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Standards Codification (ASC) 326, Financial Instruments – Credit Losses and to address key considerations in auditing the allowance for credit losses related to loans

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Sep. 16, 2019



The [American Institute of CPAs](#) (AICPA) has issued non-authoritative guidance in the form of a Practice Aid, *[Allowance For Credit Losses – Audit Considerations](#)*, to assist auditors when communicating with management and audit committees on Financial Accounting Standards Board (FASB) (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Statements*.

“This Practice Aid is intended to provide auditors with information that may help

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key considerations in auditing the allowance for credit losses related to loans under the ASU.

This aid highlights key areas within the auditing process including,

- obtaining an understanding of the entity;
- assessing the risks;
- identifying the controls relevant to the audit;
- designing an audit response;
- performing audit procedures; and
- evaluating the audit and disclosure considerations.

“While primarily written for auditors, we believe this Practice Aid will be directly beneficial to lenders preparing to implement the new standard,” said Mike Lundberg, CPA – Partner, RSM US LLP, Chair of the CECL Auditing Subgroup.

The Practice Aid is part of a broader AICPA initiative and will be included in our Credit Losses A&A Guide planned for release next year. The aid is offered to the public at no charge and is available [here](#).

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