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An overview of Digital Cash for Accounting in India

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Abstract:

Crypto currency is drawing attention of Indian Government now-a-days. It is operated online through the block chain technology. Globally in many countries, the virtual cash transactions are obtaining legal status and coming under assets, accounting and taxation rules. In India, the crypto currencies are still waiting for the proper guidelines and government regulations. Need of the hour is to seek the detailed report of the online transactions done in the favour of digital cash. Role of the block chain technology in accounting the transaction for virtual cash is found to be more effective and efficient with few limitations.

Keywords: *Crypto currency, Digital cash, virtual money, block chain technology, accounting*

Introduction:

Since 2008 or prior to that, there is successful attempt to replace real money with virtual money. Virtual money is indeed peer-to-peer electronic cash. Electronic cash is also refereed as digital money or more popularly crypto currency. Like real money, crypto currencies have their ATM and it can be used in exchange at the commercial establishments across the countries like California, Florida, and New York etc. The most probably familiar digital currency is Bit coin which involves Block chain concept (Vetter, 2018). Crypto currencies being virtual or digital money are classified asserts and attracts taxes in the United States. Coinbase, a coin exchange, was advised by the court to furnish the records of transactions based on crypto currency (Coinbase, 2018) in US. US governance was trying to assess the unreported accrued income from the digital currency for calculation of variety of taxes and framed provisions of penalties (Polizzano, 2018; Vigna, 2018).

But, scenario changed when crypto currency came to India. In India, it can be treated as asset analogues to gold and housing properties. Yet it is not a valid digital currency in India. Being able to be online traded and digital currency, it was liable to be considered as an asset in Indian Territory.

Then in 2018, Reserve Bank of India had restricted legally the transaction made by banks and other types of banks with respect to online transaction of digital currencies. But in 2020, Supreme Court of India had relaxed the norms of online transactions for crypto currencies and presently there is no any ban or regulation for the trading of crypto currencies online in India. The restriction was abolished when the discussion about digital currencies became hot topic in Parliament Session and among Indian public.

Objective of the research:

India is continuously growing in the finance technology. Though the legal status for crypto currency is still under parliamentary proceedings, it is worthwhile to overview the role block chain technology in accounting the transactions and digital assets. Its merits and demerits in Indian perspectives are to be highlighted.

Sources of Literature:

For obtaining detailed insight about the objective of the research, secondary sources of information are used.

Results and Discussion:

Block chain as vehicle for crypto currency and accounting:

The transactions for digital cash are powered by block chain technology (Abramowicz, 2016). The transaction will be fully completed when all the members are agreeing with the crypto transaction as there is series of members in block chain technology. Each member is aware of each other and transaction amount is also known every associate of the chain.

Traditional accounting for the transactions is done as double entries. Later on it was boosted by ERP systems. And today there is third entry as which will approve / delete the transactions online and abolishing the reconciliation problems. The transaction is encrypted and is completed within 30 minutes (Burchet, Decker, & Wattenhofer, 2018).

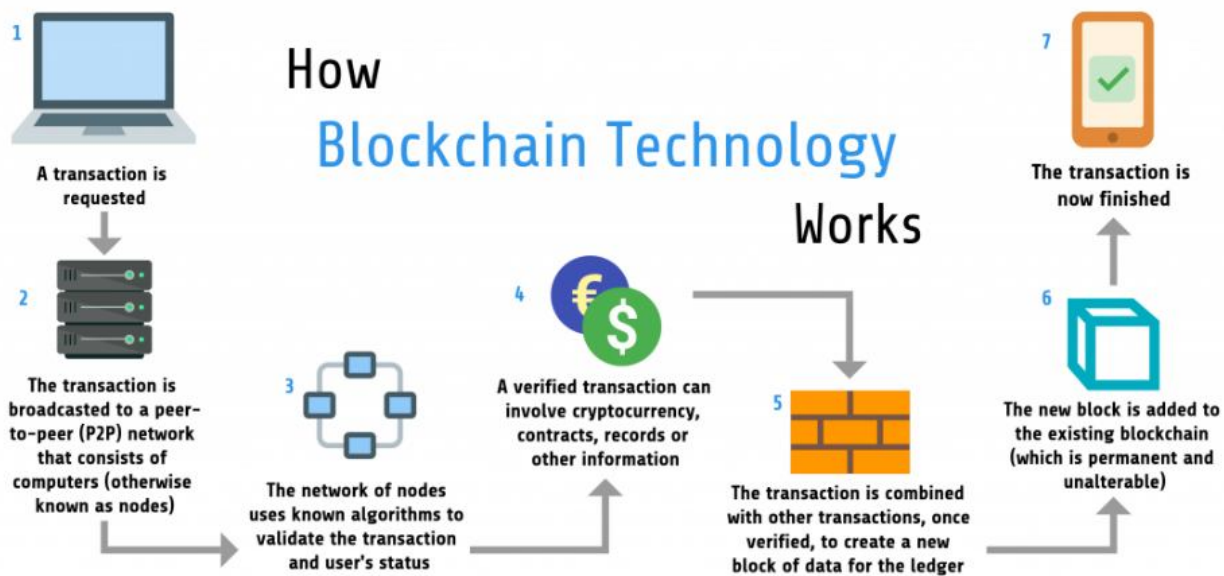
However, there exists two types of block chain technology i.e private and public and the characteristic differences are mentioned in the following table.

Types	Nature	Speed	Security	Access	Energy Consumption	Immutability
Private	Centralized authorities	Fast	Very High	Allowed Accesses	Low	Might be tempered
Public	Decentralized	Slow	High	Open	High	Almost impossible

A growth in the investment and reliability for encrypted digital cash is observed among the Indian peoples. An increase up to 103.4% in spending is noticed and speculations are that it will

reach up to USD 4348.3 million from 2019 to 2025. In 2019 it was USD 289 million. The Expected CAGR can be 47.3% (*Intrado Globalnewswire Report, 2019*).

The working pattern of block chain technology in blocks is given in the following figure:



(Source: <https://medium.com/@ipspecialist/how-blockchain-technology-works-e6109c033034>)

Trust, security, speed, cost and transparency of block chain technology for crypto currency make it nearly temper proof. Digital and encrypted smart contracts such as storage, verification and self accomplishments of rules makes it future process for the accounting methods.

There will be fair and errorless process for financial statements of each day can produced as the transaction are fulfilled on the basis of crypted block chain online real time grounds. This will surely be an advantage for the accountants. Other jobs of accountant like financial planning, reporting and reviews can be at place within no time and accountant can use it to present the data in their routine presentations before their financial working group.

Summary:

Crypto currency with block chain methodology is safe and rapid mode for real time transferring of digital or virtual money. This online technology will be helpful for accountants as transactions can be any time reproduced. The transactions can be thought as tamperproof and hence it can be an important tool in process of auditing. Crypto assets are always available online, hence an individual need not to file the tax returns because Income tax department can see their profile of transactions directly. But this process requires accountants and auditors skilled in the block chain technology.

Conclusion:

For crypto currency transactions, block chain technology is used which is decentralized and distributed ledger. It will be a real time transactions which will save time and invites human errorless

process. It will helpful in saving paper work and will facilitate multiple automatic payments. In futuristic expectations, it can be envisioned that it can replace human accountants and auditors.

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