the extent of the difference in value, and correspondingly A as issuer would have incurred expenditure. As the commodity or the consideration given for the commodity is relevant under provisions of the Act other than sections 64B to 64M, and as the price at which the commodity is transferred pursuant to the Forward Commodity Purchase agreement includes an amount deemed to be income derived or expenditure incurred by the issuer or the holder, section 64L (2) of the Act will apply to determine the amount to be taken into account as the price or cost price or selling price of or capital expenditure incurred in respect of the commodity. This determination provides the method for recognising income derived or expenditure incurred in any year in respect of this financial arrangement, and allocates that income derived or expenditure incurred to the relevant monthly periods.

(2) The Base Currency Loan from C to A is a financial arrangement under which C is the holder and A is the issuer. Schedulised monthly repayments by A to C will contain elements of both capital and interest. This determination provides the method for recognising the income derived and expenditure incurred in any year under this financial arrangement.

(3) The Commodity Price Option agreement entered into between A and another party is a financial arrangement. Payment of the commodity option price in any month is accrual income to A in the month the commodity option price becomes payable. This determination provides the method for recognising income under this financial arrangement.

(4) It is assumed that the financial arrangements described above will be performed without amendment in accordance with the terms of the documents disclosed to the Commissioner prior to the issuing of this determination.

5. *Interpretation*—(1) In this determination, unless the context otherwise requires,

words and expressions shall have the same meaning as in the Act, except that, where there is a conflict between the meaning of an expression in sections 64B to 64M of the Act and the meaning of the expression elsewhere in the Act, the expression shall have the same meaning as in the said sections 64B to 64M;

"the Act" means the Income Tax Act 1976;

"Base Currency" in relation to a financial arrangement means the currency in which the rights and obligations under the financial arrangement are fixed;

"Base Currency Loan" refers to a Base Currency Loan entered into between A and C to the extent of an amount equal to the purchase price payable on 8 December 1992 by A to B under the Forward Commodity Purchase agreement;

"Commodity Price Option agreement" means the commodity price option agreement executed between A and another party on 7 December 1992 in the form disclosed to the Commissioner prior to the issuing of this determination;

"Commodity Option Price" means in respect of any month the floor price specified under the Commodity Price Option agreement for that month;

"Exchange Rate" means the price of one currency expressed in another currency;

"Forward Commodity Purchase agreement" means a document entered into between A and B for the forward purchase of commodity where payment is received at irregular periods;

"Market Price" means the index price for commodity in a recognised market calculated as the average of the spot prices for any month in which it is necessary during that month to fix a market value;

"NZD" means the currency of New Zealand;

"Purchase Price Adjustment Amount" means any payment received after the month the Forward Commodity Purchase agreement was entered into;

"Separate Agreement" means an agreement between A and B entered into on 7 December 1992 containing schedules of delivery;

"Spot Rate" means the Exchange Rate for a spot contract as defined in Determination G6D: Foreign Currency Rates; and

"Value" in respect of any obligation expressed in a Base Currency means the amount outstanding in respect of any obligation to pay or right to receive any amount of that Base Currency; and in respect of any outstanding obligation to deliver commodity, or to pay an amount equal to or calculated by reference to an outstanding obligation to deliver commodity, or the right to receive outstanding deliveries of commodity, or an amount calculated by reference to an outstanding obligation to deliver commodities, the value of those rights or obligations shall be determined by applying the market rate at the relevant time to the base quantities of commodity outstanding undelivered at that time.

(2) Any reference in this determination to another determination made by the Commissioner shall be construed as referring to any fresh determination made by the Commissioner to vary, rescind, restrict, or extend that determination.

(3) For convenience, words and phrases defined in this determination are indicated by initial capital letters, but the absence of a capital letter shall not alone imply that the word or phrases are used with a meaning different from that given by its definition.

6. *Method*—(1) In respect of the Forward Commodity Purchase agreement, the purchase price shall be apportioned to each monthly delivery of commodity by determining the proportion of the schedule amounts to be delivered in each month in accordance with a schedule to the Separate Agreement to the total base quantities of the commodity to be delivered over the 36 months and applying those proportions to the purchase price paid for those commodities in December 1992, and adding to the sum so determined the Purchase Price Adjustment Amount, if any for that month.

(2) The amount of the core acquisition price of the Forward Commodity Purchase agreement, is to be determined in accordance with sub-paragraph 64BA (1) (c) (i). In relation to the Forward Commodity Purchase agreement the "lowest price" agreed and which would be agreed by the parties in accordance with that sub-paragraph is the Market Price in the month the Forward Commodity Purchase agreement is entered into. The amount of the "lowest price" attributable to any month is an amount which bears the same proportion to the "lowest price" as the deliveries made in any month bear to the total base quantity to be delivered.

(3) The amount of income derived or expenditure incurred by A as issuer and B as holder under the Forward Commodity Purchase agreement shall be calculated in accordance with the following formula:

$$a + b + c - d - e - f$$

Where:

a = the value in NZD of the undelivered commodity calculated by reference to the market price in the month the Forward Commodity Purchase agreement was entered into plus any additional amounts which would be payable as Purchase Price Adjustment Amounts as at the beginning of the year if all deliveries were then made; and

b = the value in NZD of the amount of the commodity calculated by reference to the Market Price in the month the Forward Commodity Purchase agreement