

VICTORIA INTERNATIONAL APPLIED FINANCE PROGRAMME  
School of Economics and Finance

# **MMAF 523 TREASURY ACCOUNTING AND TAX**

Trimester Two 2009

## **COURSE OUTLINE**

### **Contact Details**

The course coordinator is Dawn Lorimer. RoomRH306. Preferred contact is by email. Email address: [dawn.lorimer@vuw.ac.nz](mailto:dawn.lorimer@vuw.ac.nz)

The course lecturer for Part I of the paper is Dr. Shee Boon Law [sheeboonlaw@hotmail.com](mailto:sheeboonlaw@hotmail.com)

The course lecturer for Part II of the paper is Associate Professor Andrew Smith. RH620  
[andrew.smith@vuw.ac.nz](mailto:andrew.smith@vuw.ac.nz)

### **Trimester Dates**

**Study and Teaching Period:** Monday 13 July to Monday 19 October 2009

### **Block Release Times**

Block Release 1: 9:30am Saturday, 22 August – 12:30pm Monday, 24 August, 2009;  
Block Release 2: 9:30am Saturday, 17 October – 12:30pm Monday 19 October, 2009.

A detailed schedule of each block release course will be supplied closer to the block releases. The final test for block release 1 will be held on Monday, 24 August, 2009 and the final test for the block 2 release will be held on Monday 19 October, 2009.

Attendance for all sessions of both block releases is compulsory.

**Withdrawal dates:** Information available via

<http://www.victoria.ac.nz/home/admisenrol/payments/withdrawalsrefunds.aspx>

### **Course Objectives**

1. To examine the potential implications of treasury operations on the reported financial performance and financial position of a firm.
2. To examine a variety of equity and debt instruments (including some hybrid instruments like preference shares and convertible notes)

3. To provide an understanding of the accounting problems associated with hybrid instruments and how current accounting treatment deals with these problems, and to explore other approaches.
4. To examine the main features of the current accounting system for simple derivative instruments, such as forwards, futures, options and swaps,
5. when they are designated as a fair value hedge;
6. when they are designated as a cash flow hedge; and
7. when they are not designated as a hedge.
8. 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.
9. 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.
10. To provide a basic overview of the New Zealand income tax regime.
11. 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 nonresident taxpayers.
12. To provide a basic understanding of the differences in the taxation of debt and equity in New Zealand.
13. 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 objectives 1-9 will be assessed in the first test and first assignment. Course objectives 10-13 will be assessed in the second test and second assignment.

### **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 and how companies manage these risks using derivative instruments. This part also explores the financial reporting problems arising from the use of derivative instruments. The current accounting treatment for forward contracts, futures, options and swaps is studied along with the roles of disclosure standards in the reporting of financial instruments. Part I finishes 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 financial arrangement rules, including their scope, key definitions, the relationship of the rules with the rest of the Income Tax Act and the treatment of nonresidents. The third section of Part II covers how financial arrangements are to be accounted for under the financial arrangement 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 financial arrangement rules is the provision for binding determinations. A detailed analysis of key determinations will be made including worked examples. Particular emphasis will be placed upon two determinations that apply to financial arrangements and forward exchange contracts denominated in a foreign currency.

## Course Delivery

MMAF523 will be delivered in Block Release format.

## 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 readings at the beginning of the second trimester. Part II– Tax Issues: will be provided during 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 handheld or laptop 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 (30% each). Please bring your calculator. **60%**

**Assignments:** Two major assignments that count together for 40%. **40%**

**The first assignment (20%) is due Monday 10<sup>th</sup> August, 2009.**

**The second assignment (20%) is due Friday 9<sup>th</sup> October 2009.**

**Total Assessment: 100%**

*Note: Your assessed work may also be used for quality assurance purposes, such as to assess the level of achievement of learning objectives as required for accreditation and audit purposes. The findings may be used to inform changes aimed at improving the quality of FCA programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.*

## 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

To pass, a student 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 via Blackboard, email or by post. Students are responsible for ensuring that the VIAF administrator, (email: [viaf-programme@vuw.ac.nz](mailto:viaf-programme@vuw.ac.nz) ), has their up to date email and postal addresses, and for regularly (at least once a week) logging into Blackboard for information updates.

**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](mailto: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.

### **Use of Turnitin**

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 compares submitted work with a very large database of existing material. At the discretion of the Head of School, handwritten work may be copy-typed by the School and subject to checking by Turnitin. 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.

**For the following important information follow the links provided:**

### **Academic Integrity and Plagiarism**

<http://www.victoria.ac.nz/home/study/plagiarism.aspx>

**General University Policies and Statutes**

<http://www.victoria.ac.nz/home/about/policy/academic.aspx>

**Faculty of Commerce and Administration Offices**

<http://www.victoria.ac.nz/fca/studenthelp/Contactus.aspx>

**Manaaki Pihipihinga Programme**

[http://www.victoria.ac.nz/st\\_services/mentoring/](http://www.victoria.ac.nz/st_services/mentoring/)