

VICTORIA INTERNATIONAL APPLIED FINANCE PROGRAMME
School of Economics and Finance

MMAF 523 TREASURY ACCOUNTING AND TAX

Trimester One 2011

COURSE OUTLINE

Names and 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 sheeboonlaw@hotmail.com

The course lecturer for Part II of the paper is Associate Professor Andrew Smith. His office is RH620 and his email address is andrew.smith@vuw.ac.nz. Tel: 463 6707

Trimester Dates

Study/Teaching Period: Monday 28th February – Thursday 9th June

Withdrawal from Course

Your fees will be refunded if you withdraw from this course on or before 11 March 2011.

Class Times and Room Numbers

Block Release 1: 9:00 am, 26 April – 12:30 pm 28 April, 2011;

Block Release 2: 9:30 am Tuesday 7th June – 12:30 pm Thursday 9th June, 2011.

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 Thursday, 28 April, 2011 and the final test for the block 2 release will be held on Thursday 9th June, 2011.

Attendance for all sessions of both block releases is compulsory.

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 covers the taxation of financial instruments in New Zealand. In this part of the course there is an introduction to the New Zealand income tax regime 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 non residents. The third section of Part II examines how financial arrangements are to be accounted for under the financial arrangement rules, including the “Base Price Adjustment” calculation as well as related issues such as bad debts and capital losses, the forgiveness of debt. Finally the role of binding determinations will be examined as well as international tax issues with financial instruments and the taxation of equity securities in New Zealand.

Course Learning 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)
- 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.
- 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.
- 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 financial arrangement rules applying to the taxation of financial arrangements in New Zealand for both resident and nonresident 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.
- To explain how non-residents are taxed in New Zealand on any financial arrangements they are a party to here.
- To briefly examine how equity securities are taxed in New Zealand.

Course Delivery

The contact hours of the course will be during the two block releases detailed above. During the rest of the trimester, students will be expected to be engaged in self directed study using their printed notes and material posted on Blackboard, and completing assignments which will be posted on Blackboard.

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 at the beginning of first trimester.

Part II– Tax Issues: will be provided during April. 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

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 (30% each). Please bring your calculator.	60%
Assignments: Two major assignments that count together for 40%. The first assignment (20%) is due Monday 11th April, 2011. The second assignment (20%) is due Thursday 26th May, 2011.	40%
Total Assessment:	100%

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.

Class Representative

A class representative will be elected in the first class, and that person's name and contact details made available to VUWSA, the Course Coordinator and the class. The class representative provides a communication channel to liaise with the Course Coordinator on behalf of students.

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), 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.

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

Find key dates, explanations of grades and other useful information at www.victoria.ac.nz/home/study.

Find out about academic progress and restricted enrolment at www.victoria.ac.nz/home/study/academic-progress.

The University's statutes and policies are available at www.victoria.ac.nz/home/about/policy, except qualification statutes, which are available via the Calendar webpage at www.victoria.ac.nz/home/study/calendar (See Section C).

Further information about the University's academic processes can be found on the website of the Assistant Vice-Chancellor (Academic) at

www.victoria.ac.nz/home/about_victoria/avcacademic/default.aspx

AVC (Academic) Website: information including: Conduct, Academic Grievances, Students with Impairments, Student Support

http://www.victoria.ac.nz/home/about_victoria/avcacademic/Publications.aspx

Faculty of Commerce and Administration Offices

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

Manaaki Pihipihinga Programme

http://www.victoria.ac.nz/st_services/mentoring/