*International Journal of Business Marketing and Management (IJBMM)*
*Volume 11 Issue 2 Mar-Apr 2026, P.P. 93-98*
*ISSN: 2456-4559*
*www.ijbmm.com*

# The future or the present of the Investment? Difficulties in accounting treatment for Cryptocurrency in the Greek Accounting Legislation

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***ABSTRACT:*** *In a synchronized and digital world of companies, and because of the continuously economic crises, most investors even some of self-employed and employees of companies, are looking for safety for their savings. For the companies there is another angle of view, that of investment with long or short-term. The revolution of Internet and the next step is the blockchain technology, including cryptocurrencies. It will be a significant change of society and the way that all companies operate in the International Economy. Nowadays, cryptocurrencies are for many reasons and many companies way of payment. Investment in cryptocurrencies is already a selection, due to the raising of their price. But the problem is their intangibility. Due to the lack of physical substance, that investment is not secure. From the other side the popularity of such an investment is increased. The accounting frame for the treatment of this type of investment is presented and analyzed in this paper for the Greek Legislation.*

***KEY WORDS:*** *Cryptocurrency, Blockchain, IFRS, Greek Accounting Standards, Intangible Assets, Accounting, Law*

***JEL CODES:****F32, F33, E22, O34, E40, E42.*

## I. Introduction

The popularity is also seen in transactions, as more and more places accept cryptocurrencies as a form of payment. In this work, the concept and operation of crypto-currency technology is analyzed, their global treatment as an investment mean is studied and how it is treated in accounting.

Cryptocurrencies are not just a new form of investment. Compared to traditional stock and capital investments, digital assets represent a completely different world in many ways. Blockchain technology represents a new sector of the economy, Cryptocurrencies, are considered the harbinger of a new era of decentralized finance. Blockchain technology, which is the basis of cryptocurrencies, is truly revolutionary.

The demand for the use of cryptocurrencies in Greece is a natural trend. Despite this momentum, the governmental authorities in Greece have not yet adopted specific regulatory measures, nor have they "modernized" one of the already existing regimes that could be applied to market participants using blockchain technologies or cryptocurrencies. Essentially, cryptocurrency transactions are carried out at the risk of the person performing these transactions. The nature of cryptocurrencies does not allow their recognition either as monetary funds.

The significant obstacle is in the case of businesses interested investing in cryptocurrencies and how this will be handled in accounting, cryptocurrencies cannot be considered as money and financial assets. The most qualified

organization in Greece for accounting matters is the accounting standards council, which also suggests a specific lignite treatment regarding Greek accounting standards that are compliant with international accounting standards. IFRS recommends that cryptocurrencies be accounted for as inventory or intangible assets, depending on the purpose of use.
Two cases may be accounting for cryptocurrencies, as they meet the definition of an intangible asset in IAS 38 "Intangible Assets ". IAS 38 Intangible Assets defines an intangible asset as "an identifiable non-monetary asset without physical substance". Because cryptocurrencies can be separated from the financial entity and sold, they are a non-monetary asset , they do not have a physical form and can be considered to meet the definition of an intangible asset. According to IAS 2 , if they are intended for sale in the ordinary course of business IAS 2 "Inventories" applies.
However, the classification of crypto assets must also take into account how the owner intends to use them, so the analysis must be done on a case-by-case basis.

**What is cryptocurrency and how it was created.**

According to the World Bank (2018), cryptocurrency is a kind of digital mean of transaction, it is an acceptable mean of transaction, which has no physical substance and works independently of any bank. Inparticular, it is a transactional digital medium which is not α subject οφ control by any bank or government, so they do not rely on banks to confirm transactions but on a system that uses an encrypted code so that transactions are done securely, a network of computers mediates the validation of such transactions to maintain the integrity of the cryptocurrency (Bank, W. 2018).

According to Reiff, N. (2022) the most famous cryptocurrency that first circulated in 2009 in the markets, was Bitcoin. However, according to various sources, before Bitcoin there were other cryptocurrencies that simply did not receive the attention that this one did. The first cryptocurrency on record is eCash, which was created by David Chaum's Digicam company in 1990, there were many attempts to create a functional cryptocurrency before Bitcoin, other cryptocurrencies that preceded Bitcoin are B-money,Bit Gold and Hashcash and they had a great influence on the creation of Bitcoin. Bitcoin is the oldest surviving digital currency as it was released through the white bible in 2008.(Reiff, N. 2022).

**Basic elements of a cryptocurrency.**
The World Bank (2018) highlights the key elements of a cryptocurrency which are:
1) No central supervisory authority
2)Anonymity of transactions and no use of personal information, untraceable transactions.
3)Ability to send very small and very large amounts of crypto for a small cost.
4)Sending cryptos anywhere in the world, at any time of the day or night.
5)Availability from anyone, anywhere
6)Ability to use remotely from anywhere.
7)Anyone can participate in its production and circulation.(Bank, W. 2018).
The first cryptocurrency, Bitcoin, was released in 2009. Since then, thousands of other cryptocurrencies have appeared. In 2023 some of them are:
- Bitcoin
- Ether by Ethereum
- Ripple
- Binance Coin
- ALGO or Algorand.
-Cardano
-Polygon
-Dogecoin
-Solana
-Polkadot
-Avalanche
-Litecoin

**How cryptocurrency works.**
Alsunaidi, S. J., & Alhaidari, F. A. (2019, April) state that cryptocurrency is backed by a technology called Blockchain, but what exactly is this Blockchain technology, it is an electronic ledger of transactions that is updated by a network of computers in such a way that it is extremely difficult to hack. A set of specific mathematical

algorithms are used to create and verify an ever-expanding data structure, to which data can only be added and which cannot be removed.

This technology ensures a secure way of trading without intermediaries. A list of records , called blocks, are linked together through encryption. This technology is used to keep track of who has what. Each transaction is independently verified by computer networks , time stamped and added to the ledger, the data recorded is not easy to change. So once a transaction is confirmed ,it is added to a public digital ledger where the transaction is recorded and encrypted .This makes it possible to verify and secure the transaction. In this way , cryptocurrencies provide proof of ownership. Cryptocurrencies are kept in a digital wallet, there are several types of wallets. In other words, they are blocks that contain information and are linked together in chronological order to create a chain. The chronological order is very important in this technology according to Ryan Farrell(Farrell R.2015).

**Greek legislative framework.**

According to the legislation (LAW 4734/2020), Greece had not yet passed any specific legislation on cryptocurrencies. However, the use of cryptocurrencies is not prohibited in Greece and is treated as a digital asset, but the Independent Authority for Public Revenue (IAPR) has indicated in its 2019 strategic plan that it intends to propose to tax income from cryptocurrency trading as income from portfolio investments. In general, cryptocurrency transactions in Greece are subject to the same tax laws as other financial transactions. Individuals involved in cryptocurrency transactions are required to report their gains for tax purposes. Electronic money services in Greece are regulated by Law 4021/2011, which transposes Directive 2009/110/EC into Greek law.

The provisions of Articles 10 to 30 of this Chapter aim to incorporate into Greek law the provisions of Directive 2009/110/EC of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions, amending Directives 2005/60/EC and 2006/48/EC and repealing Directive 2000/46/EC (EEL267).

(Law 4021/2011 ).

**Accounting treatment.**
Despite their widespread use, there are no fixed accounting rules for down writing and accounting treatment in IFRS, nor in IAS, nor even in the US.

IFRS specifically states that cryptocurrencies are not considered as a financial means, and that is because they do not have a direct cash or contract impact to create a right or obligation to deliver or receive cash or other financial alternative mean. A financial asset is a 'contractual right' to receive cash, cash equivalents or other financial instruments. However, cryptocurrencies do not give the holder a right to cash or another financial asset and the documentation of a contractual agreement for cryptocurrencies is still unclear. The Commission has concluded that the holding of cryptocurrencies is not a financial asset nor is it an equity interest in another entity, It does not create a contractual right for the holder and is not a contract that can be settled with the holder's own equity securities.(IFRS,2021).

According to IAS, cryptocurrencies cannot be considered equivalent to cash (currency) as defined in IAS 7 , because they cannot be easily exchanged for any good or service, they are not yet widely accepted as a medium of exchange and they are not globally accepted as a legal currency. Companies can choose to accept digital currency as a means of payment, but this is not mandatory .IAS 7, this standard refers to the cash flow statement and provides the tools to know the financial position of a company in a given period so that cash movements can be identified.

IAS 32 states that cash is a financial asset because it represents a medium of exchange.
Digital currencies are not linked to gold, are not issued by a central bank or backed by any government, so they are considered as a cash equivalents they are a short-term investments with high liquidity and can be easily converted into known amounts of cash and retain relatively insignificant risk of changes in value. Cryptocurrencies have no maturity date and have a high risk of fluctuation in value . Therefore, neither can the definition of cash equivalents be precise regarding to cryptocurrencies.

Cryptocurrencies are not backed by a central bank or government, are a means of transaction without physical backing, with transactions taking place only in digital form and are also not based on the exchange rate of another currency. (IFRS ,2021).

The Accounting Standards Board of Greece indicates the possible cases in which cryptocurrencies can be treated and accounted for.
IAS2 ( Inventories).According to the accounting doctrine, inventories are acquired to be used in the main and basic activity of the company, it includes materials, work in progress and semi-finished goods, products, merchandise and others, while the purpose of holding cryptocurrencies can be very different (means of payment, alternative investments).(N. Kartalis 2019:38) They are not considered stocks under the Accounting Standards Board of Greece unless it can be reliably established that the sales of cryptocurrencies represent the normal activity of the entity. (Accounting Standards Board of Greece,Nr. pr: 104 EX / 27.02.2018. )

IAS 38, Intangible assets.According to the international accounting standard, an intangible asset is an identifiable asset without physical substance that is intended to be used in the production or supply of goods or services.
Accounting Standards Board of Greece (No: 104 EX 27.2.2018) states that intangible assets derive from the knowledge and skills possessed by the human resources of an entity. But what exactly intangible assets include, they include :patents, trademarks, copyrights, Internet domains, franchises, etc. The opposite of an intangible asset is a tangible asset and may not be a tangible asset yet they are considered to be a calculable and valuable resource for companies. They are resources that belong to the company and can create a great competitive advantage if managed properly.
They generate great value thanks to the knowledge and skills of the employees and the company itself, characterized as the immaterial capital of the company. Most of the intangible assets are not accounted for in the traditional financial statements of companies.

The Accounting Standards Board of Greece considers that cryptocurrencies meet some of the requirements of intangible assets. (Accounting Standards Board of Greece No: 104 EX / 27.02.2018. )
A cryptocurrency has no physical characteristics and will fall within the scope of IAS 38 unless it is held for sale in the ordinary course of business (IAS 2).
IAS 38 requires an intangible asset to be measured initially at cost. When an entity pays cash or its equivalent to acquire cryptocurrency, measuring cost is straightforward. The Commission noted that an entity may have cryptocurrencies for sale in the ordinary course of business. In that case, the cryptocurrency holding is inventory for the entity and therefore IAS 2 applies to that holding. In conclusion cryptocurrencies are regarded as inventories and are measured in accordance with IAS 2 when they are held by the entity for sale in the ordinary course of business.
Appears to be classified as an intangible asset, an intangible asset is an identifiable non-monetary asset without physical substance. In other cases where cryptocurrencies are acquired for investment purposes or for use as a medium of exchange for goods/services, IAS 38 applies, which defines intangible assets as identifiable non-monetary assets without physical substance.

## II. Conclusions

Cryptocurrency is a type of digital currency that uses cryptography to secure and verify transactions and to control the creation of new units. Cryptocurrencies are decentralized, meaning they operate independently of central banks and governments. Instead, they are based on a distributed ledger technology called Blockchain, which allows secure and transparent transactions without the need for intermediaries such as banks or payment processors. Some of the most well-known cryptocurrencies include Bitcoin, Ethereum, Ripple, Litecoin and Tether. Cryptocurrencies are often used for online transactions, but they can also be traded for fiat currencies or other cryptocurrencies on various exchanges.

This need for characterisation and definition cannot be based on a single characteristic, but rather creates a flexible concept that includes different aspects such as currencies, payment instruments and systems, smart contract platforms, commodities, stock exchange, only then will ensure a solid basis for the development of the market present or future.

Due to the growing acceptance of cryptocurrencies and the generalisation in their use, it is necessary to define accounting criteria. However, because of the different uses that can be put to them and their more or less recent creation, there is no clear legislation on their accounting treatment. The introduction of regulations on cryptocurrencies can help to ensure the security of investments and protection against fraud, therefor it is mandatory.

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