

School of Economics and Finance

MMAF 523 TREASURY ACCOUNTING AND TAX

Trimester 2 2012

COURSE OUTLINE

Names and Contact Details

The course lecturer for Part I of the paper is Dr. Shee Boon Law, Email: sheeboonlaw@hotmail.com.

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

The Course Coordinator is Dawn Bowden, room RH 306, Email: dawn.bowden@vuw.ac.nz. The Course (and VIAF) Administrator is Anna Potts, room RH307, Email: viaf-programme@vuw.ac.nz.

Trimester Dates

From Monday, 16 July to Sunday, 4 November 2012.

Withdrawal from Course

1. Your fees will be refunded if you withdraw from this course on or before Friday 27 July 2012.
2. The standard last date for withdrawal from this course is Friday 28 September. After this date, students forced to withdraw by circumstances beyond their control must apply for permission on an '*Application for Associate Dean's Permission to Withdraw Late*' including supporting documentation

The application form is available from either of the Faculty's Student Customer Service Desks.

Class Times and Room Numbers

Block release 1: 9am August 28th – 12:30pm August 30th.

Block release 2: 9am November 2nd – 12:30pm November 4th.

All classes will take place in AM102/104. A detailed schedule of each block release course will be supplied closer to the block releases.

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 covers 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, and relationship with the rest of the Income Tax. 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” and related issues such as bad debts and capital losses, forgiveness of debt. The role of binding determinations in the financial arrangement rules is examined along with a detailed analysis of key determinations. Finally the tax treatment of non-resident investors and of portfolio equity investment is covered.

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 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 and how portfolio equity is taxed.
- 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 Delivery

The course will be delivered in two block releases.

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 second trimester.

Part II– Tax Issues: the course readings will be provided at the end of the first block release.

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: Two tests - at the end of each block release (30% each) **60%**

Assignments: Two assignments (20% each) **40%**

Assignment One -due midnight, Wednesday, 15 August, 2012

Assignment Two - due midnight, Wednesday, 10 October 2012

Total Assessment: 100%

Quality Assurance 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.

Examinations

There are no examinations for this course.

Penalties

Each of the assignments will be marked out of a maximum that diminishes by 5% for every day late. The date of submission shall be taken as the date of delivery. Please carefully read the assignment guidelines for details of how assignments should be submitted. There will be a final

cut off date, one week after the due date for each assignment, after which no assignment can be accepted.

Mandatory Course Requirements

In order to meet the mandatory requirements of the course a student must:

- attend all sessions of both block release courses;
- submit both of the assignments for grading; *and*
- sit the tests scheduled at the end of each block release.

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 <http://www.victoria.ac.nz/home/study/academic-progress.aspx>

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 <http://www.victoria.ac.nz/home/study/calendar.aspx> (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 Office

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

Te Putahi Atawhai

Maori and Pacific Mentoring Programme

<http://www.victoria.ac.nz/tpa/>