

**CFE CANDIDATE NUMBER:**

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**Common Final Examination  
May 25, 2022 – Day 1  
(Booklet #1 – CTI Version 1)**

**Total examination time: 4 hours.**

**Further details on the examination can be found on the next page.**

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CANDIDATE NAME (Please print)

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## **Examination Details**

The examination consists of:

**Booklet #1 – Linked Case (240 minutes) (this booklet)**

**Booklet #2 – Capstone 1 case (for reference) and rough notes**

The case should be answered using the software provided, which includes a word processor and spreadsheet for inputting your response. The main body of your response should be in the word processor file. Only supporting calculations should appear in the spreadsheet file, in **Sheet 1**. You are responsible for clearly explaining all your calculations.

Answers or part answers will not be evaluated if they are recorded using anything other than the software provided.

Rough-note paper is available in a separate booklet, which also includes a copy of the Capstone 1 case. Rough notes, and any other notations made in the examination booklets will not be evaluated.

The CPA Canada Handbooks, the *Income Tax Act* and the *Excise Tax Act* are available in *Folio Views* throughout the entire examination. *Folio Views* provides the standards in effect and tax laws substantively enacted as at December 31, 2021.

A tax shield formula and other relevant tax information are available at the end of this booklet.

Candidates are instructed to consider and respond to the case as presented and ignore the potential impacts of COVID-19.

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Common Final Examination, May 2022

Chartered Professional Accountants of Canada  
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Toronto, Ontario M5V 3H2

**Case****(Suggested time: 240 minutes)**

It is August 8, 2024, and Martin Ferringer, your boss at Hilton Consulting Group LLP (HCG), tells you that the firm has another consulting engagement with Creative Toys Incorporated (CTI).

Martin recently met with CTI's Board of Directors, all of whom have been directors since 2022. After recalling the defective dolls, CTI sold the doll division in 2022. CTI turned down the Discount Pete's Inc. (DPI) contract offer and did not proceed with the character licensing arrangement.

In June 2022, Thomas invested \$4 million for 500,000 common shares, with the same terms as first proposed, and now owns 32% of CTI's outstanding shares. Thomas sold his chain of retail stores last year and is devoting more of his efforts to increasing the profits of CTI.

Also in June 2022, an electronics division was established, and Chloe Wong was hired as the vice-president of the division. Chloe originally planned to hire full-time employees but was unable to attract many good candidates. Instead, the division has relied on consultants for new game development and for the maintenance work required to keep the software functioning properly and up to date.

The electronics division's first video game, *Know It Live Online (KILO)*, was released in December 2022. When first released, *KILO* was similar to the *Know It or Lose It* board game; however, because initial sales were low, the game was redesigned to increase player engagement. Sales quickly increased and, to date, *KILO*'s performance has surpassed CTI's expectations. Most crucial to *KILO*'s success was the introduction of treasure boxes, which players can both purchase and earn. The contents of a treasure box are unknown until it is opened. Most boxes contain an assortment of items of different value, such as free plays, unlocked levels, hint cards, and the chance to win more treasure boxes. In addition, whereas the initial video game targeted female gamers aged 34 to 64, the redesigned version targets a wider audience of all genders, from age 18 to 64. Even though most of the educational aspects were removed in the redesign, resulting in the current format having little resemblance to the original board game, *KILO* is still marketed as being educational. Apart from one prototype video game, *BATNIX – Back to Nature (BATNIX)*, the electronics division currently has no new video games in development.

In August 2022, Nina Petrov was hired to replace Andrew Wang as the vice-president of the research and development (R&D) department for the game/puzzle division. Nina spends significant time analyzing trends in the market, which has resulted in the design of more innovative board games. Nina hired experienced and innovative developers, and there has been a considerable improvement in productivity and morale within the R&D department.

In 2023, CTI's game/puzzle division released a new board game targeting teens from 13 to 16 years of age, which was well received, and its sales are increasing. In addition, the team is excited about the creation of a brand-new board game targeted at the adult market, which, based on initial reviews, could win board game of the year in 2024. In addition, the *Know It or Lose It* traditional board game continues to be a best seller. CTI's reputation for providing quality board games and puzzles remains strong, allowing the company to continue to sell its products at premium prices.

In 2022, CTI's board updated its vision and mission statements as follows:

Vision statement: *To make exceptional games and puzzles for all ages that are enduring, fun, and educational and that encourage critical thinking.*

Mission statement: *We create innovative educational games and puzzles that encourage creativity and critical thinking and that can be enjoyed by all ages. We strive to develop award-winning products made from sustainable materials.*

A corporate social responsibility code of conduct was adopted and a core value was added: *To have an ethical regard for our stakeholders (such as customers, employees, and the community), as well as for the environment, in all our actions and business decisions.*

CTI's board is committed to expanding its targeted age segments and to growing its sales and profits. To help in determining CTI's future direction, each division was asked to make a presentation to the board outlining proposals for investment. HCG has been hired by CTI to review the proposals, assess their strategic fit, and raise any significant issues related to the proposals. Martin attended these presentations. He shared his notes with you and asks you to prepare a report for CTI's board that considers each investment option, as well as the company's overall strategic direction.

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**APPENDIX I**  
**EXCERPTS FROM THE INTERNAL MANAGEMENT REPORT**

*Creative Toys Incorporated*  
*For the six-month period from January 1 to June 30, 2024*  
*(in thousands of Canadian dollars)*

	<b>Game/Puzzle Division</b>	<b>Electronics Division</b>	<b>Total</b>
Net sales (Note 1)	\$ 11,770	\$ 4,120	\$ 15,890
Cost of goods sold (Note 2)	6,792	0	6,792
Gross margin	4,978	4,120	9,098
<i>Gross margin percentage</i>	<i>42%</i>	<i>100%</i>	<i>57%</i>
<b>Expenses</b>			
Marketing and advertising	230	620	850
Research and development	560	0	560
Consultant fees (programmers) (Note 2)	0	1,510	1,510
Depreciation and amortization	590	420	1,010
Distribution costs	306	40	346
Occupancy costs	435	200	635
Administrative and general expenses	1,430	510	1,940
Total expenses	3,551	3,300	6,851
Net profit margin	\$ 1,427	\$ 820	\$ 2,247
<i>Net profit margin percentage</i>	<i>12%</i>	<i>20%</i>	<i>14%</i>

**Notes:**

- Net sales of the electronics division are solely from *KILO*: \$2,380,000 from product sales and \$1,740,000 from the sale of treasure boxes.
- There is no cost of goods sold in the electronics division. Instead, there are programming costs. Once a video game is developed, its only ongoing costs relate to maintenance, updates, and any upgrades that are made.

**Additional information**

- Sales from *KILO*, in its current form, are expected to increase by 5% a year in each of the next four years.
- The prime rate has continued to increase and is currently 4.25%.

**APPENDIX II**  
**INTERNAL MEMO – INDUSTRY UPDATE**

The toy industry, which includes board games, is expected to grow at 3% over each of the next three years. Given a resurgence of popularity, board games are seeing an even higher growth rate. A significant part of this growth is due to growing public awareness of the potentially harmful effects of screen time. Another growing market segment is board games that are specifically designed for seniors, to improve mental dexterity and slow down memory loss.

In 2023, the toy of the year was a board game based on a new popular TV series for children aged 7 to 10 years old. In addition to character licensing arrangements, manufacturers are paying influencers and celebrities to endorse, promote, and differentiate their products. Currently, about 2% of toys have a celebrity or influencer endorsement. This trend is expected to increase to 10% by 2029.

Like board games, video games have also outpaced the overall growth rate of the toy industry and are gaining momentum in all age categories. Even video games directed specifically towards seniors have seen growth in recent periods. Given this shift, more and more competitors continue to enter the video game market. A growing trend among toy companies is to purchase video game companies in order to take advantage of the growth. Consequently, and as predicted, there is an increasing shortage of game developers, which has caused their average wages to increase by 9% annually over each of the last two years, with similar increases expected for 2024 and potentially beyond. Staff turnover is also becoming an issue for many video game companies, as developers tend to quit once their company's games lose popularity. Since gamers are attracted to the newest releases, many video games gain and lose popularity quickly.

Experts still contend that children and teenagers should spend more time with educational products that help to develop creative and critical thinking. In late 2022, an important research study concluded that the more time young people spend on computers, the slower their mental abilities develop. This has sparked a growing trend among parents to have their children play with traditional, non-electronic games. Also, in January 2024, another research study indicated that screen time had even greater negative impacts than were found in the 2022 study. The 2024 study specifically mentioned that the treasure boxes in CTI's video game, *KILO*, resembled casino games.

**APPENDIX III**  
**GAME/PUZZLE DIVISION – PRESENTATION AND DISCUSSION**

*(Presented by Nina Petrov)*

**Agenda**

1. R&D Department
2. Purchase of Sengames Inc.
3. Chess Prodigy Endorsement

- 1 -

**R&D Department**

- CTI's R&D team is performing above expectations.
- The lead time from conception to market is 30 months, which is now in line with our strongest competitors.
- The team is completing the development of a new board game targeted at adults; production will start in September 2024.
- Three other new board games are in various phases of development; each game has an educational component.

- 2 -

**Purchase of Sengames Inc.**

- Owned by Irene Brownstone, Sengames Inc. (Sengames) develops and manufactures non-electronic brain training games and puzzles for the over-60-years-old market.
- Games are developed with input from doctors and are designed to increase brain activity in order to slow down memory loss and dementia.
- Reviews have been positive and assert that these games are innovative and unique when compared to competitors' products.
- Sengames sells mainly through bookstores.
- The asking price for Sengames is \$4,450,000.
- Sengames currently contracts 100% of its manufacturing to a single supplier.
- In the past two years, similar companies have sold for 4 times EBITDA. Irene provided an income statement (Appendix IV).



**APPENDIX III (continued)**  
**GAME/PUZZLE DIVISION – PRESENTATION AND DISCUSSION**

– 3 –

**Chess Prodigy Endorsement**

- Marly Hopkins is a chess prodigy who has won chess championships worldwide and, at 14 years of age, is the youngest Canadian grandmaster ever.
- She is attracting international attention and is a great role model for young people.
- Marly grew up playing *Know It or Lose It* and developed a love of board games before moving to chess.
- Marly publicly advocates for limited screen time for children and will not allow her name to be associated with addictive video games. CTI has proposed an endorsement deal to Marly for existing and future products. The proposal is for Marly to endorse CTI's games and puzzles designed for 8- to 13-year-old children. We estimate that this represents approximately 70% of the division's customers.
- The endorsement will cost \$3 million upfront for an initial five-year contract and should result in a 30% increase in sales on endorsed products. A gross margin percentage of 44% and distribution costs of 2.6% of sales are expected on the increased sales.

**Discussion**

Lorraine: I like the idea of purchasing Sengames. It gets us into the seniors' market, which is growing.

Krystal: I have known Irene for a long time, and she is committed to helping seniors as they age. She believes that CTI can improve the performance of Sengames in two ways: first, by bringing production in-house and thereby lowering production costs, and second, through a more effective marketing campaign.

Thomas: We should only invest if the returns are similar to the electronics division; otherwise, we are wasting our limited investment dollars. Although the seniors' market is growing, we know nothing about it.

Lorraine: Thomas, you used to say just the opposite. I do not think it is wise to reject this opportunity so quickly. Expanding into a new market would be a great way to diversify and grow CTI.

Steven: I agree, Lorraine. I have seen Sengame's puzzles and games and they are impressive. If we choose to produce them in-house, \$500,000 would be required to modify our existing machines. With this upgrade, I think we may be able to reduce the cost of goods sold and, therefore, increase Sengames' current gross margin.

**APPENDIX III (continued)**  
**GAME/PUZZLE DIVISION – PRESENTATION AND DISCUSSION**

Krystal: There are probably additional synergies.

Steven: Sengames has patents that may also provide CTI with some unique and interesting features that could be used to improve some of our existing games and, therefore, increase sales. Sengames has valued these patents at \$4 million. They may be quite valuable to us.

Thomas: All of this sounds very time-consuming and expensive. The products look interesting, but it is an unproven market. CTI would be far better off focusing on a proven winner, *KILO*.

Lorraine: You could be right, Thomas, but we cannot ignore the game and puzzle division simply because *KILO* is doing extremely well. We need to explore all available opportunities.

Krystal: You are right, Lorraine. Irene has agreed to work for CTI if we purchase Sengames. She has a good sense of the seniors' market and would be a great asset to our R&D department. We would be lucky to have her.

Thomas: Sengames appears to have a completely different business model than ours, and we do not know how well Irene will fit in. It does not make sense to pursue this acquisition given all that we currently have going on. It would just be a distraction, and a costly one!

Lorraine: Perhaps. Let's move on to the Marly endorsement. I am excited because this gives us a unique marketing opportunity. With her endorsement, I would expect enthusiasm for our products and the reputation of our brand to increase significantly.

Krystal: I agree, but Marly has not yet agreed to the endorsement deal. She and her agent have expressed concern over *KILO* and the recent mention of its negative impacts in news reports. Before Marly will agree to the deal, we would have to return *KILO* to its original version and agree to reinvest 80% of the profits made through her endorsements into CTI's traditional games and puzzles, and not video games.

**APPENDIX III (continued)**  
**GAME/PUZZLE DIVISION – PRESENTATION AND DISCUSSION**

Thomas: This sounds completely unacceptable. First, *KILO* is a major success—we would be crazy to downgrade it to the old version. Remember, *KILO* did not sell well in its original format. And second, a forced 80% reinvestment away from video games? We cannot let an outsider dictate our strategy. We need to drastically renegotiate the terms if we are seriously considering this deal.

Steven: Thomas might be right. Based on my research, the amount being asked for is at the high end of recent endorsements for children's games.

Krystal: Maybe, but Marly fits perfectly with the image we are trying to portray and can help strengthen our brand. Also, an association with her will help counter the negative news reports concerning *KILO*.

Thomas: I think you are all making too much of the negative publicity. Sales of *KILO* have never been stronger!

Krystal: But Thomas, this could impact the rest of our business and our reputation.

Thomas: I agree, but we should do what is best for CTI. *KILO* is the obvious choice in that respect. In fact, given the explosive growth in the video game market, we should focus our investment dollars solely on that area of development.

Krystal: CTI was built on educational board games and puzzles. It seems like a short-sighted decision to abandon that foundation. It is what drove us to start CTI.

Steven: Let us get back on track. What else will Marly give us, beyond the use of her name? Would she also be willing to test and endorse future products?

Lorraine: Yes, we discussed that. She would be willing to comment on new games and puzzles and to be part of our marketing materials. She may even be willing to consider endorsing various video games, as long as they are socially responsible. Of course, she first wants to test and approve the products that she will endorse. Her feedback could help us improve our products.

**APPENDIX IV**  
**FINANCIAL INFORMATION FOR SENGAMES INC.**

*(Prepared by Irene Brownstone)*

*Sengames Inc.*

*Income Statement*

*For the year ended December 31, 2023*

Sales	\$ 3,700,000
Cost of goods sold – Note 1	(2,594,000)
Gross profit	<u>1,106,000</u>
<i>Gross profit percentage</i>	<u>30%</u>
Other costs	
Distribution	75,000
Marketing	120,000
Administration	420,000
	<u>615,000</u>
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 491,000
<i>EBITDA margin percentage</i>	<u>13%</u>

Note 1 – Sengames contracts out all manufacturing of its products.

**APPENDIX V**  
**ELECTRONICS DIVISION – PRESENTATION AND DISCUSSION**  
*(Presented by Chloe Wong)*

**Agenda**

1. Upgrade of *KILO*
2. *BATNIX*

– 1 –

**Upgrade of *KILO***

- *KILO*'s popularity continues to increase, and there is a further opportunity for the game's expansion.
- The upgrade will allow players to play together in large, international games via the internet.
- Treasure boxes and cash prizes will be awarded to the winners.
- The initial upgrade is expected to cost \$5 million, with the following projections:

<b>Year</b>	<b>Sales</b>	<b>Net Profit</b>	<b>Net Profit Margin</b>
2024	\$8,240,000	\$1,812,800	22%
2025	\$12,360,000	\$3,708,000	30%
2026	\$12,978,000	\$4,023,180	31%
2027	\$13,626,900	\$4,769,415	35%
2028	\$14,308,245	\$4,721,721	33%

– 2 –

***BATNIX***

- *BATNIX* is a prototype for a children's mobile video game that promotes less sedentary screen time and more outdoor activities.
- Targeted to children aged 10 to 14, *BATNIX* can be played individually or as a group.
- The game requires creative thinking, and children learn about climate and local nature.
- There is currently a small but growing niche market with an estimated yearly market size, in Canada and the U.S., of about 8 million families who want mobile video games that increase the activity of children.
- *BATNIX* is expected to capture approximately 10% of the overall market.
- The game will be subscription based and will cost \$4.75 per year.
- Annually, variable costs are expected to be \$0.85 per game, and fixed costs for salaries, occupancy, and administration are estimated at \$2,150,000.
- The initial investment for *BATNIX*'s development is estimated at \$4 million.

**APPENDIX V (continued)**  
**ELECTRONICS DIVISION – PRESENTATION AND DISCUSSION**

**Discussion**

Krystal: Thanks, Chloe—that is a lot to consider. However, you failed to mention *KILO*'s negative publicity and the issues that recent research has uncovered. When we redeveloped *KILO*, we did not intend the game to have any harmful consequences. I feel we need to question whether it is responsible to continue offering *KILO* in its current form.

Thomas: Krystal, be reasonable. *KILO* generated a profit of over \$800,000 in the last six months, and there is plenty of room for growth. Besides, *KILO*'s customers do not seem bothered by the research, and it is up to parents to limit screen time, not us. We should build on the success of *KILO* and expand it, like Chloe suggested. We have a true winner here, and we must capitalize on it!

Lorraine: Thomas, I understand your viewpoint. But aren't you concerned about the other areas of our business?

Thomas: Since *KILO* is becoming more popular by the day, we will more than make up for any decline in sales that our other products sustain, especially once the upgrade has been completed. Also, we can afford to lose some sales in the game and puzzle division. In fact, we should move away from old-fashioned board games in order to allocate our investment dollars towards video games like *KILO*.

Steven: A shift in our focus would reduce CTI's reliance on retailers, which is a consideration. Krystal, I know this is a challenge for you, but Thomas is right—the industry is trending towards video games, and *KILO* has the potential to truly take off. If we change CTI's strategic focus, there is an opportunity for CTI to develop additional games with similar growth potential to *KILO*.

Krystal: First, CTI may make a fortune with the *KILO* upgrade, but it does not feel right. And second, a shift in our focus from traditional games and puzzles to video games sounds dangerous—we built our business on board games like *Know It or Lose It*.

Thomas: Krystal, I appreciate your viewpoint, but, in business, it ultimately comes down to what is best for the company financially. Not only is *KILO* a true winner, but a shift in strategic focus is likely to further increase the profits of CTI.

**APPENDIX V (continued)**  
**ELECTRONICS DIVISION – PRESENTATION AND DISCUSSION**

Lorraine: I am not convinced, Thomas. How long will *KILO*'s success last? And have you considered the long-term implications of this change in direction?

Thomas: Yes, I have. With the profits from *KILO*, we could invest in all sorts of other opportunities.

Steven: Indeed, the profits from *KILO* could be used to fund the development of additional video games.

Krystal: I believe that we should downgrade *KILO* back to its original form and grow its sales in a more responsible way. I also do not agree that a change in CTI's direction away from educational board games and puzzles and towards video games is appropriate.

Lorraine: I truly do not know which direction to take.

I asked Chloe to estimate how much it would cost to downgrade *KILO* and what impact that would have on its current sales. She estimates the downgrade would only cost about \$50,000. However, *KILO* sales would likely fall by an initial 50%, and revenue from treasure boxes would disappear completely, since that feature was reported to be the most harmful.

Krystal: Let us discuss *BATNIX*. This game is perfect for tapping into the socially responsible technology market, which could grow quickly. Combining a video game with outdoor activities seems like a perfect way to access this growing market.

Steven: *BATNIX* does look promising. There would be less competition compared to what *KILO* currently must contend with. Honestly, I do not know what is best at this point.

Lorraine: I am also undecided. And we still need to determine how to finance all of these proposals. New Haven Bank (NHB) has offered us a new \$5 million loan. I have also summarized how much funding is available (Appendix VI).

Thomas: The market for *BATNIX* might be an attractive one in the future, but we have limited investment dollars. I have \$8 million to invest in preferred shares of CTI. However, given its almost guaranteed success, I will only provide more financing to CTI if we continue to upgrade *KILO*.

**APPENDIX VI  
FINANCING PROPOSALS AND AVAILABLE CASH**

**Financing Options**Preferred shares

Preferred shares, for up to \$8 million, would be issued to Thomas. The non-cumulative dividend is 4%. There is a mandatory redemption of \$500,000 per year, beginning in 2028; because of the redemption, this will be recognized as debt on the financial statements.

New bank loan

Due to increases in the market value of CTI's land and buildings, NHB is willing to offer a variable-rate loan of up to \$5 million, secured on the land and buildings, that ranks lower than the mortgage payable. Annual interest is prime plus 2.75% and is payable monthly. The principal is due in 2031.

Board decision: Total new debt is not to exceed \$8 million.

**Current Sources of Cash**

The maximum amount of the line of credit with NHB is \$5 million, of which \$2 million has been drawn.

Total cash available is as follows:

Cash on hand	\$ 800,000
NHB line of credit – amount available	\$3,000,000



**End of Examination**

**CPA COMMON FINAL EXAMINATION REFERENCE SCHEDULE**

**1. PRESENT VALUE OF TAX SHIELD FOR AMORTIZABLE ASSETS**

Present value of total tax shield from CCA for a new asset acquired after November 20, 2018

$$= \frac{CdT}{(d+k)} \left( \frac{1+1.5k}{1+k} \right)$$

**Notation for above formula:**

$C$  = net initial investment

$T$  = corporate tax rate

$k$  = discount rate or time value of money

$d$  = maximum rate of capital cost allowance

**2. SELECTED PRESCRIBED AUTOMOBILE AMOUNTS**

	<b>2021</b>	<b>2022</b>
Maximum depreciable cost — Class 10.1	\$30,000 + sales tax	\$34,000 + sales tax
Maximum depreciable cost — Class 54	\$55,000 + sales tax	\$59,000 + sales tax
Maximum monthly deductible lease cost	\$800 + sales tax	\$900 + sales tax
Maximum monthly deductible interest cost	\$300	\$300
Operating cost benefit — employee	27¢ per km of personal use	29¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	59¢ per km	61¢ per km
— balance	53¢ per km	55¢ per km

**3. INDIVIDUAL FEDERAL INCOME TAX RATES**

**For 2021**

<u>If taxable income is between</u>			<u>Tax on base amount</u>	<u>Tax on excess</u>
\$0	and	\$49,020	\$0	15%
\$49,021	and	\$98,040	\$7,353	20.5%
\$98,041	and	\$151,978	\$17,402	26%
\$151,979	and	\$216,511	\$31,426	29%
\$216,512	and	any amount	\$50,141	33%

**For 2022**

<u>If taxable income is between</u>			<u>Tax on base amount</u>	<u>Tax on excess</u>
\$0	and	\$50,197	\$0	15%
\$50,198	and	\$100,392	\$7,530	20.5%
\$100,393	and	\$155,625	\$17,820	26%
\$155,626	and	\$221,708	\$32,180	29%
\$221,709	and	any amount	\$51,344	33%

#### 4. SELECTED INDEXED AMOUNTS FOR PURPOSES OF COMPUTING INCOME TAX

Personal tax credits are a maximum of 15% of the following amounts:

	<b>2021</b>	<b>2022</b>
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is greater than or equal to the amount at which the 33% tax bracket begins	\$12,421	\$12,719
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins	13,808	14,398
Age amount if 65 or over in the year	7,713	7,898
Net income threshold for age amount	38,893	39,826
Canada employment amount	1,257	1,287
Disability amount	8,662	8,870
Canada caregiver amount for children under age 18, and addition to spouse, common-law partner, or eligible dependant amount with respect to the Canada caregiver amount	2,295	2,350
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	7,348	7,525
Net income threshold for Canada caregiver amount	17,256	17,670
Adoption expense credit limit	16,729	17,131

Other indexed amounts are as follows:

	<b>2021</b>	<b>2022</b>
Medical expense tax credit — 3% of net income ceiling	\$2,421	\$2,479
Old age security repayment threshold	79,845	81,761
Annual TFSA dollar limit	6,000	6,000
RRSP dollar limit	27,830	29,210
Lifetime capital gains exemption on qualified small business corporation shares	892,218	913,630

#### 5. PRESCRIBED INTEREST RATES (base rates)

<u>Year</u>	<u>Jan. 1 – Mar. 31</u>	<u>Apr. 1 – June 30</u>	<u>July 1 – Sep. 30</u>	<u>Oct. 1 – Dec. 31</u>
2022	1			
2021	1	1	1	1
2020	2	2	1	1

This is the rate used for taxable benefits for employees and shareholders, low-interest loans, and other related-party transactions. The rate is 4 percentage points higher for late or deficient income tax payments and unremitted withholdings. The rate is 2 percentage points higher for tax refunds to taxpayers, with the exception of corporations, for which the base rate is used.

**6. MAXIMUM CAPITAL COST ALLOWANCE RATES FOR SELECTED CLASSES**

Class 1.....	4%	for all buildings except those below
Class 1.....	6%	for buildings acquired for first use after March 18, 2007 and $\geq 90\%$ of the square footage is used for non-residential activities
Class 1.....	10%	for buildings acquired for first use after March 18, 2007 and $\geq 90\%$ of the square footage is used for manufacturing and processing activities
Class 8.....	20%	
Class 10.....	30%	
Class 10.1.....	30%	
Class 12.....	100%	
Class 13.....	n/a	Straight line over original lease period plus one renewal period (minimum 5 years and maximum 40 years)
Class 14.....	n/a	Straight line over length of life of property
Class 14.1.....	5%	For property acquired after December 31, 2016
Class 17.....	8%	
Class 29.....	50%	Straight-line
Class 43.....	30%	
Class 44.....	25%	
Class 45.....	45%	
Class 50.....	55%	
Class 53.....	50%	
Class 54.....	30%	

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