Journalisation Stages 1, 2 ECL

For expected credit losses in stages 1 and 2, it is sufficient to post the expected credit loss to risk provisioning.

A common solution for the consideration of expected credit losses in the balance sheet is the posting of “D Risk provision expense C risk provision”. These entries will be reversed on the following posting date. Instead of posting incremental changes in the Expected Credit Loss, this approach posts the full amount of Expected Credit Loss.

For stages 1 and 2, the solution operates with a fixed accounting logic. It generates, for each individual deal, a record that contains exactly one debit entry on an expense account and one credit entry on a risk provision account.

The account that is to be posted for an individual deal, is subject to the configuration in a specific table. Multiple general ledger accounts can be defined for each group of accounts (expense of risk provision). The appropriate general ledger account will be identified for each individual deal on the basis of descriptive parameters.

The output of this component is debit/credit entries at individual deal level, provided in a table or file.