was entered into in respect of commodity that is yet to be delivered as at the end of any year; and

c = the value in NZD of the amount of commodity delivered by reference to the Market Price in the month the Forward Commodity Purchase agreement was entered into in respect of deliveries that month and converted into NZD as at the last day of that month; and

d = the value in NZD of the amount of the commodity undelivered calculated by reference to the Market Price in the month the Forward Commodity Purchase agreement was entered into in respect of commodity that is yet to be delivered as at the beginning of any year;

e = 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 end of the year if all deliveries were then made; and

f = the proportion of the purchase price apportioned to the deliveries made during any month of the year together with any Purchase Price Adjustment Amounts payable in respect of that month converted into NZD at the last day of any month in which deliveries are made

and the amount so calculated shall:

(a) where it is a positive amount be deemed to be expenditure incurred by the holder and income derived by the issuer in the income year;

(b) where it is a negative amount be deemed to be income derived by the holder and expenditure incurred by the issuer in the income year.

(4) Where—

(a) any amount at any time is expressed in a currency other than NZD in relation to the financial arrangement; and

(b) it is necessary to convert the amount of NZD or the Base Currency or otherwise to calculate the value of the amount in NZD or the Base Currency—

the Exchange Rate for the purposes of the calculation shall be in accordance with Determination G6D.

(5) Determination G2: Requirements as to Precision shall apply to the calculation of income and expenditure under this determination.

(6) The amount of income or expenditure incurred by A under the Base Currency Loan agreement shall be calculated in accordance with the following formula:

c − f

Where:

c = the value in NZD of the amount of the principal borrowed allocated to the month of payment as at the month of payment.

f = the value in NZD as at the month of payment of the amount of consideration paid by A;

The principal borrowed is allocated to any month of payment by determining the amount of commodity to be delivered in any month as a percentage of the total commodity to be delivered, and applying that percentage to the total principal borrowed.

(7) The price at which the commodity is transferred pursuant to the Forward Commodity Purchase agreement, shall include an amount deemed to be income derived or expenditure incurred by the issuer or the holder. The amount of any income or expenditure recognised in any year in respect of the Forward Commodity Purchase agreement, shall be allocated to each month in that year in respect to which the commodity has been delivered in the same proportion as the "lowest price" referrable to deliveries in that month expressed in the Base Currency bears to the "lowest price" referrable to deliveries in that year expressed in the Base Currency. Where the "lowest price" referrable to deliveries in that month expressed in the Base Currency exceeds the proportion of the purchase price paid under that agreement referrable to that month (as calculated under subclause 6(2)), an amount of assessable income shall be deemed to have arisen under sections 64B to 64M for the purposes of section 64L (2) for the issuer, and an amount of expenditure incurred shall be deemed to have arisen under sections 64B to 64M for the purposes of 64L (2) for the holder. Where the "lowest price" referrable to deliveries in that month expressed in the Base Currency is less than the purchase price paid under the agreement attributable to that month, an amount of expenditure incurred shall be deemed to have arisen under sections 64B to 64M for the purposes of 64L (2) for the issuer, and an amount of assessable income shall be deemed to have arisen under sections 64B to 64M for the purposes of 64L (2) for the holder.

(8) Where any repayments under the Base Currency Loan would be unable to be made as a result of delays in A receiving amounts payable under the Commodity Price Option agreement, any loan to A expressed in the Base Currency on a fully fluctuating basis for the purpose of meeting the loan repayments under the Base Currency Loan will be a financial arrangement and subject, as far as possible, to the provisions of subclauses 6 (3) and 6 (4) hereof.

(9) The Commodity Price Option agreement is a financial arrangement and payments under the agreement to A shall represent income derived. Because those amounts are expressed in a Base Currency the provisions of subclauses 6 (3) and 6 (4) shall, as far as possible, apply, excepting that at the end of any year where a right to receive a sum of money has arisen and that money has not yet been paid, then for the purposes of calculating the value of any rights and obligations or of any consideration given, that value shall be ascertained at the time at which the right or obligation to payment arose. In such circumstances the delay in payment shall be regarded as a further financial arrangement and treated in accordance with subclause 6 (8).

7. *Example*—The scheduled delivery quantities and timing of such deliveries under the Forward Commodity Purchase agreement is as follows:

1 January 1993	1,000 units
1 July 1993	750 units
1 January 1994	500 units
1 July 1994	250 units

This schedule is also used to determine the notional delivery quantities and times under the Commodity Price Swap agreement.

Under the Forward Commodity Purchase agreement, A has paid $2,000 to B on 1 January 1993, as full payment for the abovementioned deliveries. A funded this $2,000 through a Base Currency Loan from another party, which is repayable in instalments due on the abovementioned dates.

When A receives the commodity on the delivery date, it then on-sells. Again, payment for this on-sale may not be made until 6 months later.

For the relevant period, the following assumptions are made:

(a) the commodity price was increased at a uniform rate, being:

1 January 1993	$1.00
1 July 1993	$1.20
1 January 1994	$1.40
1 July 1994	$1.60
1 January 1995	$1.80

(b) the Base Currency $ rate to NZD has moved at a constant rate, being: