



School of Economics and Finance

MMAF523 TREASURY ACCOUNTING AND TAX

Trimester 1 2005

COURSE OUTLINE

Contact Details

The course controller is Dawn Lorimer. Room RH306. Preferred contact is by email. Email address: Dawn.Lorimer@vuw.ac.nz

The course presenter for Part I of the paper is Dr. Shee Boon Law, based in Paris, France. Email address: shee-boon.law@oecd.org

The course presenter for Part II of the paper is Assoc. Prof. Andrew Smith. RH620. Email address: Andrew.Smith@vuw.ac.nz

Block Release Times

8:30am Wednesday, March 30 – 12:30pm Friday, April 1, 2005
and 8:30am Tuesday, June 7 – 12.30pm Thursday, June 9, 2005

Attendance for all sessions of both block releases is compulsory.

Course Objectives

- To examine the potential implications of treasury operations on the reported financial performance and financial position of a firm.
- To examine a variety of equity and debt instruments (including some hybrid instruments like preference shares and convertible notes), their accounting problems and current accounting treatment under the New Zealand Equivalent to International Accounting Standards.
- To examine the main features of the current accounting system for simple derivative instruments such as forwards, futures, options and swaps
 - when they are designated as a fair value hedge;
 - when they are designated as a cash flow hedge; and
 - when they are not designated as a hedge.
- To appreciate the challenges in accounting for synthetic arrangements such as total return equity swaps, repurchase agreements and synthetic loans.
- To understand the roles that disclosure standards play in the reporting of financial instruments and the salient features of NZ IAS 32.
- To provide a basic overview of the New Zealand income tax regime.

- To provide students with a comprehensive understanding of the accrual rules applying to the taxation of financial arrangements in New Zealand for both resident and non-resident taxpayers.
- To provide a basic understanding of the differences in the taxation of debt and equity in New Zealand.
- To explain the role of binding determinations in the application of the accrual rules, the range of determinations issued to date and how to apply determinations.

Course Content

Treasury Accounting and Tax is presented in two parts. Part I is concerned with Accounting for Treasury (wholesale financial) Instruments, while Part II is about the tax treatment of such instruments.

Part I begins with a consideration of basic accounting concepts including the roles, purpose and content of financial reports, and a look at important concepts within financial statements. Accounting for basic financial instruments follows with a comparison of debt and equity instruments, debt-equity hybrids, their accounting treatment and potential impact on financial reports. A study of the risks involved in Treasury Operations comes next with a look at the different risk exposures of a multinational corporation. The current accounting treatment for forward contracts, futures, options and swaps is studied along with the financial reporting problems arising with the use of such instruments. Part 1 finishes with a study of the roles of disclosure standards in the reporting of financial instruments follows together with an evaluation of the current fair value measurement system.

Part II starts with an introduction to the New Zealand income tax regime. This is followed by an examination of the framework of the interest accrual rules, including their scope, key definitions, the relationship of the rules with the rest of the Income Tax Act and the treatment of non-residents. The third section of Part II covers how financial arrangements are to be accounted for under the interest accrual rules, including the “Base Price Adjustment” calculation when a financial arrangement matures or is sold or disposed of as well as related issues such as bad debts and capital losses, forgiveness of debt. A key part of the interest accrual rules is the provision for binding determinations. A detailed analysis of key determinations will be made including worked examples. A number of these can be classified as background determinations while other determinations apply to specific financial arrangements. Particular emphasis will be placed upon two determinations that apply to financial arrangements and forward exchange contracts denominated in a foreign currency.

Course Notes

A detailed set of course notes is provided for each half of the Treasury Accounting & Tax paper:

Part I – Accounting Issues: provided with your course folder beginning of first trimester.

Part II – Tax Issues: available later in the first trimester.

Materials and Equipment

It is necessary to bring a calculator to the block courses. During tests students will be allowed to use calculators, but not hand held or other computers.

Assessment Requirements

The following schedule of assessment applies:

Exams:	One test at each block release session based on reading assigned for period leading up to the block release and material presented at the block release.	
Test 1 (April 1)		30%
Test 2 (June 9)		30%
Assignments:	Two major assignments that count together for 40%.	
	<u>The first assignment is due Wednesday, March 23 2005 by 5pm.</u>	20%
	<u>The second assignment is due Thursday, May 26 2005 by 5pm.</u>	20%
Total Assessment:		100%

Penalties

Each of the two major assignments will be marked out of a maximum that diminishes by 5% for every day late, with a weekend counting as one day. The date of submission shall be taken as the date of delivery or the day of postmark, if by post. There will be a final cut off date (normally one week after due date) advised for each assignment, after which no assignment can be accepted.

The major assignments will each carry a specified word limit. If an assignment exceeds the word limit, credit will be given only from the beginning of the assignment up to the word limit. No credit will be given for the portion of work extending beyond the word limit.

Mandatory Course Requirements

Students must attend all sessions of both block release courses. To pass, a student must obtain an average mark of at least 50% over total course assessment.

Communication of Additional Information

Additional information including assignment questions, details of the block course schedule, feedback on course assessments, etc will be provided by email or by post. Students are responsible for ensuring that the VIAF administrator, Bun Wong, has their up to date email and postal addresses.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly those regarding assessment and course of study requirements, and formal academic grievance procedures.

Student Conduct and Staff Conduct

The Statute on Student Conduct together with the Policy on Staff Conduct ensure that members of the University community are able to work, learn, study and participate in the academic and social aspects of the University's life in an atmosphere of safety and respect. The Statute on Student Conduct contains information on what conduct is prohibited and what steps can be taken if there is a complaint. For queries about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor. This Statute is available in the Faculty Student Administration Office or on the website at: www.vuw.ac.nz/policy/StudentConduct.

The policy on Staff Conduct can be found on the VUW website at: www.vuw.ac.nz/policy/StaffConduct.

Academic Grievances

If you have any academic problems with your course you should talk to the tutor or lecturer concerned or, if you are not satisfied with the result of that meeting, see the Head of School or the Associate Dean (Students) of your Faculty. Class representatives are available to assist you with this process. If, after trying the above channels, you are still unsatisfied, formal grievance procedures can be invoked. These are set out in the Academic Grievances Policy which is published on the VUW website:

www.vuw.ac.nz/policy/AcademicGrievances.

Academic Integrity and Plagiarism

Academic integrity is about honesty – put simply it means **no cheating**. All members of the University community are responsible for upholding academic integrity, which means staff and students are expected to behave honestly, fairly and with respect for others at all times.

Plagiarism is a form of cheating which undermines academic integrity. Plagiarism is **prohibited** at Victoria.

The University defines plagiarism as follows:

Plagiarism is presenting someone else's work as if it were your own, whether you mean to or not.

'Someone else's work' means anything that is not your own idea, even if it is presented in your own style. It includes material from books, journals or any other printed source, the work of other students or staff, information from the Internet, software programmes and other electronic material, designs and ideas. It also includes the organization or structuring of any such material.

Plagiarism is not worth the risk.

Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct (www.vuw.ac.nz/policy/studentconduct) and may be penalized severely.

Consequences of being found guilty of plagiarism can include:

- an oral or written warning
- suspension from class or university
- cancellation of your mark for an assessment or a fail grade for the course.

Find out more about plagiarism and how to avoid it, on the University's website at: www.vuw.ac.nz/home/studying/plagiarism.html.

Students with Disabilities

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities an equal opportunity with all other students to demonstrate their abilities. If you have a disability, impairment or chronic medical condition (temporary, permanent or recurring) that may impact on your ability to participate, learn and/or achieve in lectures and tutorials or in meeting the course requirements, then please contact the Course Coordinator as early in the course as possible. Alternatively you may wish to approach a Student Adviser from Disability Support Services to confidentially discuss your individual needs and the options and support that are available. Disability Support Services are located on Level 1, Robert Stout Building, or phoning 463-6070, email: disability@vuw.ac.nz. The name of your School's Disability Liaison Person can be obtained from the Administrative Assistant or the School Prospectus.

Student Support

Staff at Victoria want students' learning experiences at the University to be positive. If your academic progress is causing you concern, please contact the relevant Course Co-ordinator, or Associate Dean who will either help you directly or put you in contact with someone who can.

The Student Services Group is also available to provide a variety of support and services. Find out more at www.vuw.ac.nz/st_services/ or email student-services@vuw.ac.nz.

VUWSA employs two Education Coordinators who deal with academic problems and provide support, advice and advocacy services, as well as organising class representatives and faculty delegates. The Education Office is located on the ground floor, Student Union Building, phone 463 6983 or 463 6984, email education@vuwsa.org.nz.