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Don't sleep on CECL

Not a bank? Not off the hook.

*2019 Bloomberg Tax and Deloitte CECL Survey**

Current expected credit loss standard (CECL) implementation isn't just for banks. Any business that holds trade receivables, contract assets, loans, debt securities, off-balance-sheet credit exposures, reinsurance receivables, or net investments in leases will need to comply with CECL. In other words, nearly all businesses need to be CECL-ready. But are they? With the implementation deadline approaching, it's imperative that companies evaluate how CECL will likely affect them and then determine what their next steps should be.

Wake up and smell the CECL!

It's safe to assume that CECL may have an impact on your business. *But how big that impact will be is much harder to predict.*

63%

of respondents say their company is either in the process of CECL implementation or has already finished

37%

say their company hasn't started CECL implementation or they aren't sure if it has started

37% of respondents either say their company hasn't started implementation yet or 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 business**—allowing them time to begin an appropriate implementation action plan.

Implementation is only the beginning

A set of common concerns is beginning to emerge regarding the CECL implementation deadline, including what happens *after* implementation.

Top four CECL concerns

26% Disclosures and first year of implementation

26% Costs of resources and staffing

21% Access to economic and forecasting data

19% Forecasting in and out of transitory economic periods

Implementation and beyond! For more than a quarter of respondents, the CECL adoption date is viewed not as a finish line but as a starting point. If disclosure is a concern, it's critical to connect and align all **credit and allowance disclosures** for transparency.

Putting your prognostications to the test

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.

80%

of respondents said their company has completed a dry run or plans to

Most companies recognize that if CECL is going to have a significant impact, they **need to be confident that they can weather it** by testing the production process; operational and internal controls; and approval, reporting, and investor communications

Where are CECL implementation resources coming from?

58% Leveraging existing resources

Many companies are leveraging existing resources to complete their CECL implementations. But if they come up against complex accounting issues, **they could benefit from guidance.**

34% Hiring external resources or additional full-time staff

More than one-third of respondents from businesses affected by the new standard say their company doesn't have the existing resources to prepare on its own. A **CECL readiness assessment** can provide the clarity, focus, and confidence that are essential to a successful implementation.

We're here to help!

As you come up against complex accounting issues, learn more about **Deloitte's On-call accounting advisory services.**

Set your CECL strategy today

Engaging now allows businesses to assess the scope of the standard's impact, understand what resources will be required, and develop a plan for smoother implementation.

CECL will likely have an impact on nearly every company. It's time to take a closer look at how much it will affect your organization—and your entire portfolio.

www2.deloitte.com/us/CECLIMPACT.html

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