ECONOMIC ESSENCE, COMPOSITION AND CLASSIFICATION OF CRYPTOCURRENCY AS AN OBJECT OF ACCOUNTING

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The approaches to the economic essence, composition and classification of cryptocurrency are analyzed and systematized; the definition of cryptocurrency is suggested; its composition is clarified; the author's classification of cryptocurrency is developed.

Human society is impossible to imagine without money. Money is a specific product of maximum liquidity, which is the universal equivalent of the value of other goods or services. The development of money is inextricably linked with the development of all human civilization. Goods, products and weapons, coins of various types from bone to gold, paper banknotes, stocks – this is only a small part of what was and is still used as money.

With the development of computer technology and communication networks, the world has entered the era of "electronic money". Coins and banknotes are gradually being replaced by plastic payment cards, and on the Internet there are many payment systems that were originally created only for electronic payments, such as PayPal, WebMoney, Yandex.Money. Currently, digital currencies are not issued by national central banks.

Five years ago, there was no such thing as bitcoin. Currently, due to the increased activity in the use of electronic means of payment, Internet wallets, Internet banking systems and other types of "virtual cash", interest in the cryptocurrency in question has grown significantly [1].

Before you begin to study the issues of accounting for cryptocurrency, you need to understand such concepts as "Cryptocurrency" and "Bitcoin". It is necessary to consider each concept separately in order to define the concept of "Cryptocurrency".

According to various authors, cryptocurrency is considered as digital currency; financial asset; digital sign; digital exchange, the currency which is extracted by complex mathematical research.

The analysis showed that a cryptocurrency should be understood as a digital currency that can be stored in electronic wallets and which is obtained by mathematical calculations defined by a circle of users.

Since Bitcoin is the first and most famous among many cryptocurrencies, the symbol and flagship of the cryptocurrency world, as well as the currency of the same name that circulates within the system, then we will look at its essence in more detail. Authors view Bitcoin as payment system; digital currency; cryptocurrency; electronic cash.

As a result of the analysis, the author came to the conclusion that Bitcoin is one of the most popular cryptocurrencies, which is at the same time a payment system that uses the same payment currency mined by mining.

For accounting purposes, the composition and classification of cryptocurrency is important [2].

The most common cryptocurrencies are:

– bitcoin BTC;

– alternative cryptocurrencies (altcoins) – electronic money created as a means of payment based on the blockchain technology. Created as an alternative to Bitcoin. In turn, altcoins are divided into basic ones, altcoins with heightened anonymity, altcoins created for fast and free transactions;

– tokens - coins created on the basis of something blockchain. A token is a unit of account that is used to represent a digital balance in an asset. Tokens are recorded in a database based on the blockchain technology, and they are accessed through special applications using electronic signature schemes.

Tokens are divided into (a) tokens-"shares" used as an investment vehicle, the number of which determines the share of your participation in the project, and (b) tokens-"currency" used for calculations and rewards within the project ecosystem.

For investing and mining cryptocurrency, they need to mine. Mining cryptocurrency is the generation of new coins, which is carried out in the process of performing mathematical calculations of hash functions for carrying out transactions by the nodes of the cryptocurrency network. To release new coins, they need to be calculated; it is necessary to prepare the blocks and form information. Miners provide their own computing power to perform calculations. There is a formation of new coins, which are launched into circulation. Next, authenticity is verified, then the miner receives a reward in the form of cryptocurrency.

The main components for obtaining cryptocurrency include:

– Online wallet. It can be downloaded from the official developer resource of a specific digital currency. It is a password protected container in which the proceeds will be stored.

– Software package. At the moment there are different mining programs available on all popular operating systems.

– Registration in the online pool of miners. Members of these communities combine their computing devices to improve their performance. The resulting coins are divided between all participants.

– Registration in the online exchanger. It will be necessary for those who want to immediately convert virtual coins into ordinary money.

– Reliable internet connection.

– A place to install equipment.

– Equipment for mining cryptocurrency. This may be a desktop computer, but it is better to use special computers designed for this purpose. Ordinary PCs, laptops, gaming consoles or mobile gadgets not only do not provide sufficient performance, but they also cannot be used for their intended purpose during mining - the process takes up all the resources of the device.

– High-quality cooling. Good ventilation is also required to remove hot air from the room. Mining makes the "machines" work at 100% load, which causes increased heat transfer. Therefore, it is important to keep the room cool [5].

There is no doubt, cryptocurrency has both advantages and disadvantages. The advantages of cryptocurrency include such positive points as availability of cryptocurrency because electronic money is available at any time, and at the same time, it is impossible to freeze the account or withdraw the cryptocurrency. You can check the accuracy of the operations performed at any time. Thanks to open code, anyone can earn virtual coins. The following advantage is anonymity. Unlike classic electronic money, operations with which are easily tracked, it will not be possible to get information about the owner of a cryptocurrency wallet. Only the wallet number and limited information on the amount in the account is available. Hacking, forging, or carrying out other similar manipulations with virtual currency will not work – it is reliably protected, thus reliability is one more plus. In most cases, commission is charged solely on a voluntary basis. Moreover, as a rule, cryptocurrency is issued in a limited volume, which attracts increased attention from investors and eliminates the risks of inflation due to excessive activity of the issuer. Thus, cryptocurrency is not subject to inflation and in its essence is a deflation currency. Cryptocurrency is an independent currency. Nobody regulates its issue and does not control the movement of funds in the account. This feature attracts many members of the Network. There is no fee for transferring funds between countries.

The disadvantages of cryptocurrency include a number of negative points. The first one is the difficulty controlling transfers. Banks and other supervisory and monitoring authorities do not have the ability to control operations for the release and movement of cryptocurrency. Then goes the risk of prohibition. Government structures are cautious about cryptocurrency. Many countries have imposed restrictions on its use, and a fine may be imposed on violators. It is also necessary to remember that there is no possibility to cancel the payment. The following minus is volatility. Cryptocurrency is unpredictable, as it depends on current demand, which, in turn, may change as a result of changes in legislation and due to other factors. For this reason, there are fluctuations in the price of virtual money. Another disadvantage is the danger of loss. The "key" of access to electronic money is a special password. If you lose it, the crypto coins that are in the wallet become inaccessible. Besides, there is also a lack of warranty. Each user is personally responsible for their savings. There are no regulatory mechanisms, so in case of theft, to prove something and return the money will not work. There is no general organizer of trade, which reduces the credibility of the cryptocurrency. Furthermore, cryptocurrency is not secured.

Since an important prerequisite for proper accounting is a scientifically based classification, we have proposed the following classification of cryptocurrency: (a) transactional: free, paid, hidden; (b) transaction rate: large, small.

Nowadays there is no single opinion on where to consider cryptocurrency, as recently appeared. According to various economists, cryptocurrency can be viewed as cash, cash equivalents, financial instrument, stocks, intangible asset.

If you consider cryptocurrency as cash, then, in accordance with regulatory documents, cash is understood as cash balance on hand, on settlement, currency and other bank accounts, including demand deposits, therefore cryptocurrency cannot be attributed to cash, so as no bank deals with the issue of this currency.

Cash equivalents also cannot be attributed, since cash equivalents are highly liquid financial investments that can be easily converted into a known amount of cash, subject to an insignificant risk of changes in value. Cryptocurrency is subject to significant risk of value change.

A financial instrument is a contract, at the conclusion of which a financial asset is simultaneously generated by the first organization, and by the second organization - an equity instrument or financial liability. Cryptocurrency also can not be a financial tool, since it does not ensure profit at the contract level.

Intangible asset is accounting objects that do not possess physical properties, but bring income permanently or for a long time. Cryptocurrency can not be an intangible asset, since it cannot constantly generate income, including because of the constant price volatility, and in general does not meet the conditions for recognition of IA [4].

Based on the studied regulatory documents and economic literature, it can be concluded that the organization should consider cryptocurrency on the balance sheet as short-term financial investments. Cryptocurrency meets the conditions for recognition of short-term financial assets. Also, in many respects, accounting for cryptocurrency coincides with securities. This is due to the fact that the rate of cryptocurrency is unstable, so you can protect yourself from losses of various kinds.

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