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 deferred property settlement and ascertained as at the transfer date; 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 deferred property settlement is 12 months or less, the yield for bank bills of a similar term to the term of the deferred property settlement;

(B) In any other case the yield for New Zealand Government stock of a similar term to the term of the deferred property settlement—

the rate being determined as at the transfer date, and determined in accordance with 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 transfer date; and

(iv) Calculating the base currency interest rate R for the purposes of applying Method A of Determination G10: Present Value Calculation Methods such that, if the said Method A were applied to the final payment over the term of the deferred property settlement, the present value so calculated would be equal to the amount calculated in subparagraph (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 deferred property settlement the annual rate of interest for that purpose in respect of the deferred property settlement shall be the rate first used in respect of the deferred property settlement 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 must be used. If the base currency is in a market not approved in Determination G6A, a spot rate at which an arm's length dealing would be expected to take place on the transfer date must be used.

(5) The present value of the amounts payable together with any deposit or other amounts paid on or before the transfer date is the amount "w" to be used to calculate the core acquisition price.

(6) The core acquisition price shall be used to determine the acquisition price of a deferred property settlement in accordance with sections 64BA (2) or (3) of the Act.

(7) Income derived or expenditure incurred in relation to a deferred property settlement shall be calculated, as if the value of the specified property 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 must be expressed in the base currency.

(8) For the purposes of the base price adjustment, the acquisition price of the deferred property settlement shall be converted to New Zealand dollars at the transfer date of the specified property.

7. *Example*—(1) A commercial property is sold for US$1,400,000 under a sale and purchase agreement subject to certain repairs being made to the building. An initial deposit of $140,000 is made on 1 February 1989.

On 1 March 1989 repairs on the building are complete and the sale becomes unconditional. The balance of US$1,260,000 is due 6 months after the date possession passes.

Possession of the property passes on 15 March 1989. Therefore the term of the arrangement is 15 March 1989 to 15 September 1989—184 days.

The purchaser's balance date is 31 March.

The USD/NZD exchange rates for the various dates are—

1 February 1989	0.5600
15 March 1989	0.5800
31 March 1989	0.5750
15 September 1989	0.5700

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

(2) The US interbank offer rate on 15 March 1989 for a period of 6 months is 8.0 percent ascertained using a method consistent with Determination G13: Prices or Yields.

(3) Method A of Determination G10: Present Value Calculation Methods, is applied to calculate the present value as at 15 March 1989 (the "specified date") as follows—

$R = 8.0$ percent (the specified rate)

$N = 2$ (since the payments are at half yearly intervals)

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

$$= 0.04$$

(a) At 15 March 1989:

$A = 0$

$B = \$1,260,000$

$C = 0$

Therefore present value at 15 March 1989

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

= US$1,211,538

(b) To this total must be added US$140,000 deposit, giving a total present value of US$1,351,538, which is the item "w" used in calculating the core acquisition price.

(4) For the purposes of recognising as an expense that part of the deferred property settlement which is subject to the accruals legislation Determination G3: Yield to Maturity Method is used. It will be found that expenditure is as follows, apportioned on a daily basis in accordance with Determination G1A:

1988/89	16 days	US$ 4,214
1989/90	168 days	US$44,248

(a) At balance date the expenditure for the period is revalued in accordance with Determination G9A. Closing tax book value is $a = e + f + g - h - i$ where—

$e = 0$

$f = 0$

$g = 0$

h = US$1,351,538 (the acquisition price)

i = US$4,214 (expense incurred during year)

The closing tax book value is −US$1,355,752

Expenditure for the year is calculated in New Zealand dollars using the formula from Determination G9A of—

$a + b - c - d$ where—

a = NZ$2,357,830 (CTBV/spot rate at balance date)

b = NZ$2,330,238 (acquisition price/opening spot rate)

$c = 0$

$d = 0$