



**NS SuiteWorld16**

# WELCOME

**MAKE BOLD HAPPEN**

The background of the slide is a photograph of a large audience seated in a conference hall, facing a stage. A large curved screen on the right side of the stage displays a presentation slide featuring a man in a suit and various icons. The entire image is overlaid with a dark blue tint.

 SuiteWorld16

# Bitcoin & NetSuite: Digital Currency in the Cloud



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## Cautionary Note

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# AGENDA

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- 1 What are Bitcoins?
- 2 Using Bitcoins with NetSuite
- 3 Blockstream Case Study
- 4 Q&A

# WHAT ARE BITCOINS?

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Bitcoins are a unit of the digital crypto-currency. Bitcoins come from the concept of having a decentralized peer to peer network powered by it's users with no central authority.

In other words, Bitcoins are currency in a virtual wallet that can be sent and received by users.

To meet generally accepted accounting practices, Bitcoins are listed as an asset and a form of currency.

# FINANCIAL TRACKING OF BITCOINS

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Bitcoins must be represented as assets in NetSuite for accounting and legal reasons.  
To keep the solution simple multiple items were created to hold Bitcoins by vocation.

Items :

- Bitcoins for Operating Expenses
- Bitcoins for Paying Suppliers

# FINANCIAL TRACKING OF BITCOINS

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Bitcoins are tracked as normal inventory items.

They have the following mapping in the account to minimize the impact on the end of month profit and loss reports.

Cost of Good Solds Account  $\Rightarrow$  Bitcoins COGS 1

Assets Account  $\Rightarrow$  Bitcoins Inventory

Income Account  $\Rightarrow$  Bitcoins COGS 2

The two Cost of Goods Sold accounts mapped this way will cancel each other in the reports. Bitcoins should not be considered Income.

# BUYING BITCOINS

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Now that we have a definition for the Bitcoins, it's time to buy some and add them in NetSuite. The procedure is very simple

- Buy your Bitcoins externally
- Get the quantity of Bitcoins and where they came from if necessary

From this point there are multiple branching paths depending on what we want to track. However, everything is supported through basic NetSuite set up with our inventory items.

- Create a Purchase order, Item Receipt and Vendor Bill
- Create a standalone Bill
- Write a check with the right Bitcoins item



# BUYING BITCOINS

## Primary Information

TRANSACTION NUMBER  
CK2024

ACCOUNT  
1000 Checking

BALANCE  
27,300,410.36

PAYEE  
Aaron

AMOUNT  
415.36

CURRENCY  
USD

EXCHANGE RATE  
1.00

DATE  
3/31/2016

POSTING PERIOD  
Mar 2016

ADDRESS

☐ TO BE PRINTED

CHECK #  
2155

MEMO

Bitcoin information  
can be found in the  
information sub tab.

VENDOR LEAD TIME (DAYS)

☐ INVOICE ON HOLD

INSPECTION STATUS  
To be Inspected

## Expenses & Items

Landed Cost

Related Records

Relationships

Communication

System Information

Custom

EET

Approvals

Configuration Details

Inspection

☒ LANDED COST PER LINE

Expenses 0.00 Items 415.36

ITEM	VENDOR NAME	QUANTITY	UNITS	INVENTORY DETAIL	DESCRIPTION	RATE	LANDED COST	TAX CODE	AMOUNT	TAX RATE	OPTIONS	DEPARTMENT	CLASS	LOCATION	CUSTOMER
Bitcoin		1				415.36		-Not Taxable-	415.36					US Warehouse - Manhattan	

# GENERATING (MINING) BITCOINS

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With Bitcoins, it's possible to generate them without necessarily buying them. This process is known as mining.

The easiest way to mimic this in NetSuite is to perform an inventory adjustment.

In this example, simply adjust 10 Bitcoins against the Outside Services' expense account to get the right value in the asset account.

The adjustment is done at the current Value of Bitcoins.

ACCOUNT	AMOUNT (DEBIT)	AMOUNT (CREDIT)
6160 Outside Services		4,153.60
14000 Bitcoin Inventory	4,153.60	

# SELLING BITCOINS FOR CURRENCY

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Selling Bitcoins is similar to process of buying them but on the receivable side.

Once you confirmed that your Bitcoin is sold, you can do either of the following :

- Create a stand alone invoice and set the right quantity and amount for the Bitcoins sold.
- Create a Sales Order and go through the full inventory process if it's needed.

Bitcoin prices changed from our previous example, so it give us the following impact :

ACCOUNT	AMOUNT (DEBIT)	AMOUNT (CREDIT)
1100 Accounts Receivable	416.84	
51002 Bitcoin COGS #2		416.84
51001 Bitcoin COGS #1	415.36	
14000 Bitcoin Inventory		415.36

# ADJUSTING VALUE OF BITCOINS

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As shown in the previous example, the value of a Bitcoin varies wildly over time and it is necessary to reevaluate the inventory before selling them or using them to pay employees and vendors.

Doing the adjustment before the Bitcoin goes out of the inventory will allow you to keep the balance at 0 between your Income and Cost of Goods Sold accounts.

# ADJUSTING VALUE OF BITCOINS

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The easiest manual way to adjust the value in NetSuite is to perform an Inventory Worksheet on the Bitcoin item.

This will allow you to reset the item value at a specific date and thus leverage the average cost.

One important thing to note here is to create a new Account to hold the adjustment value. This account will be your Gain(Losses) on Bitcoins account.

# BITCOIN INVENTORY MANAGEMENT

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When using Bitcoins as currency for payments or for any other reason, we need to take them out of our inventory.

This is done through another inventory adjustment.

The adjustment account here is very important

- If used for a Payment, the adjustment account must be the same as the clearing account on the Bill Payment.
- Otherwise, you need to select an appropriate adjustment account, in most case an expense.

# PAYING VENDORS WITH BITCOINS

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To pay the vendors using our Bitcoin items, we need to do a variety of steps we already defined earlier.

- Vendor bill must be created in NetSuite.
- Bitcoin exchange must have already been done.
- You need a virtual Bitcoin Clearing Account of type Bank that will be used as the account to pay Bills with.

Once we have the bill and the value of the Bitcoin we changed, we can start the NetSuite process.

- Adjust the value of the Bitcoins in the system to match the value as when the exchange was made.
- Pay the Bill Using NetSuite's built in Pay Single Vendor feature.
- Create the inventory adjustment to remove the quantity of Bitcoins corresponding to the Bill Value.

# PAYING VENDORS WITH BITCOINS

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ACCOUNT	AMOUNT (DEBIT)	AMOUNT (CREDIT)
2000 Accounts Payable		100.00
6018 Freight Expense	100.00	

## Bill Impact

ACCOUNT	AMOUNT (DEBIT)	AMOUNT (CREDIT)
1010 Bitcoin Clearing Account		100.00
2000 Accounts Payable	100.00	

## Bill Payment Impact



# PAYING VENDORS WITH BITCOINS

ITEM	DESCRIPTION	LOCATION	UNITS	QTY. ON HAND	CURRENT VALUE	ADJUST QTY. BY	NEW QUANTITY	UNIT COST
Bitcoin		US Warehouse - Manhattan		10	4,153.60	-0.24075501	9.75924499	415.36

## Adjustment Line

ACCOUNT	AMOUNT (DEBIT)	AMOUNT (CREDIT)
1010 Bitcoin Clearing Account	100.00	
14000 Bitcoin Inventory		100.00

## Adjustment Impact

# DEALING WITH GAINS & LOSSES

Bitcoin value fluctuates over time and we need to be able to see these fluctuations represented in NetSuite reports.

First, we need to get the value of the Bitcoin for a specific date item at all locations through a simple saved search :

## Current Value of Bitcoins: Results

[List](#) [Search](#) [Audit Trail](#)

[Edit this Search](#)

### FILTERS

STYLE

Normal ▼

							TOTAL: 6
EDIT   VIEW	INTERNAL ID	NAME	INVENTORY LOCATION	LOCATION AVERAGE COST	LOCATION ON HAND	LOCATION TOTAL VALUE	
<a href="#">Edit</a>   <a href="#">View</a>	1260	Bitcoin	China				
<a href="#">Edit</a>   <a href="#">View</a>	1260	Bitcoin	US				
<a href="#">Edit</a>   <a href="#">View</a>	1260	Bitcoin	US Warehouse - Manhattan	415.3600001	9.75924	4,053.60	
<a href="#">Edit</a>   <a href="#">View</a>	1260	Bitcoin	UK - England				
<a href="#">Edit</a>   <a href="#">View</a>	1260	Bitcoin	Test				
<a href="#">Edit</a>   <a href="#">View</a>	1260	Bitcoin	Canada				
Total				415.3600001	9.75924	4,053.6	

# DEALING WITH GAINS & LOSSES

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Once we have the value, we need to manually add the value to a Bitcoin Gain(Losses) account.

To do so we use the following steps:

Create a Journal Entry at the last day of the period with the following :

- Debit of the saved search amount to the Bitcoin Inventory Account
- Credit to the Bitcoin Gain(Losses) account
- Reversal date on the first day of the next Period
- Defer entry must be unchecked

This way ensure that we get the right amount in the right report sections

# AUTOMATING THE PROCESS

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## POTENTIAL AUTOMATING OPTIONS WITH BITCOINS

- Integration with Bitcoin transactions
- Integration and automating for Bitcoin Revaluation
- Automatic generation of Journal Entries on Payment
- Support for Bitcoin
- Full Automation of Bitcoin processes as custom transactions.



# **CASE STUDY** **Blockstream**

# ABOUT BLOCKSTREAM

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Blockstream was founded to develop new ways to accelerate innovation in crypto currencies, open assets and smart contracts. They came together because they believe in the potential of Bitcoin and blockchain technology to have a significant, positive social impact.

[www.blockstream.com](http://www.blockstream.com)

# Blockstream

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As part of their NetSuite implementation, Blockstream needed to figure out a way to purchase Bitcoins that could later be used as a form of payment, even though the Bitcoins are technically held as inventory.

As one of the leading Bitcoin companies, Blockstream wanted to support both employees and vendors who wanted to be paid in Bitcoin. Prior to the NetSuite implementation, they were unable to do this because of the accounting and administrative burden.

The process that Big Bang ERP developed allows Blockstream to not only pay vendors in Bitcoin but also pay a portion of employee compensation in Bitcoin.

These two processes are different.

- Employee compensation is based on the number of Bitcoins owed, regardless of current value.
- Vendor payments are based on the value of the goods/services converted into Bitcoin based on the market price at the time of payment.

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“When looking to implement NetSuite, we needed it to manage Bitcoins, no questions asked. Through the set up, implemented by Big Bang ERP, we’re able to buy, mine and sell Bitcoins with ease.”

Erik Svenson, VP of Finance & Operations,  
Blockstream



# Q&A

A large crowd of people is shown from the chest up, filling the frame. They are all looking towards the camera with various expressions of happiness and engagement. The image is heavily tinted with a deep blue color, and a bright blue light source in the upper right corner creates a starburst effect, casting rays across the scene. Overlaid on this background is the text 'THANK YOU!' in a large, bold, white sans-serif font.

# THANK YOU!

# FOR MORE INFORMATION

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Visit us at booth #909



As a leading NetSuite Solution Provider, Big Bang ERP helps businesses optimize and streamline their processes. The team of highly skilled Consultants and Project Managers hold numerous NetSuite Certifications making them the trusted source for implementation, customization and integration projects.

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