

December 2, 2002

Mr. Robert H. Herz, Chairman
 Financial Accounting Standards Board
 401 Merritt 7, P.O. Box 5116
 Norwalk, CT 06856-5116

Letter of Comment No: 18
 File Reference: 1125-001
 Date Received: 12/2/02

Re: Response to FASB's 10/21/02 Request for Comments on the
 "Principles-Based Approach to U.S. Standard Setting," File Reference
 No. 125-001.

Dear Robert,

One of the key issues in looking at FASB's proposed move towards Principles-Based Accounting for the United States is whether we can change the overall level of discourse between auditors and the companies they audit. These discussions should properly center on whether specific forms of presentation provide true and fair views of a corporation's results for investors.

The following are my specific responses to your 10/21/02 Request for Comments on the "Principles-Based Approach to U.S. Standard Setting," File Reference No. 1125-001.

Respectfully,

Gordon E. Goodman
 Trading Control Officer
 Occidental Petroleum Corporation

REQUEST FOR COMMENTS

1. Do you support the Board's proposal for a principles-based approach to U.S. standard setting? Will that approach improve the quality and transparency of U.S. financial accounting and reporting?

Generally, we support the Board's proposal for a principles-based approach to U.S. standard setting, so long as it brings renewed focus and attention to presenting true and fair views of public corporations' results.

2. Should the Board develop an overall reporting framework as in IAS 1 and, if so, should that framework include a true and fair view override?

The true and fair view override is a necessity if the U.S. moves towards principles-based accounting. It is only a start, however, and the overall framework may be subject to modification over time if the principles are to be relevant on a continuing basis.

3. Under what circumstances should interpretive and implementation guidance be provided under a principles-based approach to U.S. standard setting? Should the Board be the primary standard setter responsible for providing that guidance?

The FASB should be the primary standard setter, but this will be difficult to maintain given the current heightened involvement of legislators and regulators. As a specific example of this trend, the energy industry perceived, rightly or wrongly, a lack of due process during the adoption of EITF Issue No. 02-3.

As one possibility, interpretive and implementation guidance might be provided by suitable, approved industry specific organizations and their accounting committees subject to the FASB's final review, comment, and veto. For the oil & gas industry, this guidance might be provided by appropriate American Petroleum Institute (API) Finance and Accounting Committee[s]. With respect to interpretive guidance, it is impossible to get by without it, unless there is an avowed willingness to accept wide variations in practice. As long as the "principle" is met, each company and potentially each transaction may have substantive differences. There is a significant degree of judgment that already has to be exercised in accounting practice, and over time this could lead to inconsistency in the absence of interpretive guidance.

It may be naïve to think that a line against extensive guidance can be held for any extended period. If we accept tolerance for inexactness in reporting, the door is left open to second guessing as to the preferred accounting approach,

and this second guessing may be done by regulators, political bodies, and the legal community.

- 4. Will preparers, auditors, the SEC, investors, creditors, and other users of financial information be able to adjust to a principles-based approach to U.S. standard setting? If not, what needs to be done and by whom?**

We believe that preparers, auditors, etc., will be able to adjust to this change, but see our responses to question numbers 3 and 6 as to likely differences that will arise between auditors and the companies they audit.

- 5. What are the benefits and costs (including transition costs) of adopting a principles-based approach to U.S. standard setting? How might those benefits and costs be quantified?**

No specific comment.

- 6. What other factors should the Board consider in assessing the extent to which it should adopt a principles based approach to U. S. standard setting?**

There is the potential for a real difference of opinion to emerge between auditors and the companies they audit as to what constitutes a true and fair view of results. The potential for disagreement is high, depending on the auditor, the company, and the transaction, and unfortunately, we don't have a good answer to this concern.