

The acceptability of the Cryptocurrencies to the Accounting system. Theoretical Study

L'acceptabilité des crypto-monnaies pour le système comptable. Etude théorique

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Abstract:

The emergence of financial crisis in the last decade have created a new type of asset called cryptocurrency. In meantime, global economic suffering from inflation due to dominated governments on printing money. Bitcoin, the first and most popular cryptocurrency could lead the new financial system because it provides many features such as limited supply, less fees and high transparent. Cryptocurrency provides decentralized system, which makes the transaction anonymous and much secure. However, there are other obstacles may affect it to replace traditional fiat currency for instance, volatile of its price, unrecognized by governments and uses for illegal activities. Although the Bitcoin offers a small transaction fee that motivate some firms to reduce their products cost however, volatile of its price could damage their accounting system because it depends on the principle of historical cost.

Keywords: Bitcoin, Cryptocurrency, Volatile, Fiat currency, Accounting system, Historical cost.

Jel Classification Codes: XN1, XN2.

ملخص

أدى ظهور الأزمة المالية في العقد الماضي إلى إنشاء نوع جديد من الأصول يسمى العملة المشفرة، في غضون ذلك يعاني الاقتصاد العالمي من التضخم بسبب هيمنة الحكومات على طباعة النقود، يمكن أن تقود بيتكوين، العملة المشفرة الأولى والأكثر شهرة، النظام المالي الجديد لأنها توفر العديد من الميزات مثل العرض المحدود والرسوم الأقل والشفافية العالية. توفر العملة المشفرة نظامًا لامركزيًا، مما يجعل المعاملة مجهولة وآمنة للغاية. ومع ذلك، هناك عقبات أخرى قد تؤثر عليها لاستبدال العملة الورقية التقليدية، على سبيل المثال، تقلب سعرها، وعدم الاعتراف بها من قبل الحكومات، واستخداماتها للأنشطة غير القانونية. على الرغم من أن بيتكوين تقدم رسوم معاملات صغيرة تحفز بعض الشركات على تقليل تكلفة منتجاتها، إلا أن تقلب سعرها قد يؤدي إلى إتلاف نظام المحاسبة الخاص بها لأنه يعتمد على مبدأ التكلفة التاريخية.

الكلمات المفتاحية: بتكوين ؛ عملة مشفرة ؛ متقلبة ؛ عملة التقليدية ؛ نظام محاسبة ؛ تكلفة تاريخية.

تصنيف JEL: XN1, XN2

Introduction

At the beginning of the global financial crisis in 2008, most Central Banks started printing more fiat money without financial backing and in a centralized manner, implying that governments have the authority to issue currency, which caused increase the inflation rate, and caused also losing money part of its value, thus increased the prices. The purchasing power of a fiat currency decreases as a result of printing money, which makes them less scarce over time. This growth of the cash supply is economically called inflation. Based on that, all traditional currencies are affected by all the assumptions of inflationary model which makes them inflationary currencies (Krugman,2013)

As a result of that, interesting on cryptocurrency was revived especially in the United States. Szabo (2008) argued at the onset of the financial crisis that cryptocurrency could solve some of issues related with the traditional money system, for example cryptocurrency is purely deflationary. It maintains its value over time and is not affected by financial crises. This is called a fixed money supply because there are future plans when creating the currency, which cannot be affected or changed due to any economic crisis that might occur in the future (Magro, 2016)

Understanding the ability of digital currencies to supplant the current traditional currency system requires an assessment of how well digital currencies satisfy the fundamental qualities of cash: namely a store and a measure of value, accounting unit, medium of exchange. The attractiveness of a currency depends on two main characteristics :firstly, currency stability which reflect the ability of currency to buy the same commodity without losing the purchasing power broadly . Secondly, how generally acknowledged it is, our examination provides that the number of transactions did utilizing digital currency is as yet insignificant compared with those completed utilizing traditional money. This suggests, at least at current situation, digital currencies are not genuine contenders to supplant official traditional money. (Claeys, Demertzis, and Efstathiou, 2018)

However ,cryptocurrencies do have intriguing attributes that make them alluring to other parties. cryptocurrency payments are processed with no costs or extremely small cost. Thus, this feature may provide traders with the opportunity to reduce the cost of the products they are seeking to sell. It also provides an opportunity for public people to send money at a lower cost. In terms of transparency, the cryptocurrencies details are clear and accessible in blockchain for anyone to check and use continuously (Hayes, 2017). This allows users to confirm the validity

of transactions by using cryptocurrency software. Furthermore, cryptocurrencies are not supported by governments, which could protect them from manipulation threat and political influence. (Claeys and ot,2018)

Another feature could help cryptocurrency to dominate the future of currency circulation, is excluding the third party (central banks) from transactions. This allows online users to transfer coins directly from one party to another without a need of a financial institution) .De Albuquerque and Callado, 2015)

This paper will address two main issues. First, can cryptocurrencies play the same role and replace central bank-controlled money ? Does it face challenges ? Second, can it be integrated and dealt with by accounting systems ? Suggested a proposed model ?

The paper begins by reviewing the overview sight of Bitcoin, advantages , disadvantages, and rationale for choosing Bitcoin as a main cryptocurrency under this study. It then describes the potential benefits that cryptocurrencies offer and the challenges they face regarding their use as money. Finally, the paper studies the difficulties of adopting cryptocurrency to the accounting system and provides proposed model.

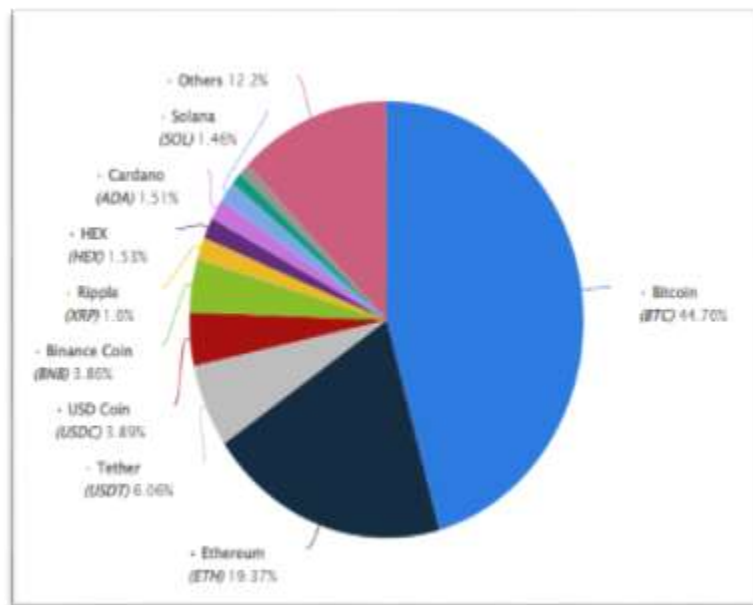
1. Bitcoin overview:

Currently ,there are several digital currencies available in the market and the most famous one is Bitcoin which is utilized as currency all alone .Compared with traditional currency, Bitcoin is a superior option for replacing the current currency. (Evans,2015)

Bitcoin was the first cryptocurrency, and was presented in 2009. It was created by Satoshi Nakamoto (Nakamoto,2009). Clients of Bitcoin utilize digital wallet like electronic financial institutions applications. The wallet is used as an application for an administration of Bitcoin money, therefore for transferring and getting payments in Bitcoins through a decent security system (Chuen, Low, Chwierut, Anderson, Lio and Downes)

As we can see from figure 1, Bitcoin represents about 44.76% from total market capitalisation of cryptocurrencies out of at least 20000 cryptocurrencies exist. Therefore, the scope of this paper focuses on Bitcoin, as it is the most popular cryptocurrency, and it was launched first in 2009 before the concept of cryptocurrency was ever exist.

Figure1:Marketshares of cryptocurrencies 2022



Source: www.statista.com/statistics

1.2. The advantages of Bitcoins:

- Bitcoin cannot be affected by political issues ;
- Cannot be made through self-decisions ;
- Cannot be falsified ;
- Very sheltered; possession records and previous exchanges are safely put away and ensured through Cryptography .;
- Cannot be taken or stolen by anybody ;
- Can send and receive it quickly to any part of the world in few second ;
- Less transactions fees ;
- It is deflationary.

1.3. The disadvantages of Bitcoins:

- Difficult to track and follow Bitcoin transactions, which may lead to suspicious deals ;
- The private key is very important. If lost, all Bitcoin is lost forever ;
- It is not genuine cash, consequently hazard is consistently there) .Islam, Nor and Kabir, 2018) ;
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2.The reasons for acceptability of cryptocurrency

2.1. Reduced Transaction Costs:

One of the biggest reasons for accepting cryptocurrencies as a main currency in future is that reduced transaction fees. The cryptocurrency's system based on exchanging currency between two parties only because there is no single third-party intermediary. As a result of that, Cryptocurrency payments are processed with no costs or extremely small cost. Unlike to banks which considering as a third party between sender and receiver. Where they take a commission for providing a service of transferring money from one party to another (Vejačka ,2014)

In the case of Bitcoin, the transaction fees of converting Bitcoins to fiat currency is much lower than using PayPal or bank accounts. The international transactions costs of Bitcoin are lower than fees of retail foreign exchange markets.

Banks typically charge about 3% of value transaction, while Bitcoin network, transaction costs are at most a few pennies. As a result of that, some retailers have started accepting Bitcoin-denominated payments which cost them about 1%. This service allows retailer to save about 2% or more on transactions via the Bitcoin network. (Kim , 2007) ;

Table 1 compares number and value of transactions between the Euro and Bitcoin. It presents that digital money are nowhere near to replace fiat money at the current future. Moreover, transactions in Euro and in Bitcoin are not legitimately practically identical then they cannot be comparable. The Euro figures contain transactions findings only from the exchange of goods and services while excluding financial institutions transactions. The Bitcoins figures include all transactions in blockchain platform which means It contains all transactions between Bitcoin and other currencies. The value of Bitcoins transactions showed to be significantly high due to increase in their value in 2017.

Table1: Transactions in Euro vs. Bitcoin

		Number of annual transactions (billions)	Average transaction value	Value of all annual transactions (billions)
Euro area (in €)	Non-cash (exc. MFI)	79	1,860	146,452
	Cash	129	13	1,653
Bitcoin	In €	0.1	34,228	3,582
	In bitcoin	0.1	9	0.9

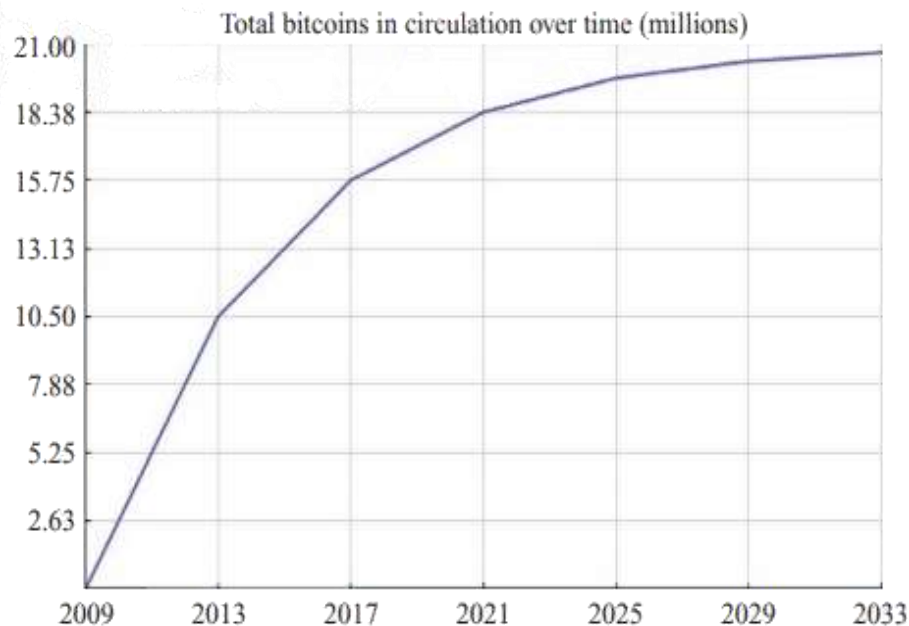
Sources: Bruegel based on tradeblock.com, Bloomberg, ECB, Esselink & Hernández (2017). Notes: data for transactions in € is from 2016 while the data for bitcoin transactions is for 2017.

2.2. Limited supply

The supply money of Bitcoin is obvious and understandable. It presents the total amount of Bitcoin that exists in current time. Until writing this paper, 18.3 million Bitcoins have been issued and Bitcoin will be mined every four years until reach a total of 21 million which will be in 2140 (King, 2013). Therefore, the total supply money will not exceed 21 million all time (See Figure 1). This is called a fixed money supply because there are future plans when establishing this currency, which cannot be changed due to any economic crisis that may occur in the future. (Magro, 2016)

For traditional currency, it is difficult to understand the sufficient amount of supply money, because it has restricted by central bank 'policies. these policies refer to how much new money to print .Central banks also control total supply of currency as needed which allow him also take out some cash from circulation. (Desjardins , 2006) ;

Figure 1: Bitcoins Supply



Sources:Chuen, and ot ,2019, p19

Central bank has authority to print more money in order to face any financial crisis and control loaning interest rates .An increase in currency works both through lowering interest rates, which spurs businesses and individuals to invest, through increase the amount of money that granted to consumers, and thus more spending and economic stimulation. This means central bank is much powerful and focuses his services to serve business interests ahead of regular person (Roberts,2011)

In fact, the central bank has no limit on how much new money they can print, therefore the value of any traditional currency like a Dollar decreases over the time. For instance, in the United States, a loaf of bread cost \$0.09 in 1930 and \$2.69 in 2020. This was not due to bake bread become more expensive but the dollar is become less valuable than before. (Chuen and ot ,2019)

The purchasing power of a fiat currency decreases as a result of governments printing more money, which makes them less scarce over time. This growth of the cash supply, is economically called inflation. Based on that, all traditional currencies are affected by all the assumptions of inflationary model which makes them inflationary currencies. (Krugman,2013)

In case of Bitcoin, the governments have no authority on continually issuing new money and controlling financial policies. In contrary ,Bitcoin has an algorithm system that issuing new coin till reach 21 million coins. (Van Alstyne ,2014). After that, the system permanently removes any Bitcoin that lost from cash supply, therefore the total amount of coins available will decrease, deflation will happen over

time. Accordingly, Bitcoin will turn out to be progressively scarce and significantly valuable. (Jenssen,2014)

2.3. Highly Transparent

In cryptocurrencies world, all the details and information relating cryptocurrencies cash supply are clear and accessible in blockchain for anyone to check and use continuously (Hayes, 2017). This feature gives cryptocurrency more transparent than fiat money. Moreover, no individuals or governments can manipulate or hack cryptocurrency system because it is highly encrypted. (King, 2013)

Blockchain or public ledger, implies that each client can see each transaction . However, the owners of Bitcoin wallet cannot be recognized in general) Chuen and ot, 2019). The public ledger contains all transaction with a unique encrypted code system called SHA256. This makes all users trust the highly degree of transparently and disclosure. (Vejačka , 2014)

Bitcoin system is designed to constantly track the movements of Bitcoins balances in the blockchain, meaning allowing users to confirm the validity of transaction by using Bitcoin software. After that, the system uploads the secured transaction to the entire network and show it on blockchain, so the system guaranteed that every spent Bitcoin cannot be spend again. (De Vries, 2016)

In public-key cryptography, every transaction has a computerized signature and contains a hash that can discover any simple alter easily (De Albuquerque and Callado, 2015) (See Figures 2).

Figure 2: Example of a raw transaction data.

```

{
  "hash": "e8a66845e8f55a0c8a084ec88f774a7e187c5e8d875943d868a21137b5863a",
  "ver": 1,
  "win_sz": 1,
  "nout_sz": 1,
  "lock_time": 0,
  "size": 225,
  "in": [
    {
      "prev_out": {
        "hash": "f4513fad33c4a1099a117b5840c143bac20134c9617522373a73480b372080b",
        "n": 0
      },
      "scriptSig": "30450220180b5ad268f936a31ce518c94d7a64c5c5617d877500b2ae50b6f01309b3f4a012100c5b42953acdf14a0ba2736f95740dbaa5f3a5f8ba13a2c5308954aca7f79f38184e7135bf6824c57ec88ec7d7e330185c83e2aa3c81ab575407c09483c9098b64913f17312901a4bc28d899a813f2df15a013093c0a0f4c7aa0a014f0b"
    },
    {
      "out": [
        {
          "value": "0.00000000",
          "scriptPubKey": "OP_DUP OP_HASH160 OP_40a3081f OP_CHECKSIG"
        }
      ]
    }
  ]
}

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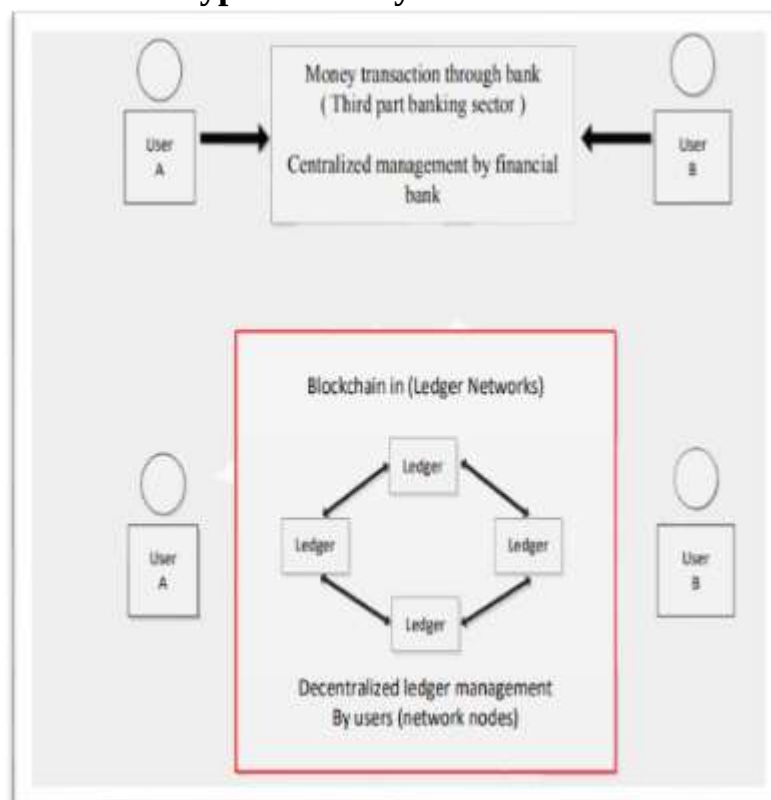
Source : Bitcoin Blockchain

In fact, the public ledger is split into two sections. The blockchain of Bitcoins takes ten minutes to be created that included the activity of transactions. King (2013) says that “the ledger is broken up into blocks: discrete transaction logs that contain 10 minutes ’worth of Bitcoin activity apiece. Every block includes a reference to the block that came before it, and you can follow the links backward from the most recent block to the very first block, when Bitcoin creator Satoshi Nakamoto conjured the first Bitcoins into existence.

2.4. Peer to Peer System

Cryptocurrencies transactions occur over a peer-to-peer system. This system allows online users to transfer coins directly from one party to another without a need of a financial institution. See Figure 3 (De Albuquerque and Callado, 2015)

Figure 3: Procedure of Cryptocurrency transaction vs fiat money procedure



Source: Marius-Christian (2016) p39-75

Bitcoin is a decentralized system that uses a peer to peer programme to confirm and process transactions. Rather than depending on financial broker, like banks and other third parties (Hayes, 2017). The main feature of implementing that system is to help remediate the problems related to unbanked users (De Vries, 2016). Significant percent of the population around the world specially developing countries, are unbanked. For example, World Bank Group in 2017 states that about 1.7 billion

adults remain unbanked. That's nearly 25% of the global population. In Latin countries, 60% of 600 million populations do not have bank accounts (Magro, 2016). By using Bitcoin's technology people in those countries could exchange currency without any problems. They just need a mobile phone to complete the transactions, which 70% of Latin countries do have it (Magro, 2016). Bitcoin also provides an application that allows two users to exchange Bitcoin by scanning QR codes that appears on their mobile phones. These unique services will provide a solution to many of the problems people have been facing for years. Thus, the demand for developing networks for electronic currencies will increase and the number of users of these networks will grow as well. There are many potential developers for creating these applications and this technology will directly affect current third-party systems (PwC, 2015). The developers adopt Bitcoin to become transformative technology that could use its ability to solve long term issues.

2.5. Security and Cryptography

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2.5. Security and Cryptography

The security of the innovation utilized is bolstered utilizing secure hash algorithms and has a decent reputation. The Bitcoin system is an open-technology

and is ceaselessly improved by the engineer network subject to agreement among all system clients. The system of hash 20 Handbook of Cryptocurrencies works Basically utilized in Bitcoin is SHA-256 (Pacia, 2013), which was by chance initially structured by the NSA in the United States. There is no necessity for doubt against the NSA in light of the fact that the SHA calculation is a piece of the open area and has been broadly examined to be secure (Pacia .(2013 ,SHA-256 is a redesign from the SHA-1 arrangement and is currently utilized in Bitcoin network for confirm the digital marks that safe the transactions, blockchain and it frames the premise of the confirmation of-work numerical issue. (Chuenand ot,2019)

The Bitcoin technology contains two kind of security keys. Public key and private key, the public-key, which with the SHA-256 hash work, the public key cryptography is a function of dependably deciding the credibility of Bitcoin exchanges utilizing digital marks. The main tasks of this key are summarized in generate Bitcoin addresses ,confirm payments, sign transactions (Pacia, 2013). The keys are different as in the public key is gotten from the private key yet it is computationally difficult to get a private key from a public key .The private key is utilized to sign transactions to produce those very digital signatures. The private key must be stayed discreet and securely, while the public key is publicly available. In Bitcoin ,when users want to send or receive money, they need to share their public key as a Bitcoin address .The excellence of such a framework is, that exchanges can be effortlessly confirmed utilizing the public key without sharing the private key used to sign the exchanges) .Chuen and ot,2019)

The verification of-deal with Bitcoins is given by making a review delivered by an algorithm made by SHA-256 (De Albuquerque and Callado, 2015). This is algorithm get a string with a randomly size ,contain 64 characters. For example, the string" Bitcoins "creates the accompanying summary:
aa0921d24d095df038a0c0a32eb0d644f1882e3a0a3d8814175c4e1cebbf84fb

This is the general idea, the information string is the past exchange block, to which is included an arbitrary number with the expectation of changing the subsequent hash (De Albuquerque and Callado, 2015 .(The thought behind this is to create a totally extraordinary hash. So this system works as, any a slight change on input string ought to produce on a totally changing hash. For example, using "Password0 "as input string, then input it in SHA-256 algorithm, the accompanying hash will be yielded :
654f7379505be1b0610645929a38e53df5c35cfa7ffbd39cd96645984799a4e

If the input string changed by replacing the “0” for a “1”, and becomes "Password1" then the result will completely change: 0693a3a41b7bda5568f205cc000bff5f3bf917f65535b721ae273b3a956ea0b5

Cryptocurrency transactions can be completed without a need of personal information. This keeps the information very secret level (anonymity) and protect identity theft. Cryptocurrency clients can also use cold storage method (backing up their wallets). Cryptocurrencies transactions are secure and provide protection to merchants from fraud losses. Thus, it allows traders to reduce costs, expand markets and reduce administrative costs (Vejačka, 2014).

3. The challenges an accepting cryptocurrency as money

3.1. Unrecognized by Governments

Most of the governments and institutions are not clear regarding the issue of cryptocurrencies, as they grapple with the risks and advantages of Bitcoin to their country. In some countries, controllers and regulators in certain purviews are starting to give rules and direction on the treatment of cryptocurrencies standards in their nation, particularly in measures identifying with washing money, illegal activities and taxed. (De Albuquerque and Callado, 2015)

However, controllers in some other nations have cautioned against utilization of digital forms of money. Some nations have taken explicit administrative plans to discourage potential clients of digital currency. Lawful methods for obtaining the sum paid in digital money back, when some issue emerges, do not exist, anyway organizations attempt to discover solutions for consumer's protection while utilizing digital forms of money (Chuen and ot, 2019). The most specialists address largely Bitcoin as pervasive delegate of digital currencies. The eagerness to acknowledge it shifts in various nations. For example, Singapore government turned into the first to give directions on how Bitcoins will be taxed. Thailand was the primary nation to boycott Bitcoins activities, yet different nations appear to be lenient in with respect to the utilization of the currency. In Brazil, for example, some retail stores acknowledge Bitcoins. (Nwosu, Goyal, and Bedi, 2020)

Chinese national bank prohibits to money related establishments like banks in nation to offer services associated with Bitcoin. Interior Revenue Service in USA gave direction for treating digital monetary, for example, Bitcoin as property instead of digital currency for federal tax purposes. (Vejačka, 2014)

It might help Bitcoin investors, despite the fact that it implies Bitcoin clients in United States should report their transactions. In numerous different nations Bitcoin

and digital currency all in all have also issues with adoption. Experts in Norway expressed that it doesn't satisfy prerequisites of being a currency. In Finland Bitcoin isn't viewed as lawful currency, since it is by definition in strife with domestic enactment. It expresses that payment instrument must have the guarantor answerable for its activities. Furthermore ,purchasing digital forms of currency is in Finland considered an acquisition of merchandise. (Chuen and ot,2019)

There are additionally digital currencies that are requiring verification of character to diminish the chance of utilizing the cash for tax evasion or terrorism activities. In the event that issue can be settled, digital currencies have an undeniable potential to be extremely well known. (Vejačka ,2014)

In the event that a specific cryptocurrency can acknowledge that the banks and governments are a piece of the financial system and its community cooperates with the financial institutions seriously in creating the ecosystem, that digital currency is probably going to turn out to be all the more broadly recognition. (Vejačka ,2014)

3.2.Value of Cryptocurrency is very volatile

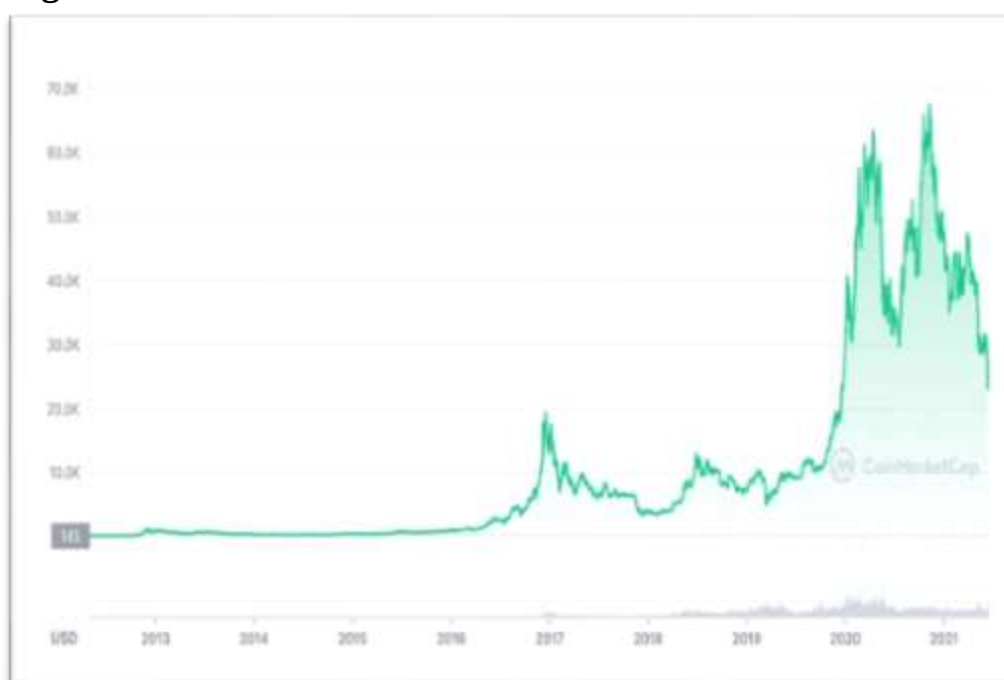
The price of Bitcoins keeps on fluctuating by economics event and financial crisis. Some critical value changes, are stated to look like a traditional speculative bubble, which might happen when the news on media is getting more optimistic on Bitcoin that leads to attract investors. (Salmon, 2013). This may make it hard to decide how great Bitcoins are as a store of significant worth, and dealers taking Bitcoins subsequently frequently convert them out into traditional money rapidly. It is additionally hard to anticipate the Bitcoin economy later on as it is the first broadly accessible digital currency, despite the fact that specialists are as of now taking a shot at models that will endeavor to clarify conduct in the Bitcoin world. Simultaneously, it might be conceivable that the value of Bitcoins may turn out to be less volatile since recognised the causes of affecting Bitcoin with time. (Chuen and ot,2019)

Volatility measures the amount of price changes for a particular investment . High volatility may cause major issues with given investment. While thinking about digital money, the primary issue brought about by the volatility is that of a deflationary bias. With an ever increasing number of individuals needing access to a predetermined number of digital money, its value will be pushed upwards and things hence become less expensive for those that have digital money in possession (Vejačka ,2014)

Deflation makes people keep their money instead of spending and it is fused immediately into the fundamental standards of current digital currencies. High increases in digital money esteems urge its clients to hold digital currency further and

avoid its utilization for. For instance, O'Brien now proposes that digital money stops to be a cash and turns into a virtual product. However, large reductions of digital money's worth urge its holders to sell out their digital money and purchase progressively stable conventional fiat currencies or commodities. This prompts considerably more noteworthy decreases of digital money rates as long as their sell out rises supply of digital money available and merchants will in general sell digital money at still lower and lower cost. In case of fiat currencies governments exist to avoid such these impacts and guarantee cash stability, while digital currencies do not have any type of central banking.

Figure 4: The historical chart of Bitcoins all the time 2009-2022



Source:coinmarketcap.com

The figure 4 shows Bitcoin average prices since launched until now. The prices of Bitcoin started with few pennies value in 2010, and it reached the peak at all in 2021, by about 69000 USD. The figure presents also that the prices of Bitcoin keep volatile even in short time. This may make the investors use Bitcoins for trading purpose rather than a currency.

3.3. Illegal activities

With the pseudoanonymity and ease offered by Bitcoin, there is no big surprise that governments are worried about the utilization of Bitcoin in encouraging crime, because it makes difficult to trace criminal action related to it such as drug dealing (De Albuquerque and Callado, 2015). In fact, one of the most notable criminal employments of Bitcoin was on the Silk Road site, a black market frequently used to exchange illegal stuffs, fake passports as well as allowed users to buy drugs in some

sort of auction. Silk Road utilized of Bitcoin payments to make a commercial center for such unlawful merchandise and enterprises (Chen, 2011). Another significant concern with respect to Bitcoin is its utilization to launder cash and money fund terrorist. These worries were stirred particularly after the Liberty Reserve, a private and electronic currency was closed down on illegal washing money concerns (BBC News , 2013)

It is essential to recollect, that Bitcoins resemble cash, and cash can be utilized for both legal and illegal purposes. Different strategies for transferring cash have been utilized for funding violations and cash washing even before Bitcoin existed. However, numerous Bitcoin exchanges are starting to utilize anti-money laundering highlights that incorporate 24 Handbook of Digital Currency tracking their clients, which will lessen the appeal of Bitcoin to lawbreakers . (Chuen and ot,2019)

Bitcoin ,in any case, likewise offers benefits for customers over fiat money that ensure against certain types of financial fraud. For instance ,the mining procedure of confirming transactions, which treats of the twofold spending issue, makes it incredibly hard for Bitcoins to be twofold spent or faked. A hacker needs to gather adequate figuring capacity to defeat the consolidated system registering power so as to have the option to modify present and future transactions before the remainder of the system catches up (Vejačka ,2014)

3.4. It presents a small percent of total money circulation

At the beginning of August of 2019, cryptocurrencies total market capitalization presents just 0.36% compared to the fiat market. There are 2,420 cryptocurrencies with \$302.7 billion estimated value compared to total market capitalization of all 159 fiat currencies which amounted \$81 trillion. (Coinmarketcap, 2019)

In same year, the scientist Thomas Frey, anticipated that by 2030 digital currencies will supplant 25% of traditional money. Tim Draper expressed in 2017 that Bitcoin and other cryptocurrencies will totally supplant fiat money in 5 years. In addition, some other optimistic researchers refer that fiat money will be totally supplanted by digital money in the future.

However nowadays fiat money and digital currencies remain inseparably associated. Digital currency's worth is evaluated in terms of traditional money, traditional money becomes cryptocurrencies, and a lot more digital money platforms are starting fiat money trading. One way or the other the current rivalry between the traditional money and the digital currencies market might just prompt their total merging.

The platform was created to help stockpiling and payment preparing with digital money, CoinPaid's target base incorporates organizations hoping to accept digital money as an elective payment choice.

As cryptocurrency adoption continues and the developments of technology in the world, it is more likely that financial institutions whom adopt cryptocurrency payment processing platforms are become better succeed than those restricting payments to traditional currency.

After a slow beginning, the adoption of digital money has taken place at a far faster growing than had been the situation with financial banking system and international electronic transfer platforms.

4.The difficulties of adopting cryptocurrency to the accounting system (United States as a case)

The US government put some guidelines in order to deal with Bitcoins and other cryptocurrencies instead of releasing an IFRS for cryptocurrencies. These guidelines may restrict making financial reports. These guidelines are:

- Bitcoins and other cryptocurrency are classified as property ,therefore tax rules of property apply on them ;
- Cryptocurrency is not considered to be currency to define losses and profit under tax purposes ;
- Taxpayers must bring the cryptocurrency market value as taxable income when it is utilized to pay for products ;
- The date acquired is the date that fair market value is determined ;
- A taxpayer can have a virtual profit or loss; for example, on the off chance that they purchased the Bitcoins when they were at their peak of \$4000 or something, they would have a loss ;
- Accounting administrations basically need to remember that for administrative consistence when tolerating Bitcoins as income, they should pick a valuation strategy, place them on the Schedule C or 1120 Form, and decrease by costs of doing business consistently ;
- The accounting profession is interested in recording the value of cryptocurrency at the time it is received and spend it, following this method can ensure that calculate profit and losses accurately ;

- It becomes harder when more than one digital currency is involved .The complexity in multiple calculations such as fair market values ,adjusted cost bases, profit and losses, make the implementing of accounting procedures when buying or selling more than one cryptocurrency difficult, time-consuming and requires solid bookkeeping ;
- The adjusted cost base must be applying for all cryptocurrency that bought, from beginning to recent transaction. As the adjusted cost base means calculate average cost for all of the cryptocurrency, then if costumers have more than one cryptocurrencies so they need to calculate the adjusted cost base separately for each type of cryptocurrency ;
- As the cryptocurrency is forbidden in some country such as China. It is astute for accountants and bookkeepers to be acquainted with these differentiations so as to guarantee administrative consistence ,particularly if digital currency is being utilized for worldwide transactions ;
- Due to their anonymity, digital currencies might be used for cash laundering, tax evasion and other illegal practices. This makes it difficult for accountants to track accounting operations and record them in the bookkeepers. (Liu, Wu, and Xu, 2019.

5. A proposed model for financial reporting according to cryptocurrencies.

Based on previous guidelines issued by the US government, the adoption of cryptocurrencies at the present time is considered to be difficult and in early stage. Especially since the Accounting Standards Board is not serious about issuing a standard for cryptocurrencies. Due to many reasons, such as lack of concepts clarity of cryptocurrencies and its complexity.

- To suggest a general model for implementing it, several conditions must apply.
- Adoption of cryptocurrencies as currency as Euro, Dollar etc.
- Recognized by the countries of the world.
- Urging the Accounting Standards Board to issue a regulatory standard for cryptocurrencies.
- Developing accounting systems in line with the technological development in the world of cryptocurrencies, such as relying on encrypted smart wallets, buying and dealing using blockchain.

- Providing systems equipped with the Internet and linked to encrypted systems to train employees to use them.

6. Conclusion and Recommendations:

The concept of cryptocurrencies is receiving an increasing attention although being entirely new. There are many questions regarding its usability as an alternative currency to traditional currency.

Despite there are being many cryptocurrencies, Bitcoin is considered to be the best in term of acceptability and getting public attention. It might be that because it was the first currency being created in the new currency generation. Bitcoin cannot be affected by political issues, also can send it and receive it quickly to any part of the world in few second. In addition, it has many other featured which make some stores already accept it, and even large firms, such as Dell company.

It conceivable that the future holds a spot for digital money as a significant cash alternative, and Bitcoin will be instrumental in preparing for those digital money to thrive.

There are many reasons that why dealers desire with cryptocurrency, and increases the possibility of it being accepted as an alternative currency in the future. One of these advantages is that it reduces transaction costs. This feature makes traders want to use cryptocurrency system because it reduces the cost of transactions . The other advantage is that cryptocurrency has future plans for issuing currencies and therefore it is not affected by economic crises such as traditional currencies .

Transparency of cryptocurrency's transactions, which is an important principle for many traders and dealers. This principle is not sufficiently available in the traditional bank systems. Another advantage is that cryptocurrencies adopt a peer-to-peer system and therefore governments have no role in cryptocurrency system. Also , cryptocurrencies provide a high security system that is difficult to penetrate. However, at the same time it faces many challenges that make it difficult to adopt .

it as an alternative currency in many countries. The first challenge to implementing the currency is that it is not recognized by many governments. It is also constantly volatile, thus generating fears among many economists. It is also used in some illegal activities.

As for how difficult it is to merge with the accounting system, some countries such as USA and Canada have drafted many controls and guidelines for cryptocurrencies that are difficult to implement.

There are numerous topics to investigate in regards to Bitcoin and cryptocurrency. Broad examinations ought to be performed on the financial impacts of Bitcoin's impact on long standing traditional cash performance, and compare the outcomes with nations that are starting to adopt digital currencies. The capacity for digital currency to perform small scale exchanges may permit it to connect a financial gap that fiat state supported money would not have the option to solve, yet requires further economic and marketplace analysis to discuss. Additionally, the block chain system that goes about as Bitcoin's spine has potential uses in different manners ,for example, smart contracts (Hileman, 2016).

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