Case 26-1

Cryptocurrency Market Inc.

Cryptocurrency Market Inc. (the "Company") provides various financial services, including lending services related to its digital assets that are not securities, such as Bitcoin (BTC). BTC is a cryptocurrency that is readily available on exchanges specializing in cryptocurrencies and, as a result, is readily convertible to cash.

Background

On December 31, 20X5, the Company entered into a lending transaction with XYZ Inc. (the "Borrower") to loan the Borrower 100 BTC. Key terms of the loan are as follows:

- The effective date of the loan is December 31, 20X5, which is the date the BTC assets are transferred by the Company to the Borrower. The ownership of the 100 BTC is transferred from the Company to the Borrower upon the transfer. The Borrower has the right to use the crypto assets at its sole discretion (e.g., to sell or pledge the crypto assets to a third party).
- The term of the loan is three months.
- The Borrower will pay a fee (i.e., an interest payment) of 6 BTC during the three-month term.
- At the end of the loan term, the Borrower is required to return the 100 BTC to the Company.
- The Borrower is not required to provide collateral for the loan.
- The Company and the Borrower account for BTC as an intangible asset under ASC 350-60.
- The Company does not have a controlling financial interest in the Borrower.
- There are no other rights and privileges exchanged in the loan.

On December 31, 20X5, the carrying value of the Company's 100 BTC is $2.4 million. The fair value of BTC on December 31, 20X5, is $24,000 per BTC. The estimate for expected credit losses is $200,000.

On March 31, 20X6, the fair value of BTC is $18,000 per BTC, and the estimate for expected credit losses is $100,000.

Required

1. What is the Company's accounting for the 100 BTC loaned as of the effective date of the loan? How would the Company account for the 100 BTC loaned for the reporting period ended March 31, 20X6?
2. What is the Borrower's accounting for the 100 BTC loaned as of the effective date of the loan? How would the Borrower account for the 100 BTC loaned for the reporting period ended March 31, 20X6?