

VICTORIA INTERNATIONAL APPLIED FINANCE PROGRAMME  
School of Economics and Finance

**MMAF 523 TREASURY ACCOUNTING AND TAX**

Trimester 1, 2014

**COURSE OUTLINE**

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**Names and Contact Details**

The course coordinator is Dawn Lorimer. Room RH 306. Preferred contact is by email at: [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. He can be contacted by email at: [sheeboonlaw@hotmail.com](mailto:sheeboonlaw@hotmail.com)

The course lecturer for Part II of the paper is Associate Professor Andrew Smith. He can be contacted by email at: [andrew.smith@vuw.ac.nz](mailto:andrew.smith@vuw.ac.nz) (Note: Associate Professor Smith is not available on campus prior to the second block release.)

**Trimester Dates**

The study and assessment period is Monday 1<sup>st</sup> March – Wednesday 11<sup>th</sup> June 2014.

**Withdrawal from Course**

1. Your fees will be refunded if you withdraw from this course on or before Friday 14<sup>th</sup> March 2014.
2. The standard last date for withdrawal from this course is Friday 6<sup>th</sup> June. 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:** Tuesday 29 April 9:00am – Thursday 1 May 2014 12:30pm

**Block Release 2:** Tuesday 10 June 9:00am – Thursday 12 June 2014 12:30pm

A detailed schedule of each block release course will be supplied closer to the respective sessions. Classes will take place at the Kelburn Campus – please see the schedule for details.

### **Course Delivery**

The course will be taught using a block release format in two parts. Students will be provided with written course materials in advance of each block release which are to be used to complete an assignment prior to the block release. During the block release further practical questions will be covered in preparation for a test scheduled at the end of the release.

### **Expected Workload**

Expected workload for this course is 200 hours.

### **Prescription**

Accounting for treasury (wholesale financial) instruments, including debt, equity and hybrids, forward contracts, futures, options and swaps, disclosure and reporting issues, and the fair value approach. Tax issues and treatment of such instruments arising under the financial arrangement rules including the base price adjustment along with an analysis of the key determinations applying to financial arrangements.

### **Course Learning 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,
  - i. when they are designated as a fair value hedge;
  - ii. when they are designated as a cash flow hedge; and
  - iii. when they are not designated as a hedge.
5. To provide an understanding of the roles that disclosure standards play in the reporting of financial instruments.
6. 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.
7. To provide a basic overview of the New Zealand income tax regime.
8. To provide students with a comprehensive understanding of the financial arrangement rules in New Zealand for both resident and non-resident taxpayers.
9. To provide a basic understanding of the differences in the taxation of debt and equity in New Zealand and how portfolio equity is taxed.
10. 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**

The course 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 1 finishes with an evaluation of the current fair value measurement system.

Part II will start with an introduction to the New Zealand income tax regime. This will be 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 financial arrangement 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 will be examined along with a detailed analysis of key determinations. Finally the tax treatment of non-resident investors and of portfolio equity investment will be covered.

### **Readings**

A detailed set of course notes is provided for each half of MMAF 523: Part I –Accounting Issues: provided with your course folder beginning of first trimester.

Part II – Tax Issues: Course materials will be issued to students by mid-April. Students will need to begin reading this material **before** the first block release in late 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**

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.

#### **Learning Objectives**

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

**Assignment One 20% Monday 14 April**

**2, 3**

**Assignment Two 20% Friday 23 May**

**8, 9, 10**

**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 One: 30% Thursday 1 May**

**2, 3, 4, 5, 6**

**Test Two: 30% Thursday 12 June**

**8, 9, 10**

**Total Assessment: 100%**

Note: From Trimester 1, 2014, a revised Assessment Handbook will apply to all VUW courses: see <http://www.victoria.ac.nz/documents/policy/staff-policy/assessment-handbook.pdf>.

In particular, there will be a new grade scheme, in which the A+ range will be 90-100% and 50-54% will be a C-.

## **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. 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.

## **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 submitted to Turnitin. A copy of submitted materials will be retained 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.

## **Mandatory Course Requirements**

Attendance at *both* block releases.

If you have, or become aware of, any health condition that could prevent your 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) and copy the email to [viaf.programme@vuw.ac.nz](mailto:viaf.programme@vuw.ac.nz)

If you cannot complete an assignment or sit a test or examination, refer to [www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat](http://www.victoria.ac.nz/home/study/exams-and-assessments/aegrotat)

## **Communication of Additional Information**

Additional information including assignment questions, details of the block course schedule, feedback on course assessments, etc will be provided online via Blackboard. Students are responsible for logging onto Blackboard regularly to check for any updates or announcements, and for ensuring that the VIAF Senior Administrator has their up to date email and postal addresses. [Viaf-programme@vuw.ac.nz](mailto:Viaf-programme@vuw.ac.nz).

## **Student feedback**

Student feedback on University courses may be found at [www.cad.vuw.ac.nz/feedback/feedback\\_display.php](http://www.cad.vuw.ac.nz/feedback/feedback_display.php)

## **Link to general information**

For general information about course-related matters, go to <http://www.victoria.ac.nz/vbs/studenthelp/general-course-information>

## **Note to Students**

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 academic audit. The findings may be used to inform changes aimed at improving the quality of VBS programmes. All material used for such processes will be treated as confidential, and the outcome will not affect your grade for the course.

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