Method, G11A: Present Value Based Yield to Maturity Method or any other determination that may apply, or an alternative method producing not materially different results.

The yield of the financial arrangement is 12.22735 percent. The only cashflow excluded from the yield calculation (as the amount of the core acquisition price attributable to the excepted financial arrangement is zero) is non-contingent fees of $100,000. The deductibility of this amount is governed by ordinary (non-accrual) income tax rules.

Using Determination G3 the following table can be constructed:

Period Ending	*Principal Outstanding* $	*Expenditure in Respect of Period* $	*Payments Made at End of Period* $
28/10/91	99,000,000	6,075,382	6,000,000
28/4/92	99,089,885	6,080,008	6,000,000
28/10/92	99,168,645	6,084,918	6,000,000
28/4/93	99,252,237	6,090,129	6,000,000
28/10/93	99,340,957	6,095,660	6,000,000
28/4/94	99,435,119	6,101,531	6,000,000
28/10/94	99,535,058	6,107,761	6,000,000
28/4/95	99,641,128	6,114,374	6,000,000
28/10/95	99,753,705	6,121,393	6,000,000
28/4/96	99,873,187	6,128,844	106,000,000
		61,000,000	160,000,000

Expenditure is spread between income years in accordance with Determination G1A: Apportionment of Income and Expenditure on a Daily Basis.

In the year ended 31 March 1997 the base price adjustment is calculated—

a = amount of all consideration that has been paid—
= $100,000,000 + $60,000,000 + $1,100,000
= $161,100,000
b = acquisition price determined in accordance with The Act and clause 6 (4) of this determination
= $100,100,000
c = expenditure incurred less income derived in previous income years
= $60,062,254 − 0
a − (b + c) = $937,746 which being a positive amount is expenditure incurred by the issuer in the final income year.

(b) An institution purchases $50,000 worth of XYZ Limited notes at issue on the 28th day of April 1991.

The institution is a "holder" for the purposes of the accruals legislation.

The core acquisition price of the parcel of notes determined in accordance with section 64BA (1) (d) (i) is $50,000.

The present value of the cashflows discounted at a Specified Rate of 10 percent using Method A, Determination G10B is $53,860. The amount of the core acquisition price attributable to the option to acquire shares is zero determined in accordance with clause 6 (1) of this determination. Note that the result is zero due to the operation of the proviso in clause 6 (1):

$$y - s = 0$$
$$y = \$50,000$$
$$s = \$53,860$$

The yield to maturity of the arrangement is 12 percent. This rate is used to calculate income derived from holding the Convertible Notes in accordance with Determination G3: Yield to Maturity Method. Income derived is spread between income years in accordance with Determination G1A.

In the final period the base price adjustment is calculated—

a = all consideration paid to the person
= $50,000 + $30,000
b = acquisition price determined in accordance with The Act and clause 6 (4) of this determination
= $50,000
c = income derived less expenditure incurred in previous income years
= $29,541 − 0
a − (b + c) = $459

As this is a positive amount it is income derived by the holder of the Convertible Notes in the final income year.

(c) A cash basis holder buys $1,000 of XYZ Limited notes at issue.

The cash basis holder accounts for income from the investment on a cash basis. Income is therefore equal to the coupon interest received in any year.

When the note matures, or is sold, the cash base price adjustment is calculated and the amount of the core acquisition price attributed to the excepted financial arrangement needs to be known. In this case the amount attributed to the excepted financial arrangement is zero, as the present value of the cashflows ($1,077) is greater than the core acquisition price ($1,000) determined in accordance with section 64BA (1) (d) (i) of The Act.

There were no non contingent fees therefore the acquisition price for the purposes of the cash base price adjustment is $1,000.

Where the notes are held to maturity the Cash Redemption Amount, which is part of all consideration received by the holder for the purposes of the base price adjustment, is $1,000. It makes no difference whether the shares or the cash is taken as any excess in the value of the shares over the Cash Redemption Amount is attributed to the excepted financial arrangement.

The base price adjustment is calculated:

a = sum of all consideration derived
= $1,000 + $600
b = acquisition price
= $1,000
c = income derived in previous income years
= $540
a − (b + c) = $60 which being a positive amount is income derived in the income year.

(d) A parcel of 50 000 XYZ Limited Convertible Notes is sold by an institution on the sharemarket on 28 April 1993 at an ex interest price of $1.10 per note to Company K ("the new holder"). The notes were purchased by the institution at issue on 28 April 1991 for $50,000.

The like term Government Stock rate on 28 April 1993 determined in accordance with Determination G23: Specified Rate and Determination G13A: Prices and Yields is 13 percent.

(i) Company K, the buyer of the notes and "new holder", would use The Act and determinations to account for income derived from the convertible notes in each income year for which they are held.

The core acquisition price of the Convertible Notes, being the value of all consideration provided by the holder, is $56,000, that being the price of the Convertible Notes, $55,000, plus brokerage paid of $1,000 determined in accordance with section 64BA (1) (d) (i) of The Act.

The present value of the cashflows is determined in accordance with Method A, Determination G10B with variables:

$$R = 13.0\%$$
$$N = 2$$
$$F = 0.065$$

The Specified Rate, R, is selected using Determination G23: Specified Rate.