Year Ending 31 March	1991	1992
Payment at period end—		
by issuer (B)	$70,000	$70,000
by holder (C)	–	–
Days from 31/3 to 15/5	45	45
N = 365/45	8.11111	8.11111
F = R/(100 × N)	0.02001	0.02001
R = 16.2308		
Present Value = $\dfrac{(A + B - C)}{(1 + F)}$	$1,020,887	$1,038,895

Note: See Example A in Determination G10B: Present Value Calculation Methods for these present values.

(c) The following schedule may then be constructed, showing the income in respect of each Income Year—

Income Year Ending 31 March	Present Value at Year End (a) or (d) $	Payment by Holder (b) $	Payments by Issuer (c) $	Income Earned by Holder
1991	1,020,887	1,012,500	–	8,387 (i)
1992	1,038,895	–	140,000	158,008 (ii)
1993	–	–	1,140,000	101,105 (iii)
				$267,500

Note: (i) $1,020,887 − $1,012,500 = $8,387

(ii) $1,038,895 − $1,020,887 + $140,000 = $158,008

(iii) Calculated using the formula for the base price adjustment in section 64F (2) of the Act:

a − (b + c)

Where

a = $70,000 + $70,000 + $70,000 + $1,070,000 = $1,280,000, the sum of all amounts payable to the holder, and

b = $1,012,500, the acquisition price, and

c = $8,387 + $158,008 = $166,395, the amount of income derived to date by the holder.

Note that this is confirmed by extending the same calculation procedure used for 1991 and 1992, into 1993 as follows:

a = 0, the Present Value at the end of the 1993 Income Year.

b = 0

c = $1,140,000, the payments by the issuer in the year.

d = $1,038,895, the Present Value at the previous balance date.

Hence

a − b + c − d = $101,105.

(2) *Example B*

(a) This example is also similar to that in Determination G3: Yield to Maturity Method (except for the dates).

On 12 March 1991 a holder acquires for $1,012,500 the right to receive the following income:

	$
15 May 1991	70,000
15 November 1991	70,000
15 May 1992	70,000
15 November 1992	1,070,000
Total	$1,280,000

The holder balances on 31 March. All amounts are in New Zealand currency.

This income would be typical of a New Zealand Government Stock with a 14% coupon maturing 15 November 1992.

Under Method B of calculating the Present Value of a financial arrangement, it is calculated that the Annual Yield To Maturity Rate is 16.265%. This is the interest rate at which the Present Value of payments due after 12 March 1991 is equal to $1,012,500. See the footnote to this Example B for details of calculation using the HP-12C calculator.

(b) The present values at the end of each Income Year are calculated using Method B of Determination G10B: Present Value Calculation Methods. The method is the same as that adopted by the International Association of Bond Dealers and used in the HP-12C and similar calculators.

The calculation of present values in Example B may be made using the BOND PRICE function on the HP-12C (or equivalent) calculator. The following steps reproduce the "Present Value at year end" for the Income Year ending 31 March 1991:

Specified rate	16.265	(g) (D.MY) (i)	
Coupon % pa	14	(PMT)	
Value date	31.031987	(ENTER)	
Maturity date	15.111988	(f) (PRICE)	96.824919
Add accrued interest		(+)	102.084588

which is the per $100 nominal price corresponding to $1,020,846.

(c) The following schedule may then be constructed:

Income Year Ending 31 March	Present Value at Year End $	Payment by Holder $	Payments by Issuer $	Income Earned by Holder $
1991	1,020,846	1,012,500	–	8,346 (i)
1992	1,039,241	–	140,000	158,395 (ii)
1993	–	–	1,140,000	100,759 (iii)
Total				$267,500

Note: (i) $1,020,846 − $1,012,500 = $8,346

(ii) $1,039,241 − $1,020,846 + $140,000 = $158,395

(iii) Calculated using the formula for the base price adjustment in section 64F (2) of the Act:

a − (b + c)

Where

a = $70,000 + $70,000 + $70,000 + $1,070,000 = $1,280,000, the sum of all amounts payable to the holder,

b = $1,012,500, the acquisition price, and

c = $8,346 + $158,395 = $166,741, the amount of income derived to date by the holder.

Note that this is confirmed by extending the same calculation procedure used for 1991 and 1992, into 1993 as follows:

a = 0, is the Present Value at the end of the 1993 Income Year.

b = 0

c = $1,140,000, are the payments by the issuer in the year.

d = $1,039,241, is the Present Value at the previous balance date.

Hence

a − b + c − d = $100,759.

Footnote: The calculations may be made using the BOND PRICE function on the HP-12C (or equivalent) calculator.