

HOW BLOCKCHAIN ACCOUNTING ON IFRS AND PSAK?

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Abstract

The article aims to find out how blockchain accounting on ifrs and psak. Research USES secondary sources of documentation, notulency, previous observations and research. The study aims to deepen the theoretical study of how blockchain accounting on ifrs and psak. Blockchain is a decentralized system, where there is no centralized person or institution that regulates it. Blockchain technology is considered to be a very secure technology. In addition to being permanently compiled based on historical transactions, the level of security of information spread in this technology is also protected by cryptographic technology. Based on IFRS (Financial Reporting Standards) and PSAK (Financial Accounting Standards) there is no prior or current accounting treatment regarding Crypto Currency transactions. Cryptocurrencies are difficult to obtain accounting treatment for in Indonesia because they do not meet the definition of cash, intangible assets, according to this study.

Key words: Blockchain, Cryptocurrency, IFRS, PSAK

1. Introduction

At this time, technological developments greatly affect all aspects of life, including the world economy. The fourth industrial revolution introduced the concept of automation by machines without requiring human power in its application. One of the things found in the fourth industrial revolution is bitcoin, which is a type of cryptocurrency. Technological developments in the economic field include many things that have the aim of facilitating economic actors in accessing information that is the basis for making decisions in economic activities such as in conducting transactions.

Technological developments in the economy are the existence of information system-based technology that can convert currency into new forms to facilitate online transactions. Digital currency utilizes the transfer of information and data within the same network without going through a third party (Balcerzak et al., 2022). The data is protected and compiled permanently by a mechanism called blockchain technology.

Blockchain is a decentralized system, where there is no centralized person or institution that regulates it (Cao, 2022). So that transaction activities do not depend on the working days of financial institutions and can be carried out by anyone, anywhere and anytime.

Transactions become more secure, transparent and easy to track. Due to authentication and checking the validity of each transaction it is locked securely by a digital signature. Blockchain technology is considered to be a very secure technology (Khan et al., 2023). In addition to being permanently compiled based on historical transactions, the level of security of information spread in this technology is also protected by cryptographic technology. In its implementation, this technology can be used as the basis for making various platforms.

Cryptocurrency is a term that refers to a digital currency. The digital currency uses a data security system in the form of cryptography. In its use, cryptographic technology aims to secure sensitive transaction data so that it is not easily hacked and manipulated by others. With the aim of increasing the use of currency as a transaction tool in all aspects, especially in the global sphere, cryptocurrency can be used as an alternative to currency in transactions, especially in online transaction bases.

One of the things found in the fourth industrial revolution is bitcoin, which is a type of cryptocurrency. Bitcoin was designed by Satoshi Nakamoto in 2008, at the time of introducing bitcoin Nakamoto also introduced blockchain technology. Blockchain is a decentralized system, where there is no centralized person or institution that regulates it. So that transaction activities do not depend on the working days of financial institutions and can be carried out by anyone, anywhere and anytime. Transactions become more secure, transparent and easy to track. Due to authentication and checking the validity of each transaction it is locked securely by a digital signature.

The main purpose of blockchain is to allow digital information to be recorded and distributed irreversibly. Thus, blockchain is the foundation of a ledger that cannot be changed, deleted or destroyed. This is why blockchain is called a distributed ledger technology. Blockchain is the answer to the concerns that arise in the digital era, ranging from security issues, the recording process and the security of data ownership.

Blockchain has the potential to increase the efficiency of the accounting process especially in the transactions and assets section, which operates as a universal entry bookkeeping system. This will create certainty over rights and obligations as well as financial resources, which in turn will empower the accounting profession to expand its scope to record more types of activities than ever before. In addition, accountants can also trace more closely the economic realities that underpin transaction records.

In the field of accounting, blockchain technology raises two opinions, first blockchain technology will eliminate the accounting profession, and the other opinion states that blockchain technology will help accountants work in carrying out their duties (Ortman, 2018).

In Indonesia itself, the regulation governing finance is PSAK as known as a statement of financial accounting standards which is a convergence of IFRS. Recently on June 11-12, 2019 at London IFRS Interpretations Committee on Paper 12 discussed about Crypto Currency that in the Committee concluded that IAS 2 Inventories applies to Crypto Currency when they are held for sale in the ordinary course of business.

2. Literature Review

Novitari's research (2020) states that blockchain technology will not have a negative impact on accounting and auditing. The presence of blockchain technology only acts as an assistant for accountants and auditors who will facilitate their work. The application of

blockchain technology must carry out various trials and in-depth studies regarding the benefits and risks that will be faced.

Manullang research (2020) states that cryptocurrencies have a major impact on the digital economy because of their ability to use incentives to coordinate economic activity without relying on traditional intermediaries. The development of Crypto Currency in Indonesia is very massive with the emergence of new traders and traders every day, but there are no clear rules regarding Crypto Currency so standards regarding Crypto Currency are a must to maintain the balance of the Crypto Currency Ecosystem in Indonesia.

3. Method

This study uses a literature review method regarding blockchain against IFRS and PSAK. The use of blockchain has many benefits in the economic and accounting sectors, namely it can provide a wide range of financial access, guarantee secure transactions, create an accurate and transparent system and reduce supply chain costs. According to IFRS and PSAK cryptocurrency is not a financial instrument because it does not meet the criteria as a financial asset. Even so, he said, in general, cryptocurrencies meet the definition of an intangible asset, which is an identifiable non-monetary asset without a physical form. Cryptocurrencies can also be separated from their owners and can be traded or transferred individually. Therefore, cryptocurrencies are most appropriately recognized and recorded as intangible assets,

4. Result and Discussion

4.1 Result

Blockchain is a technology in the form of a network that is arranged in a decentralized manner without any third party that regulates the activities in the network. Blockchain technology is built in conjunction with cryptocurrency, a virtual currency using a decentralized system that is built on a data network that is inserted into a permanently attached block containing information and activities that occur on the server. Cryptocurrency transactions using blockchain technology are safer than conventional ones.

The accounting profession is facing an important challenge today, in leading the blockchain development and implementation. The profession contribution should be valuable not only in developing specific, effective regulations and standards but also in advising companies and other stakeholders when dealing with blockchain and cryptocurrency and optimizing their processes and systems. New skills will be needed, specifically on technology, consulting and providing value-added to clients. Additionally, the ability to act as an arbitration party in between technical people and business stakeholders could be considered an important new skill to be acquired (Pugna and Dutescu, 2020)

The blockchain system is not based on a centralized database system like banking. However, blockchain networks take advantage of security by using their users to contact and protect each other.

For accounting, blockchain can make the economy more open and advanced. Maximum security, speed, and convenience in conducting transactions are things that must be prioritized in the accounting system. To achieve this goal, the financial industry is starting to use blockchain. Following are the benefits of blockchain-based accounting:

1. Provides a broad reach in access to finance

Every organization, institution or company certainly requires an accountable accounting system. Blockchain has an important role as a real time accounting technology with intensive monitoring.

Blockchain can attract investment from multinational bankers, venture capitalists, and the public.

With wider access to finance, organizations or companies can grow rapidly. There are no limits, worry in making transactions, and worry about fraud among investors or recipients of capital.

2. Ensure safe transactions

Blockchain works with decentralized cryptographic techniques. Blockchain based accounting system ensures data can be read by multiple databases. In fact, the identity of the blockchain account user can be known by the presence of a digital signature. The security of blockchain users is guaranteed by digital certificates. The goal is to prevent unauthorized people from accessing data.

3. Creating an accurate and transparent system

Accounting accuracy and transparency in organizations and companies are needed to build credibility. Blockchain records all transactions, stores them permanently, and ensures that all users can see their history.

4. Reduce supply chain costs

Blockchain can eliminate costs due to transactions between bank accounts and payment processing. These costs are included in additional profit. Thus, the company can save funds to the maximum.

4.2 Discussion

Based on IFRS (Financial Reporting Standards) and PSAK (Financial Accounting Standards) there is no prior or current accounting treatment regarding Crypto Currency transactions. Accounting Standards are usually slow in regulating the rapid development of business, even for International Standard makers, the IASB itself until they get encouragement from the Australian Accounting Standards Board (AASB) to prepare a Position Paper and recommend that the IASB think about it. Cryptocurrencies are difficult to obtain accounting treatment for in Indonesia because they do not meet the definition of cash, intangible assets, according to this study. The IFRS framework is considered lacking in regulating cryptocurrencies, it is hoped that in the future the IASB can issue accounting standards related to investments in commodities and cryptocurrencies (Wahyuni, 2018).

In accounting the main purpose of blockchain is to transfer ownership of assets and ensure accurate financial ledgers in a secure and trusted environment. Blockchain offers transparency and certainty over asset history ownership and the existence of liabilities (Pugna and Dutescu, 2020)

5. Conclusion

Blockchain is a technology in the form of a network that is arranged in a decentralized manner without any third party that regulates the activities in the network. Blockchain technology is built in conjunction with cryptocurrency, a virtual currency using a decentralized system that is built on a data network that is inserted into a permanently attached block containing information and activities that occur on the server. Cryptocurrency transactions using blockchain technology are safer than conventional ones. Cryptocurrencies have a huge impact on the economy, especially the digital economy because they can coordinate economic activities without relying on traditional intermediaries.

Although measuring rights and obligations from transactions might concern accountants in connection to blockchain, this technology may help the enhancement of the financial profession, by uplifting the main efforts from bookkeeping to more value-added subjects, such as: planning and valuation, integrated analysis and complex interpretation of various outcomes, data systems assessment. More transparency and timeliness information will become also attributes that professionals will have to integrate in their work.

Based on IFRS (Financial Reporting Standards) and PSAK (Financial Accounting Standards) there is no prior or current accounting treatment regarding cryptocurrency transactions. Cryptocurrencies are difficult to obtain accounting treatment for in Indonesia because they do not meet the definition of cash, an intangible asset, according to this study.

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