	120.11
Jun 08, 2018	121.52
Jun 07, 2018	121.34
Jun 06, 2018	121.89
Jun 05, 2018	119.90
Jun 04, 2018	125.21

01/01/2017
12/31/2017

January 2017

Mon	Tue	Wed	Thu	Fri	Sat	Sun
26	27	28	29	30	31	1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

February 2017

Mon	Tue	Wed	Thu	Fri	Sat	Sun
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	1	2	3	4	5
6	7	8	9	10	11	12

Last 7 Days
Last 30 Days
Last 3 Months
Last 12 Months
Year To Date
All Time
Custom Range
Apply Cancel



Create Import File

	B	C	D	E	F	G	H	I	J	K
1	label	confirmations	quantity	timestampOrig	timestamp	curr	rate	vl exchlo	formula	value
2	Prohashing	112717	0.51137566	4/27/2017	4/27/2017	LTC	16.022	16.022	8.193261	8.193261
3	Prohashing	112256	2.68708839	4/28/2017	4/28/2017	LTC	15.5	15.5	41.64987	41.64987
4	Prohashing	111416	2.24182071	4/29/2017	4/29/2017	LTC	16.909	16.909	37.90695	37.90695
5	Prohashing	111215	2.03951246	4/30/2017	4/30/2017	LTC	16.84	16.84	34.34539	34.34539

43	5/22/2017	23.951	25.61	26.236	21.713	-6.44
44	5/23/2017	30.796	24.002	30.885	23.274	28.58
45	5/24/2017	33.579	30.798	34.45	30.047	9.04
46	5/25/2017	27.027	33.579	33.99	26.06	-19.51
47	5/26/2017	24.21	27.211	29.424	23.586	-10.42
48	5/27/2017	22.09	24.21	25.3	17.755	-8.76
49	5/28/2017	22.817	22.069	24.978	20.6	3.29
50	5/29/2017	24.789	22.817	25.433	21.925	8.64
51	5/30/2017	23.624	24.789	26	23.1	-4.7
52	5/31/2017	24.777	23.671	25.152	21.93	4.88
53	6/1/2017	26.5	24.777	28.5	22.011	6.05

electrum-ltc-history **LTC USD Historical Data**

Add the historical rates as a tab to the transaction history file.

Use Vlookup to lookup the exchange rate from the historical rates and add it to the import file. Paste the rate as a value into a separate column.

Calculate the extended value. Paste the amount as a value into a separate column.

VLOOKUP Formula

=VLOOKUP(+F2,'LTC USD Historical Data'!A:B,2,FALSE)

- F2 is the cell where the date is
- LTC USD HISTORICAL DATA is the Tab where the historical rates are
- A:B are the columns where the table is located.
- 2 means to use the rate in the second column
- FALSE means the date must be an exact match

Set Up Items In QuickBooks

NAME	DESCR...	TYPE	ACCOUNT
♦ Mining PD BTC		Service	NH PH Income paid in BTC
♦ Mining PD LTC		Service	LTC Mining Income PH
♦ Transfer Fees		Service	Bank Service Charges
♦ BTC Investment		Inventory Part	Proceeds BTC
♦ LTC Investment		Inventory Part	Proceeds LTC
♦ Bank Fees		Other Charge	Bank Service Charges
♦ Owner Dist		Other Charge	Members Draw

Wash Account

Set up A “dummy” bank account for each coin to use as a Wash Account

Look for account name or number

NAME	TYPE	BALANCE...	AT
◆ BitPay	Bank	0.00	
◆ BITPAY CC	Bank	0.00	
◆ BTC	Bank	0.00	
◆ Coinbase BTC	Bank	0.00	
◆ Coinbase LTC	Bank	0.00	
◆ LTC	Bank	0.00	
◆ Shapeshift	Bank	0.00	
◆ Accounts Receivable	Accounts Receivable	0.00	
◆ Inventory Asset	Other Current Asset	6,052.05	

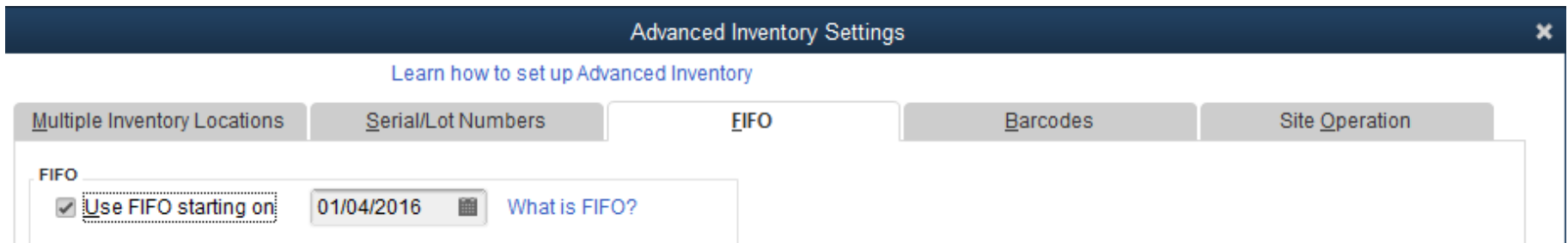
FIFO Inventory

Turn on FIFO inventory if using QuickBooks Enterprise (QBES)

QuickBooks Online automatically uses FIFO

QuickBooks Desktop only uses average cost and is therefore not an option

For this workaround

A screenshot of the 'Advanced Inventory Settings' window in QuickBooks. The window title is 'Advanced Inventory Settings' with a close button (X) in the top right corner. Below the title bar is a link: 'Learn how to set up Advanced Inventory'. There are five tabs: 'Multiple Inventory Locations', 'Serial/Lot Numbers', 'FIFO', 'Barcodes', and 'Site Operation'. The 'FIFO' tab is selected and active. Inside the 'FIFO' tab, there is a section titled 'FIFO' containing a checked checkbox labeled 'Use FIFO starting on', a date field set to '01/04/2016' with a calendar icon, and a link labeled 'What is FIFO?'.

Importing Transactions



Processing

CUSTOMER_JOB PH Customer DEPOSIT TO LTC TEMPLATE Custom Sales Receipt

Sales Receipt

CASH CHECK CREDIT DEBIT e-CHECK MORE

DATE 04/27/2017 SOLD TO

SALE NO. 112717

CHECK NO.

ITEM	DESCRIPTION	QTY	RATE	AMOUNT
Mining PD LTC	1d1b72cf4dc44fd852e	0.51138		16.022
				8.19

Import the transactions once as sales receipts using the service item and the LTC bank account



Transaction Pro Settings for Importing Sales Receipts

01 Transaction Pro Import Wizard 5.0

Transaction Pro Importer 5.0

Designed for use with QuickBooks®

Welcome to the 01 Transaction Pro Import Wizard Application.

This program will guide you through the steps necessary to import data to QuickBooks as transactions or lists.

The imported data will be stored in your QuickBooks company (QBW) file.

Select your file source: File DSN

C:\Client files\Bitcoin\electrum-ltc-history.xlsx

Sample files are located under the My Documents folder

Select an Excel sheet to use:

Sheet: 'electrum-ltc-history\$'

Select a QuickBooks transaction or list to import:

Import Type: Sales Receipt

Program Options:

NOTE: A Quick Start Help Guide can be accessed by pressing the F1 key at any time during the Wizard

Version 5.019

Idle

01 Transaction Pro Import Wizard 5.0

Map the fields in your file to the QuickBooks fields: Select the row of the field you want to map and choose the matching QuickBooks field from the drop-down list. Repeat this for all the fields you want to map to QuickBooks. Clicking the Next button saves the current map, overwriting any existing map.

C:\Users\NDRben\Documents\01 Transaction Pro Importer 5.0\Sales Receipt map.dat

QuickBooks Fields	Import File Columns	Static Value/Formula
Customer		PH Customer
Transaction Date	timestamp	
RefNumber	confirmations	
Payment Method		
Check Number		
Class		
Template Name		
To Be Printed		
Ship Date		
Bill To Line1		
Bill To Line2		
Bill To Line3		
Bill To Line4		
Bill To City		
Bill To State		
Bill To PostalCode		

Fields marked in red are required

Idle

01 Transaction Pro Import Wizard 5.0

Map the fields in your file to the QuickBooks fields: Select the row of the field you want to map and choose the matching QuickBooks field from the drop-down list. Repeat this for all the fields you want to map to QuickBooks. Clicking the Next button saves the current map, overwriting any existing map.

C:\Users\NDRben\Documents\01 Transaction Pro Importer 5.0\Sales Receipt map.dat

QuickBooks Fields	Import File Columns	Static Value/Formula
Item		Mining PD LTC
Quantity	quantity	
Description	transaction_hash	
Price	rate	
Deposit To		LTC
Is Pending		
Item Line Class		
Service Date		
FDB		
Customer Acct No		
Sales Tax Item		
To Be E-Mailed		
Other		
Other1		
Other2		
Sales Tax Code		

Fields marked in red are required

Idle

Import the same transactions again as checks using the inventory item



Main Reports

Find New Save Delete Memorize Create a Copy Print Print Later Pay Online Attach File Select PO Enter Time Clear Splits Recalculate Batch Transaction

BANK ACCOUNT LTC ENDING BALANCE **0.00**

NO. 112717
 DATE 04/27/2017

PAY TO THE ORDER OF Prohashing \$ 8.19

Eight and 19/100* ***** DOLLARS

ADDRESS

MEMO 1d1b79e

Expenses \$0.00 Items \$8.19

ITEM	DESCRIPTION	QTY	COST	AMOUNT	CUSTOMER
LTC Investment			0.51138	16.022	8.19

What Did We Do?

- We recorded the revenue and a deposit to the LTC bank account with the sales receipt
- We recorded the LTC inventory item and reduced the LTC bank account to zero with the check
- This gives us a FIFO Inventory amount for our LTC

Recording Sales Receipts



CUSTOMER_JOB **Owner Distribution** DEPOSIT TO **Undeposited Funds** TEMPLATE **Custom Sales Receipt**

Sales Receipt

CASH CHECK CREDIT DEBIT e-CHECK MORE

DATE: 06/24/2017 SOLD TO:

SALE NO.: 2 CHECK NO.:

ITEM	DESCRIPTION	QTY	RATE	AMOUNT
LTC Investment		75	44.0392	3,302.94
Owner Dist			-3,252.98	-3,252.98
Bank Fees			-49.96	-49.96

Record a sales receipt to reduce LTC holdings as an owner distribution

This transaction properly shows the proceeds of the sale and the cost basis in the LTC



Profit & Loss

June 24, 2017

	Jun 24, 17
▼ Ordinary Income/Expense	
▼ Income	
LTC Mining Income PH	22.31
Proceeds LTC	3,302.94
Total Income	3,325.25
▼ Cost of Goods Sold	
Cost Basis LTC	2,148.06
Total COGS	2,148.06
Gross Profit	1,177.19
▼ Expense	
Bank Service Charges	49.96
Total Expense	49.96
Net Ordinary Income	1,127.23
Net Income	1,127.23

Sources of Information about Blockchain and Bitcoin

- Udemy - <https://www.udemy.com>
- IBM - <https://www.ibm.com/search?lang=en&cc=us&q=blockchain>
- <https://www.coinbase.com/buy-bitcoin>
- <https://www.coindesk.com>
- <https://www.cpaacademy.org>
- <https://www.blockchainresearchinstitute.org>
- <https://www.womenplusblockchain.com>
- YouTube - Andreas Antonopoulos

Questions?

CPAs / ADVISORS

