

Victoria International Applied Finance Programme

School of Economics and Finance

MMAF523 TREASURY ACCOUNTING AND TAX

Trimester Two 2006

COURSE OUTLINE

Contact Details

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

The course lecturer for Part I of the paper is Dr. Shee Boon Law. Email address: sheeboon.law@ird.govt.nz

The course lecturer for Part II of the paper is Associate Professor Andrew Smith. RH620. Preferred contact is by email. Email address: andrew.smith@vuw.ac.nz

Block Release Times

Block 1 Release Time - 8:30am Saturday, 19 August – 12:30pm Monday, 21 August, 2006; and

Block 2 Release Time - 8:30am Saturday, 14 October – 12:30pm Monday, 16 October, 2006.

A detailed schedule of each block release course will be supplied closer to the August and October sessions. The final test for block 1 release will be held on Monday, 21 August 2006 and the final test for the block 2 release will be held on Monday, 16 October 2006.

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 Financial Reporting 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 IFRS 7.
- 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 I 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.

Expected Workload

Total average workload of 200 hours. During the 6 weeks of term prior to each block release, students will need to allow approximately 14 hours per week for study, research and preparation of assignments for this course. The two block courses each involve approximately 18 hours of work.

Group Work

Students are expected to contribute to discussions of class examples in groups during block release. The group work will not form part of the assessment for this course.

Readings

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 second trimester.

Part II – Tax Issues: Will be provided at the first block release in August.

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 laptop computers.

Assessment Requirements

The following schedule of assessment applies:

Tests:	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 (21 August)		30%
Test 2 (16 October)		30%
Assignments:	Two major assignments that count together for 40%.	
	<u>The first assignment is due on Monday, 14 August 2006 by 4pm.</u>	20%
	<u>The second assignment is due on Thursday, 5 October by 4pm.</u>	20%
TOTAL ASSESSMENT		<u>100%</u>

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.

If you have, or become aware of, any health condition that could prevent you attending a VIAF compulsory block release, then you should notify the director immediately, preferably by email, Dawn.Lorimer@vuw.ac.nz.

Faculty of Commerce and Administration Offices

Railway West Wing (RWW) - FCA Student and Academic Services Office

The Faculty's Student and Academic Services Office is located on the ground and first floors of the Railway West Wing. The ground floor counter is the first point of contact for general enquiries and FCA forms. Student Administration Advisers are available to discuss course status and give further advice about FCA qualifications. To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

Easterfield (EA) - FCA/Education/Law Kelburn Office

The Kelburn Campus Office for the Faculties of Commerce and Administration, Education and Law is situated in the Easterfield Building - it includes the ground floor reception desk (EA005) and offices 125a to 131 (Level 1). The office is available for the following:

- Duty tutors for student contact and advice.
- Information concerning administrative and academic matters.
- Forms for FCA Student and Academic Services (e.g. application for academic transcripts, requests for degree audit, COP requests).
- Examinations-related information during the examination period.

To check for opening hours call the Student and Academic Services Office on (04) 463 5376.

General University Policies and Statutes

Students should familiarise themselves with the University's policies and statutes, particularly the Assessment Statute, the Personal Courses of Study Statute, the Statute on Student Conduct and any statutes relating to the particular qualifications being studied; see the Victoria University Calendar available in hard copy or under 'About Victoria' on the VUW home page at www.vuw.ac.nz.

Student 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 are to be taken if there is a complaint. For information about complaint procedures under the Statute on Student Conduct, contact the Facilitator and Disputes Advisor or refer to the statute on the VUW policy 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; class representatives may be able to help you in this. If you are not satisfied with the result of that meeting, see the Head of School or the relevant Associate Dean; VUWSA Education Coordinators are available to assist in 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 at 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. The University defines plagiarism as follows:

The presentation of the work of another person or other persons as if it were one's own, whether intended or not. This includes published or unpublished work, material on the Internet and the work of other student or staff.

It is still plagiarism even if you re-structure the material or present it in your own style or words.

Note: It is however, perfectly acceptable to include the work of others as long as that is acknowledged by appropriate referencing.

Plagiarism is prohibited at Victoria and is not worth the risk. Any enrolled student found guilty of plagiarism will be subject to disciplinary procedures under the Statute on Student Conduct and may be penalised severely. Consequences of being found guilty of plagiarism can include:

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

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 Impairments

The University has a policy of reasonable accommodation of the needs of students with disabilities. The policy aims to give students with disabilities the same opportunity as 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, 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 (DSS) to discuss your individual needs and the available options and support on a confidential basis. DSS are located on Level 1, Robert Stout Building, telephone (04) 463 6070, email disability@vuw.ac.nz. The name of your School's Disability Liaison Person is in the relevant prospectus or can be obtained from the School Office or DSS.

Student Support

Staff at Victoria want students to have positive learning experiences at the University. Each Faculty has a designated staff member who can either help you directly if your academic progress is causing you concern, or quickly put you in contact with someone who can. Assistance for specific groups is also available from the Kaiwawao Māori, Manaaki Pihipihinga or Victoria International.

In addition, the Student Services Group (email student-services@vuw.ac.nz) is available to provide a variety of support and services. Find out more at www.vuw.ac.nz/st_services/.

VUWSA employs 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 (tel. (04) 463 6983 or (04) 463 6984, email education@vuwsa.org.nz) is located on the ground floor, Student Union Building.

Manaaki Pihipihinga - Māori and Pacific Mentoring Programme (Faculty of Commerce and Administration)

This is a mentoring service for Māori and Pacific students studying at all levels. Weekly one hour sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade, and Room 210 and 211, Level 2, Railway West Wing. Sessions cover drafting and discussing assignments, essay writing, and any questions that may arise from tutorials and/or lectures. A computer suite networked to Cyber Commons is available for student use.

To register with Manaaki Pihipihinga, please contact one of the following:

Puawai Wereta
Room 210, Level 2
Railway West Wing
Tel. (04) 463 8997
Email: Puawai.Wereta@vuw.ac.nz

Fa'afai Seiuli
Room 109 B
14 Kelburn Parade
Tel. (04) 463 5842
Email: Faafoi.Seiuli@vuw.ac.nz