

23 May 2006

Director, Accounting Standards
Canadian Accounting Standards Board
277 Wellington Street West
Toronto
Ontario M5V 3H2
Canada

Subject: Discussion Paper, *Measurement Bases for Financial Accounting – Measurement on Initial Recognition*

Dear Director,

Goldman Sachs appreciates the opportunity to comment on the Discussion Paper, *Measurement Bases for Financial Accounting – Measurement on Initial Recognition* (the "Paper"). Goldman Sachs has extensive experience with fair value measurements. We are strong advocates for the use of, fair value as the base for initially, and subsequently, measuring financial instruments. We hope that our experiences and perspectives expressed in this letter will be a useful contribution to your continuing effort. We would particularly like to emphasize the following key comments:

Discussion Paper's Objective

We are uncertain what the International Accounting Standards Board's intentions are with regards to this Paper and how it fits in with the IASB's overall fair value project. The IASB has indicated that it may issue the FASB's standard on fair value measurements for comments when it is finalised. We are therefore not sure how the two projects interact.

Furthermore some of the conclusions reached in this Paper (e.g. the neutral definition of fair value proposed in this Paper versus the exit value proposed by FASB), are likely to increase differences with US GAAP which is contrary to the desire for convergence.

Initial and Subsequent Measurement

There are significant interdependencies between initial and subsequent measurement that cannot be ignored. In our view the real debate on measurement bases exists when there is a different value generated by each measurement base at subsequent dates.

Consequently, we do not agree with the focus solely on initial measurement as it might limit in-depth analysis or preclude some alternatives on the next re-measurement debate.

Fair Value

We are strong advocates of fair value measurement for financial instruments. However we do not believe that fair value is necessarily the best measurement base for all nonfinancial assets and liabilities on initial recognition in all circumstances. This is an area that requires further attention.

Market Value objective

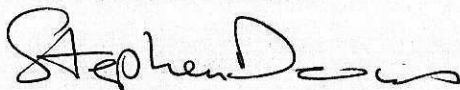
The Paper moves away from the generally accepted use of fair value and introduces the term market value. We do not believe the assertion that the objective of fair value is to represent the market value of the asset at the measurement date. Market prices or market value are generally an approximation of, or proxy for, fair value rather than the reverse. In addition, the introduction of the term "market value" in the accounting literature is confusing. The term fair value is a term that over time has become one that accountants and financial statement users have become comfortable with and should not be replaced.

Practical issues

The Paper identifies a number of practical issues in utilising fair value measurement, such as which market price to use in the existence of multiple markets, the existence of wide bid-asked spreads and the unit of account for an asset or liability to which the measurement basis is applied. The Paper does not analyse in detail when the presence of these and other practical anomalies undermines its belief that fair value is the best measurement base.

We appreciate the opportunity to comment and hope that you find our comments helpful. Should you have any comments or questions, please contact me or Bob Uhl in New York at 1-212-357-5531.

Yours faithfully,



Stephen Davies
Managing Director
Cc: Bob Uhl