as including a reference to any fresh determination made by the Commissioner to vary, rescind, restrict, or extend that determination.

6. *Method*—(1) For the purpose of paragraph (iii) of the definition of "u" in section 64BA (1) (b) of the Act, the discounted value of the amounts payable for the specified goods or services in relation to any person shall be the amount of New Zealand dollars equal in value to the present value as at the supply date of amounts payable to or, as the case may be, by the person for the specified goods or services after the supply date.

(2) For the purposes of this determination, the present value as at supply date of amounts payable shall be calculated, using the interest rate determined under subclause (3) (a), or (b), or clause (4), as appropriate, and an acceptable present value calculation method. The present value so calculated is the amount "u" to be used to determine the core acquisition price.

(3) In the first income year in which a person is a party to and derives income or incurs expenditure in respect of a trade credit, the annual rate of interest at which the present value of the amounts payable is required to be calculated shall be, at the option of the person, either—

(a) The interbank offer rate for the base currency and the term of the trade credit at supply date of the specified goods or services, being a market yield determined in a manner consistent with Determination G13: Prices or Yields; or

(b) A rate derived by—

(i) Converting the amount of the final payment from the base currency to New Zealand currency at the forward exchange rate for a term similar to the term of the trade credit and ascertained as at the supply date of the specified goods or services; and

(ii) Calculating the present value of the amount thus calculated, using an acceptable present value calculation method and—

(A) Where the term of the trade credit is 12 months or less, the yield for bank bills of a similar term to the term of the trade credit;

(B) In any other case the yield for New Zealand Government Stock of a similar term to the term of the trade credit—

The rate being determined as at the supply date of the specified goods or services and determined according to Determination G13: Prices or Yields; and

(iii) Converting the amount thus calculated to the base currency at the spot rate for the currency on the supply date of the specified goods or services; and

(iv) Calculating the base currency interest rate R for the purposes of applying method A in Determination G10: Present Value Calculation Methods such that, if the said method A were applied to the final payment over the term of the trade credit, the present value so calculated would be equal to the amount calculated in sub-paragraph (iii) of this paragraph—

and for this purpose the exchange rate and the forward exchange rate are to be determined in accordance with Determination G6A: Foreign Exchange Rates—

And in all subsequent income years during the term of the trade credit the annual rate of interest for that purpose in respect of the trade credit shall be the rate first used in respect of the trade credit pursuant to this subclause.

(4) Where an amount payable is expressed in a foreign currency and is required to be converted to New Zealand dollars Determination G6A: Foreign Currency Rates shall be used. If the base currency is not approved in Determination G6A: Foreign Currency Rates, a spot rate at which an arm's length dealing would be expected to take place at the supply date shall be used.

(5) The core acquisition price shall be used to determine the acquisition price of a trade credit in accordance with sections 64BA (2) and (3) of the Act.

(6) Income derived or expenditure incurred in relation to a trade credit shall be calculated as if the value of the specified goods or services were equal to the amount of the core acquisition price using the yield to maturity method and Determination G9A: Financial Arrangements that are Denominated in a Currency or Commodity other than New Zealand Dollars. For this calculation the acquisition price shall be expressed in the base currency.

(7) For the purposes of the base price adjustment, the acquisition price of the trade credit shall be converted to New Zealand dollars at the spot rate as at the supply date of the specified goods or services.

7. *Example*—(A) Calculation where foreign interbank interest rate ascertained.

A trade credit is entered into on 1 December 1988. Under the trade credit, goods supplied on 17 February 1989 are to be paid by $400,000 USD on 14 July 1989. The term of the trade credit (period from day after supply date to final payment date) is therefore 147 days.

For the purposes of calculating income derived or expenditure incurred and the base price adjustment it is necessary to calculate the core acquisition price.

The US dollar interbank offer rate (LIBOR or SIBOR) on 17 February 1989 for 147 days is 9.625% ascertained using a method consistent with Determination G13: Prices or Yields.

Foreign currency spot rates ascertained in accordance with Determination G6A: Foreign Currency Rates, for various dates are:

17 February 1989	0.6300
31 March 1989	0.6250
14 July 1989	0.6400

In this case, the purchaser is the "issuer" for purposes of the accruals legislation.

Method A of Determination G10: Present Value Calculation Methods, is applied to calculate the present value as at 17 February 1989 (the "specified date") as follows—

A = 0
B = US$400,000 (payable by the issuer or receivable by the holder)
C = 0 (payable by the holder or receivable by the issuer)
R = 9.625% (the specified rate)
N = 365/147
= 2.48299

$$F = \frac{R}{100 \times N}$$

= 0.038763

$$\text{Present value} = \frac{A + B - C}{1 + F}$$

= US$385,073

This is converted into NZD at supply date using the spot rate of USD/NZD .6300 = NZ$611,227 and is the amount "u" for the purposes of calculating the core acquisition price.

For purposes of recognizing income derived or expenditure incurred in relation to the trade credit Determination G3 is used, where R=9.625%, N=2.48299, and F=0.038763 and the acquisition price is US$385,073. The expense for the period 17 February to 14 July is therefore US$400,000 − $385,073 = US$14,927. This is apportioned between periods using Determination G1A as follows:

1988/89	42 days	US$ 4,265
1989/90	105 days	US$10,662