Don’t sleep on CECL. Not a bank? Not off the hook.

2019 Bloomberg Tax and Deloitte CECL Survey*

Current expected credit loss (CECL) implementation isn’t just for banks; any business that holds trade receivables, contract assets, loans, debt securities, off-balance sheet credit exposures through securitizations, or lease receivables will need to comply with CECL. To other words, nearly all businesses covered by US GAAP, not just banks. With the implementation deadline approaching, it’s imperative that companies determine if they need CECL, fully understand the impact, and then determine how they will minimize it.

Current expected credit loss (CECL) is one of the most complicated rules enacted in recent years, making implementation challenging. For non-bank companies, it requires a fundamental shift in the way credit risks are accounted for. It affects every balance sheet item that has credit risk. It forces companies to think about how credit risk impacts their overall financial statements and their stakeholders.

Don’t sleep on CECL.

Why? Non-bank companies are beginning to realize that improving management of credit risk is an essential part of their overall strategy. Financial results are directly impacted by CECL. This is especially true in the current economic environment where interest rates are low and credit losses can be a significant issue.

Leveraging existing resources and developing an action plan allows companies to make the most of their existing resources. It’s important to understand how material the impact will be to their business. It is critical that companies start now to evaluate how material the impact will be to their businesses, allowing them time to begin an appropriate implementation action plan.

A dry run helps determine whether a company’s current processes and controls allow it to close its books in a timely way and address many risks. Most companies recognize that if CECL is going to have a significant impact, they need to be confident that they can weather it by implementing the production process, operational, and organizational controls, and ceasefire, reporting, and investor communications.

The following chart provides some insights into where CECL implementation resources are coming from.

**Where are CECL implementation resources coming from?**

- **58%**: Leveraging existing resources
- **34%**: Hiring external resources or additional full-time staff

Many companies are leveraging existing resources to complete CECL implementation. But if they don’t already have the resources, they may need to consider hiring additional staff or consulting services to support the implementation.

**Putting your prognostications to the test**

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Most companies recognize that CECL is going to have a significant impact. But they are unsure whether it has or not. Since nearly every business will likely be affected by CECL, it is critical that companies start now to evaluate how material the impact will be to their businesses, allowing them time to begin an appropriate implementation action plan.

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