

Victoria International Applied Finance programme
School of Economics and Finance

MMAF523 TREASURY ACCOUNTING AND TAX

Trimester 1 2008

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 sheeboon.law@ird.govt.nz

The course lecturer for Part II of the paper is Associate Professor Andrew Smith. RH620 andrew.smith@vuw.ac.nz

Block Release Times

Block 1 9:30am Saturday, April 19th – 12:30pm Monday, April 21st, 2008
Block 2 9:30am Monday, June 9th – 12:30pm Wednesday, June 11th, 2008

The final test for block release 1 will be held on Monday, 21 April, 2008 and the final test for the block 2 release will be held on Wednesday 11th June, 2008. A detailed schedule of each block release course will be supplied closer to the April and June sessions. **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 provide an understanding of the roles that disclosure standards play in the reporting of financial instruments and the salient features of NZ IFRS 7.
- To evaluate the effectiveness of the current reporting framework for financial instruments and its ongoing challenges, for example, in dealing with ‘de-recognition’ and in accounting for synthetics.
- 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 cover show 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 course: Part I—Accounting Issues: provided with your course folder beginning of first trimester.

Part II— Tax Issues: will be provided during March. Students will need to begin reading this material **before** the first block release in April since the time available between the first and second block releases is significantly shorter than the time period leading up to the first block course.

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 handheld or laptop computers.

Assessment Requirements

To pass, a student must obtain an average mark of at least 50% over total course assessment. 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 (30% each). Please bring your calculator.	60%
Assignments:	Two major assignments that count together for 40%. <u>The first assignment (20%) is due Thursday, 3rd April, 2008.</u> <u>The second assignment (20%) is due Thursday 22nd May, 2008.</u>	40%
Total Assessment:		<hr/> 100%

Penalties

Each of the 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, one week after the due date for each assignment, after which no assignment can be accepted. The 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.

Communication of Additional Information

Additional information including assignment questions, details of the block course schedule, feedback on course assessments, etc will be provided primarily via Blackboard (<http://blackboard.vuw.ac.nz/>) and possibly also by email and post. Students are responsible for ensuring that the VIAF administrator, (email: viaf-programme@vuw.ac.nz), has their up to date email and postal addresses, as well as ensuring your details are correct on Student Records.

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 Programme 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 on the ground floor (EA005). This counter is the first point of contact for:

- 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.

Notice of Turnitin Use

Student work provided for assessment in this course may be checked for academic integrity by the electronic search engine <<http://www.turnitin.com>>. Turnitin is an on-line plagiarism prevention tool which identifies material that may have been copied from other sources including the Internet, books, journals, periodicals or the work of other students. Turnitin is used to assist academic staff in detecting misreferencing, misquotation, and the inclusion of unattributed material, which may be forms of cheating or plagiarism. *At the discretion of the School, handwritten work may be copy typed by the School and subject to checking by Turnitin.* You are strongly advised to check with your tutor or the course coordinator if you are uncertain about how to use and cite material from other sources. Turnitin will retain a copy of submitted materials on behalf of the University for detection of future plagiarism, but access to the full text of submissions will not be made available to any other party.

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 or go to www.victoria.ac.nz/home/about/policy/students.aspx

For information on the following topics, go to the Faculty's website www.victoria.ac.nz/fca under Important Information for Students:

- Academic Grievances
- Student and Staff Conduct
- Meeting the Needs of Students with Impairments
- Student Support

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 students 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 penalized 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:

www.victoria.ac.nz/home/studying/plagiarism.html

Manaaki Pihipihinga Programme

Manaaki Pihipihinga is an academic mentoring programme for undergraduate Māori and Pacific students in the Faculties of Commerce and Administration, and Humanities and Social Sciences. Sessions are held at the Kelburn and Pipitea Campuses in the Mentoring Rooms, 14 Kelburn Parade (back courtyard), Room 109D, and Room 210, Level 2, Railway West Wing. There is also a Pacific Support Coordinator who assists Pacific students by linking them to the services and support they need while studying at Victoria. Another feature of the programme is a support network for Postgraduate students with links to Postgraduate workshops and activities around Campus.

For further information, or to register with the programme, email manaaki-pihipihinga-programme@vuw.ac.nz or phone (04) 463 6015. To contact the Pacific Support Coordinator, email pacific-support-coord@vuw.ac.nz or phone (04) 463 5842.