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Matthew L. Schroeder
Managing Director
Global Head of Accounting Policy



March 13, 2012

Technical Director, File Reference No. 2011-230
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standard Update (Revised) – Revenue Recognition (Topic 605)

Goldman Sachs appreciates the opportunity to comment on the above captioned Proposed Accounting Standards Update (the ‘proposal’ or ‘proposed guidance’). Our comments on this proposal are limited to the aspects of the proposal that we wish to emphasize.

Control model versus risks and rewards model

The proposal introduces a model for determining when an entity should recognize revenue based on control, rather than risks and rewards. As an industry that engages in transactions involving both non financial instruments and financial instruments, entities such as Goldman Sachs will be accounting for transactions both in the scope of this proposal and in the scope of other Accounting Standards relevant to financial instruments (for example, Topic 860, Transfers and Servicing). We are concerned that the use of an outright control model within this proposal could introduce inconsistencies in accounting for transactions based on the nature of the underlying asset as Topic 860 is a control model with a risks and rewards overlay and not an outright control model.

Application of proposed guidance to underwriting fees and expenses

We acknowledge that a key objective of the FASB and IASB’s projects on revenue recognition has been to remove inconsistencies across industries and therefore to replace industry specific guidance with a unified Accounting Standard to address revenue recognition. However, we understand the deletion of section 940-605 of the Codification, under which a broker dealer entity presents underwriting revenues net of related deal expenses, would alter a long standing practice with regard to industry specific revenue presentation. Net presentation of underwriting revenues is well

understood and accepted by users of our financial statements. We do not agree that the remit of the ED should be to require consistent presentation of revenue across industries.

Moreover, we believe that net presentation provides better financial reporting due to the way that expenses are pooled and shared in proportion to each syndicate participant's allocation of underwriting revenues. This sharing results in either additional "expense payments" deducted from revenues received in situations where a participant's actual expenses are proportionately less than those of other participants, or "expense reimbursements" in situations where a participant's actual expenses exceed its proportionate share of total expenses. The expenses ultimately allocated to a syndicate participant could vary significantly from the amount incurred directly in transactions with vendors and law firms. If net presentation is prohibited under the new guidance, it is unclear how underwriters should present these expense true-ups.

Currently, we look to the industry specific guidance of Topic 940-605 and apply net presentation of revenue and expense items in certain scenarios and have not been reliant on the application of the principal versus agency guidance of Topic 605-45. Although we consider that the proposed guidance in IG16-19 should not result in a different analysis of an entity's role as principal or agent as would arise under Topic 605-45, we do not believe that adequate consideration has been given to whether the deletion of industry specific guidance such as Topic 940-605 will result in changes in current practice and unintended consequences, for example impacting Key Performance Indicators ('KPIs').

Sale and repurchase agreements for non financial assets

The proposed implementation guidance for repurchase agreements establishes a bright line based on transaction price for distinguishing between transactions that should be accounted for as financings and those that should be accounted for as leases. This suggests that the assessment of whether an entity has satisfied its performance obligation and is able to recognize revenue is weighted completely to a risks and rewards analysis, without consideration being given to additional indicators of control as outlined in paragraph 37 (a) to (c) and (e). As the overall revenue model is a control model, we do not believe that the bright line proposed based on transaction price is aligned with the model.

In a control model, even where repurchase price is fixed, consideration should be given to other factors, including the fungibility and liquidity of the underlying asset.

We also note that the proposed guidance on repurchase agreements infers that greater emphasis is placed on future control rather than current control as it is implied that where an entity can regain access to the use of an asset and risks and rewards of an asset at a future date, it should not recognize revenue on a sale at transaction date. This principle is not well established in the model more generally and should be explored more fully.

The implementation guidance does not address floating repurchase price contracts. For such contracts, we believe that the substance of the transaction should be assessed to determine the appropriate accounting, giving consideration to all indicators of control such as those outlined in paragraph 37. It is not clear how floating repurchase price contracts fit into the bright line proposed in IG 40 and what the resulting accounting should be.

Onerous contracts

We agree with the general principal that an entity should recognize a liability and corresponding expense for onerous performance obligations which are satisfied over

time. However we do not agree that the scope of the onerous contract test should only ever apply to contracts with a greater than one year performance period or only to contracts which are satisfied over time. We believe that an entity should be required to apply the onerous performance obligation requirements to contracts of less than one year and to performance contracts to be satisfied at a point in time. We believe any practical expedient should be focused on materiality rather than on type or tenor of performance obligation.

Disclosures

We agree with the objective of disclosures related to revenue from contracts with customers outlined in paragraph 109. We do not believe that the level of disaggregation and granularity proposed will always be relevant and therefore consider that an entity should be allowed to apply judgment as to whether examples of disaggregation and granularity of disclosures would be material.

Thank you for the opportunity to provide our views. If you have any questions or comments regarding this letter, please do not hesitate to contact Fiona Thomson on +44 (0) 207 552 5210 or me on 212-357-8437.

Sincerely,

A handwritten signature in cursive script that reads "Matthew L. Schroeder". The signature is written in dark ink and is positioned above the printed name.

Matthew L. Schroeder