



**CPA**

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS  
CANADA

**CFE CANDIDATE NUMBER:**

--	--	--	--	--	--	--

---

**Common Final Examination  
September 15, 2021 – Day 3  
(Booklet #1 – Cases)**

**Total examination time: 4 hours.**

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

**GENERAL INSTRUCTIONS BEFORE THE EXAMINATION**

1. Fill in your 7-digit candidate number on the booklets. The examination booklets (or paper response, as instructed) must be submitted before leaving the examination room. They must **NOT BE REMOVED** from the examination room. If these items are not received, the response may not be accepted.
2. Follow the instructions provided. Instructions must not be removed from the examination room.
3. Sign the Policy Statement and Agreement Regarding Examination Confidentiality below.

**Policy Statement and Agreement Regarding Examination Confidentiality**

I understand that all examination materials are the property of CPA Canada and are under the exclusive custody and control of CPA Canada. CPA Canada has the exclusive authority over examination materials to determine the content, use, retention, disposition and disclosure of this material. Candidates will not have access to their examination response, the examination marking keys or any other marking materials. The examination questions and suggested solutions will only be publicly available when published by CPA Canada.

I hereby agree that I will not:

- Obtain or use answers or information from, or give answers or information to, another candidate or person during the sitting of the examination;
- Refer to unauthorized material or use unauthorized equipment during testing;
- Remove or attempt to remove any CPA Canada Examination materials, notes or any other items from the examination room.

I further agree to report to CPA Canada any situations where there is a material risk of compromising the integrity of the examination.

I affirm that I have had the opportunity to read the *CPA Examination Regulations* and I agree to all of its terms and conditions.

In addition, I understand that failure to comply with this Policy Statement and Agreement will result in the invalidation of my results, and may result in my disqualification from future examinations, expulsion from the profession and possible legal action.

---

CANDIDATE NAME (Please print)

---

SIGNATURE

## **Examination Details**

The examination consists of:

**Booklet #1 – (this booklet)**

**Case #1 (90 minutes)**

**Case #2 (80 minutes)**

**Case #3 (70 minutes)**

**Booklet #2 – Rough notes**

Times noted above are guidelines. Candidates are responsible for managing the time allocation.

The cases should be answered using the software provided, which includes a word processor and spreadsheet for inputting your response. Make sure that you indicate the case number before your answer to each case in the word processor and the spreadsheet. 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. Rough notes, and any other notations made in the examination booklets, will not be evaluated.

The CPA Canada Handbooks and the *Income 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, 2020.

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.

Chartered Professional Accountants of Canada, CPA Canada, CPA  
are trademarks and/or certification marks of the Chartered Professional Accountants of Canada.  
Copyright © 2021, Chartered Professional Accountants of Canada. All Rights Reserved.  
Common Final Examination, September 2021

Chartered Professional Accountants of Canada  
277 Wellington Street West  
Toronto, Ontario M5V 3H2

**Case #1****(Suggested time: 90 minutes)**

Adam and Elizabeth Moon, a married couple in their early 60s, own two businesses. FenceCo is a fence-building and installation company that they have owned equally since its incorporation (Appendix I). ABC Feeder Inc. (ABC) manufactures animal feed for farms and resells types of third-party feed. Elizabeth founded ABC 18 years ago when she invested \$40,000 in common shares. In 2016, she sold half of her ABC shares to Adam. The Moons are directors of both companies, and are not involved in day-to-day operations.

It is March 21, 2021. You, CPA, are a sole practitioner recently engaged by the Moons to provide tax and business advice.

Elizabeth is considering adding another revenue model for FenceCo, and asks to quantitatively and qualitatively analyze it and to recommend a course of action (Appendix II).

Having decided to sell their shares of ABC, the Moons ask you to value the business based on normalized net income, using the industry standard multiplier of five. Elizabeth provides you with excerpts from ABC's year-end financial statements and notes (Appendix III). The Moons ask you to calculate the taxes payable on the sale, using your recommended selling price, and assuming that the shares are qualified small business corporation (QSBC) shares.

The Moons would like your advice on some investment options for the sale proceeds (Appendix IV). They would also like a recommendation, an explanation for your choice, and a discussion of the tax implications of each option.

Finally, some managers strongly believe that FenceCo should enter the U.S. market using its existing business model and have suggested an action plan (Appendix V). Elizabeth wonders if this expansion is a good fit with FenceCo's strategic objectives.

**APPENDIX I**  
**FENCECO – INFORMATION**

FenceCo operates in Canada's four largest cities. The company measures sales volume by feet of fence installed, and its standard is to install, on average, one post for every six feet of fence.

In 2015, FenceCo developed new fence-post technology that is faster and results in a more stable fence than its former method which required drilling holes and locking the post with concrete or crushed stone. Since 2016, FenceCo has only used its own posts, which are manufactured in FenceCo's plant in Toronto. The business is considered capital-intensive because it relies on the use of trucks and equipment.

For the year ended December 31, 2020, FenceCo's revenue was \$18,423,000 and the cost of sales was \$13,760,000. Cost of sales is comprised of the cost of materials and installations, including installation wages. The sales for 2021 are forecast to be about the same as the 2020 actuals. The company currently averages \$45 of revenue per foot installed.

FenceCo has an office in each city, with a general manager. The installers are experienced and their employment contracts guarantee work from April to November. FenceCo's employees are all laid off for the rest of the year, except for, in each city, the general manager, a small sales team and one installer who performs warranty repair.

The Moons' strategic objective is to grow FenceCo as fast as possible in its existing markets and significantly increase profits, and then sell it in two or three years at the highest possible price. They would like to do this without major capital investment while minimizing risk.

**APPENDIX II**  
**FENCECO – ADDITIONAL REVENUE MODEL**

In 2022, FenceCo's management team wants to start to license its new fence-post technology to third-party contractors in its existing markets. The contractors would use the new method to install fencing for their own customers. Contractors would pay a licensing fee of \$3 per foot to FenceCo and would have to purchase the fence posts exclusively from FenceCo. FenceCo would price the posts to generate a gross profit of \$17 each, and the contractors would pay shipping costs.

Management believes that total sales made through these contractors would amount to 210,000 feet in 2022, and 248,500 feet in 2023.

Management estimates that, of all footage sold through third-party contractors with the new revenue model, 1% would come from footage that FenceCo would have otherwise sold to, and installed at, its own clients.

Fixed annual selling and administration costs for this project are estimated at \$94,000 and variable administration costs at \$0.11 per foot.

**APPENDIX III**  
**ABC – EXCERPTS FROM UNAUDITED FINANCIAL STATEMENTS**

*ABC Feeder Inc.*  
*Balance Sheet*  
*As at December 31, 2020*  
*(in thousands of Canadian dollars)*

<b>Assets</b>	
Cash	\$ 105
Accounts receivable	550
Inventory	391
Prepaid expenses	40
	<u>1,086</u>
Property, plant and equipment	778
Less: Accumulated depreciation	376
	<u>402</u>
	<u>\$ 1,488</u>
 <b>Liabilities</b>	
Accounts payable	\$ 370
Accrued expenses	26
	<u>396</u>
Mortgage payable	315
	<u>711</u>
 <b>Shareholders' equity</b>	
Common shares	40
Retained earnings	737
	<u>777</u>
	<u>\$ 1,488</u>

**APPENDIX III (continued)**  
**ABC – EXCERPTS FROM UNAUDITED FINANCIAL STATEMENTS**

*ABC Feeder Inc.*  
*Income Statement*  
*For the year ended December 31, 2020*  
*(in thousands of Canadian dollars)*

Revenue	\$	17,453
Cost of sales		14,730
		2,723
Expenses		
Administration, marketing, and sales		2,090
Amortization and depreciation		35
Other		77
		2,202
Net income before taxes		521
Income taxes		115
		406
Net income	\$	406

**Notes from Elizabeth:**

- ABC's suppliers announced significant price increases, effective January 1, 2021. Because the increases cannot be fully passed on to customers, ABC's overall gross margin percentage is expected to decrease by 1.25 percentage points, even if sales remain stable.
- In February 2021, ABC began charging shipping costs to customers to match its competitors' actions, resulting in an increase in its gross margin percentage of 0.7 percentage points.
- We have a history of good employee relations, with no terminations until 2020, when the plant manager was replaced; severance costs were \$94,000. The recruiting fee for their successor was \$50,000.
- Sales are expected to remain stable in the foreseeable future. There are several possible purchasers for ABC, both from within and outside the industry. Disposal of ABC's shares would cost \$15,000 in legal fees.
- The director fees paid to us by ABC are double the amount that directors of similar-sized companies would normally receive.
- ABC has rented an off-site executive meeting space since January 2020 for \$4,000 per month, which it uses occasionally for company meetings. A potential buyer will probably discontinue renting this space.

**APPENDIX IV**  
**INVESTMENT OPTIONS AND ADDITIONAL INFORMATION**

Historically, the Moons have invested their extra funds in guaranteed investment certificates (GICs), which currently earn about 2.2% annually, and in other businesses.

Elizabeth said: “We would like more free time for our hobbies, and plan to retire in two or three years. We would like average returns with moderate risk on investment of the after-tax proceeds from selling ABC. We have discussed investing in GICs, bonds earning about 4% annually, the stock market and/or cryptocurrency. We are also considering buying a residential rental property from my cousin at a very good price. In the past three years, the house was rented out for 29 months and was vacant for seven months. During those three years, annual repair costs were \$1,300, \$9,200, and \$2,400, respectively. We need help determining which of these investment options are suitable.

“We have not yet filed our 2020 personal tax returns and made no RRSP contributions in 2020 or 2021. Should we be putting the entire proceeds from the sale in our RRSPs? Please explain the income tax treatment for each of the investment options and calculate our 2021 RRSP deduction limits.”

Although she does not intend to do so in the future, Elizabeth has previously been an angel investor in several high-tech companies. In 2015, she used \$234,000 of her lifetime capital gains exemption, which she had not used previously. ABC has always been a small business corporation (SBC), and Elizabeth used the lifetime capital gains deduction for the sale of her ABC shares to Adam in 2016, at their estimated market value at the time of \$450,000. Selling costs were \$5,000. Adam and Elizabeth elected not to use the spousal rollover for the transaction.

The Moons have never reported any rental losses and Adam has never had any capital gains. Adam earns \$48,000 annually for part-time work as an executive director of a local art gallery.

Adam and Elizabeth provided the following additional information for 2020.

	<b>Adam</b>	<b>Elizabeth</b>
Director fees – ABC	\$ 10,000	\$ 10,000
Interest on GICs	\$ 3,000	\$ 3,000
Dividends – ABC	\$ 34,000	\$ 34,000
Dividends – FenceCo	\$ 205,000	\$ 205,000
RRSP deduction limit	\$ 15,780	\$ 11,425



**APPENDIX V**  
**MANAGERS' PLAN FOR U.S. EXPANSION**

- Six to eight different cities would be targeted for expansion.
- To fulfil the expected U.S. demand, the fence posts would be manufactured in newly-built manufacturing facilities in the U.S.
- It would take three years to reach normal operating levels.
- A strong return on investment can be expected in the longer term; the initial forecast shows that the U.S. segment would start becoming profitable after three years.

**Case #2****(Suggested time: 80 minutes)**

HSE Inc. (HSE) is a small public company with a December 31 year end. In 2020, HSE's Board of Directors (board) decided to outsource the payroll function and selected PayPerfect (PP).

Since starting on January 1, 2021, PP underperformed significantly in its contractual obligations. Due to errors made by PP, some employees were paid too much, too little, or not at all, causing financial difficulties and considerable stress for many. As a result, approximately 5% of HSE's employees quit and some have sued HSE. The incident attracted a great deal of media attention and has caused HSE's stock price to fall to a five-year low.

On July 1, 2021, HSE terminated PP's contract and hired additional, temporary staff in Human Resources (HR) to administer the payroll function in-house until a replacement for PP was found.

On September 30, 2021, a mediation agreement was reached between HSE and PP, requiring PP to reimburse HSE for certain costs that resulted from non-compliance of the contract (Appendix I).

It is November 15, 2021. You, CPA, work in HSE's finance department. Your boss, Tessa Molito, tells you: "A junior employee has performed a preliminary calculation of the costs to be reimbursed (Appendix II). Please explain any required adjustments and revise the calculation. As you can see, we have incurred significant additional expenses. I worry that HSE will run into cash flow issues in the next few months. Please look at some short-term financing options and make a recommendation (Appendix III).

"The mediation agreement requires that audit procedures be performed on all the costs that are part of HSE's claim. Please provide a list of procedures the external auditor is likely to perform, indicating the documentation we should have available.

"Understandably, morale is low, so we would like to offer additional benefits to our employees, starting in January 2022 (Appendix IV). For each item, please determine the tax consequences, for both the employees and HSE.

"The board emailed some details of the process that was used to select PP, and would like our input on how to improve that process (Appendix V).

"Finally, management has provided me with their draft Management Discussion and Analysis (MD&A) section related to PP (Appendix VI). Please review both the MD&A section and the accounting treatment for the lawsuit, and let me know if you have any concerns."

**APPENDIX I**  
**EXCERPTS FROM MEDIATION AGREEMENT**

PP will reimburse HSE for all costs incurred between July 1, 2021, and December 31, 2021 (when PP's replacement is expected to be found) that were directly related to PP not performing its contractual obligations. Such costs only qualify for reimbursement if they are paid by HSE by March 31, 2022. The following limitations apply:

<b>Item</b>	<b>Limitation</b>
Capital assets	Maximum of \$20,000
Additional wages and benefits	Benefits are limited to the package available to employees at the time of their hiring
Space requirements for extra staff	To the extent the space is needed and not already available in HSE's existing facilities

**APPENDIX II**  
**PRELIMINARY CALCULATION OF COSTS TO BE REIMBURSED BY PP**

Item (July 1, 2021 to Dec. 31, 2021)	Claim Amount
Salaries for 10 additional HR staff @ \$50,000/year × 6/12 months	\$ 250,000
Benefits package for 10 additional HR staff	70,000
Additional benefits (Appendix IV)	40,000
10% of HR manager's salary (for oversight of new HR staff)	7,500
10 computers and software for HR staff	12,000
Leased space (Note 1)	18,000
Leasehold improvements for leased space	14,000
Hiring and training costs (Note 2)	100,000
Estimated lawsuit payout (Note 3)	720,000
<b>Total</b>	<b>\$ 1,231,500</b>

**Notes:**

1. HSE had 300 square feet of available space, whereas 1,200 square feet was needed for the additional HR staff. HSE found a 1,500 square-foot space for rent for \$3,000/month, starting July 1, and is now using that space for the 10 additional staff.
2. These costs are related to the 10 new HR employees and 60 other newly-hired staff in early July 2021, stemming from resignations in the first half of 2021.
3. On October 15, 2021, some employees filed a lawsuit against HSE for \$800,000. Our lawyers believe there is an 80% chance that HSE will have to pay out the full amount, and a 20% chance that HSE will only have to pay half. \$720,000 is calculated as 80% × \$800,000 + 20% × \$400,000. The court date for the lawsuit is set for February 2022.

### **APPENDIX III FINANCING OPTIONS**

HSE estimates that it needs about \$600,000 to meet its cash requirements for the next six months. The following options are being considered.

#### **Option 1**

Factoring Ltd. (Factoring) is willing to purchase \$750,000 of accounts receivable at 90% of the invoiced amount. The receivables purchased would normally be due in 180 days, which are standard terms in the industry. HSE's uncollectible amount from this category of receivables has historically been 4%. Customers would pay Factoring directly after the receivables are purchased. Factoring has expressed an interest in purchasing more accounts receivable from HSE in the future.

#### **Option 2**

Loans Mart Inc. (LMI) is willing to lend HSE \$600,000. Repayment terms are \$250,000 annually for the next three years, with no early repayment permitted. Because no collateral is necessary, LMI has an extensive application process. It requires HSE to provide information on all senior management personnel and board members, including personal net worth and annual salary. LMI also requires full access to HSE's internal financial records for the past five years. Once these actions are taken, if all is satisfactory, the loan will be approved.

#### **Option 3**

HSE could start an account on BusinessFund Corp. (BusinessFund), an e-commerce company that facilitates crowdfunding. HSE would post its financing requirements and its promised rate of return, and anyone with a BusinessFund account can decide how much of the total to lend to HSE. BusinessFund charges a fee of 1% of the total financing requirement.

**APPENDIX IV  
POTENTIAL ADDITIONAL BENEFITS**

Management is considering:

- paying every employee a \$3,000 bonus, intended to be directed toward their RRSP or TFSA.
- providing free counselling for any employee needing help coping with the stress caused by the payroll issues.
- providing, at no cost to the employee, a choice of either a public transit pass, or a pass to fee-based downtown parking lots, depending on their preference.
- paying for membership to an elite social club; as many clients and potential clients are members, this would also benefit HSE.

**APPENDIX V**  
**EMAIL FROM CHAIR OF THE BOARD**

To: Tessa Molito  
Subject: Vendor selection process

---

At the September 2020 board meeting, we discussed and approved outsourcing the payroll function.

A member of the board drafted the request for proposals (RFP); as it was done very quickly, the member may not have consulted with anyone else. That RFP was submitted for approval by the board, through electronic voting, by the end of September. The majority approved the RFP and it was released on September 30. Some board members later commented that they had some concerns about the RFP but there was no opportunity for discussion or debate.

Four vendors, including PP, submitted proposals by the October 15 deadline, and other vendors contacted us requesting an extension. PP's proposal was the lowest price, but by very little.

PP drafted the service contract and submitted it to us on October 30. We only checked that the rate on the contract was the same as the proposal, approved it at the November 4 board meeting and had the CEO sign it within the week. It was only later we learned that other customers have had issues with PP in the past.

**APPENDIX VI**  
**DRAFT YEAR-END MANAGEMENT DISCUSSION AND ANALYSIS SECTION**

**Payroll Issues and Dispute with PP**

At the beginning of 2021, HSE outsourced its payroll services to PP. PP has been non-compliant with its contractual obligations. As a result, HSE incurred a total of \$1,231,500 in additional expenses related to this issue. As per HSE's mediation agreement with PP, all costs incurred by HSE will be reimbursed by PP in 2022; as a result, there is no financial impact on HSE in current or future years. There has also been no impact on employee morale.

Certain employees have launched a class action lawsuit against HSE for the financial difficulties and stress encountered by them as a result of the payroll issues. As we believe this lawsuit is without merit, no amount has been accrued for this lawsuit.



**Case #3****(Suggested time: 70 minutes)**

Amped Transit Ltd. (Amped) is a private company in Vancouver, British Columbia, with three silent shareholders. It operates a dockless, electric-kick scooter and e-bike sharing service (Appendix I).

It is January 20, 2022. You, CPA, a consultant hired by Amped, recently met with its CFO, Leo Chevalier.

Leo begins: "I am concerned that we have been accounting for our property, plant and equipment (PP&E) incorrectly. The scooters have required a lot of maintenance, and many have gone missing. In addition to discussing the financial reporting considerations, I would like suggestions for ways to improve the controls in our PP&E processes (Appendix II).

"Also, we recently conducted a pilot project where we placed some of our bikes in a resort town (Appendix III). Given the results, should we move more bikes to resort locations or keep them in the current, urban, locations?

"Please also design some performance measures that would allow our shareholders to monitor whether Amped's operational results align with its strategic objectives.

"Finally, to help Amped obtain future financing, the shareholders are considering having an audit performed for the first time for the 2021 fiscal year. Please explain some of the factors that impact audit risk and any first-time audit considerations that an auditor would address."

After your meeting, you noted some online user reviews (Appendix IV).

## APPENDIX I BACKGROUND INFORMATION

Amped was incorporated on January 1, 2016. By investing heavily in PP&E, it has grown rapidly. To encourage continued growth, a management bonus plan has been in place since 2020. It is based on a percentage of the revenues from normal operations reported on Amped's IFRS financial statements.

Amped cares about environmental, social, and corporate governance factors. Its strategic objectives are to:

- provide an efficient and safe network of electric transportation across Canada
- reduce waste and energy usage
- maintain efficient and effective supply-chain management
- differentiate the company through innovation and unique product offerings
- grow and provide stable returns to shareholders

Since shared, dockless, scooters and bikes became popular in 2019, competition has increased. Some of the many new entrants are existing companies with brand recognition.

While Amped anticipated each scooter lasting three years, recently the scooters are being replaced every two years, partly due to the availability of newer technology, and partly due to theft and damage. The #scooterfail trend of riders posting videos of scooter stunts on social media has resulted in considerable damage to scooters. Last year, several destroyed GPS devices were found in a park, without the scooters. There are also several scooters on Amped's records that have been thrown into rivers and are therefore irretrievable.

Amped's bikes do not have the same issues; their wheels have an additional locking mechanism that renders them immobile if the software is not activated.

Batteries make up a significant portion of the cost of the bikes, and battery performance is a key success factor. The drivetrain (motor, chain, and gear mechanism) is also a significant component of the cost of the bikes; keeping it maintained is essential to ensuring user safety.

## **APPENDIX II PROPERTY, PLANT AND EQUIPMENT PROCESSES**

### **Purchasing**

Amped operates in several major Canadian cities. Each city has an office location responsible for managing its own purchases. Amped's head office suggests technical specifications and leaves the choice of suppliers and placement of orders to the location office. Many locations use the same suppliers, but this is not mandated. During 2021, the Toronto location began ordering scooters from the U.S. and experienced some foreign exchange losses due to fluctuations in the exchange rate.

### **Receiving**

The location office accountant emails the number of units (bikes and scooters) ordered to head office, and records the purchase cost as a debit to PP&E and a credit to accounts payable when the units are received at the warehouse. The locations use Excel spreadsheets instead of the PP&E tracking module in the general ledger system.

All units are shipped by the suppliers to the Vancouver warehouse, where a GPS device is installed and the units are added to the mobile application. The units received are not checked against the units ordered or inspected. The Vancouver warehouse ships the units to the location office noted by the supplier. The location office receives the units, activates them in the app and puts them into service. Last year, a shipment meant for the Calgary location was sent to the Toronto location in error. It took one month before the shipment was found and redistributed to Calgary.

### **Payment**

Head office processes all supplier payments based on the payable balance in the general ledger. Supplier invoices remain at the location office so that suppliers can be contacted for questions or warranty issues.

### **Year-end procedures**

Each location calculates and records depreciation expense for the units annually. Under Amped's policies, scooters and bikes are depreciated on a straight-line basis over three and six years, respectively. The PP&E subledger includes all scooter, bike, and GPS device purchases since inception of the company.

### **APPENDIX III RESORT TOWN OPERATIONS**

#### **Pilot Project**

The Victoria, British Columbia, location, an urban area, suggested that Amped might make more profit on its bikes if some were moved to resort towns. From February 1 to July 31, 2021, Amped relocated 100 bikes from Victoria to the resort town of Fernie, British Columbia. As the bikes are all usable in winter weather, they were consistently used throughout this period. When used in Victoria, these bikes had an annual contribution margin of \$600,000.

While in Fernie, each bike averaged nine trips per operational day and earned average revenue of \$2.50 per trip. Each bike operated 90% of the available days; the rest of the time, they were being serviced. A maintenance worker can maintain a maximum of 100 bikes per year. In Fernie, Amped was able to pay their maintenance worker \$45,000 annually whereas a similar worker in urban areas is paid \$75,000. Over the course of the trial, replacement parts in Fernie averaged \$50 per bike.

#### **Additional Information**

While bike frames last an average of six years, batteries need to be replaced every three years. To maintain safe operation of the bikes, the drivetrain is replaced every 5,000 kilometres. The distance is measured by the bike's internal software.

Bikes are periodically redistributed to better locations in town by part-time staff, who are paid hourly. Annual redistribution costs are \$200 per bike.

Head office allocates \$30,000 of shared services costs, such as IT support, accounting, and marketing, to each location.

**APPENDIX IV  
USER REVIEWS**

**Marie A. – Ottawa**

“Great idea, but my scooter’s battery was dead!”

**Neal J. – Fernie**

“I love the e-bikes! We need them in other resort towns like Whistler and Banff!”

**Amanda M. – Fernie**

“I want to use this service, but it’s so popular that I can never get a bike when I need one.”

**Ines Z. – Montreal**

“My scooter broke mid-ride, but at least the app let me report the incident so it can be fixed.”

**Tina Q. – Calgary**

“Where are all the scooters? They are never in the spot they are supposed to be. Love the bikes though.”

**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>2020</b>	<b>2021</b>
Maximum depreciable cost — Class 10.1	\$30,000 + sales tax	\$30,000 + sales tax
Maximum depreciable cost — Class 54	\$55,000 + sales tax	\$55,000 + sales tax
Maximum monthly deductible lease cost	\$800 + sales tax	\$800 + sales tax
Maximum monthly deductible interest cost	\$300	\$300
Operating cost benefit — employee	28¢ per km of personal use	27¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	59¢ per km	59¢ per km
— balance	53¢ per km	53¢ per km

**3. INDIVIDUAL FEDERAL INCOME TAX RATES**

**For 2020**

<u>If taxable income is between</u>			<u>Tax on base amount</u>	<u>Tax on excess</u>
\$0	and	\$48,535	\$0	15%
\$48,536	and	\$97,069	\$7,280	20.5%
\$97,070	and	\$150,473	\$17,230	26%
\$150,474	and	\$214,368	\$31,115	29%
\$214,369	and	any amount	\$49,644	33%

**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%

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

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

	<b>2020</b>	<b>2021</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	\$12,298	\$12,421
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	13,229	13,808
Age amount if 65 or over in the year	7,637	7,713
Net income threshold for age amount	38,508	38,893
Canada employment amount	1,245	1,257
Disability amount	8,576	8,662
Canada caregiver amount for children under age 18	2,273	2,295
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	7,276	7,348
Net income threshold for Canada caregiver amount	17,085	17,256
Adoption expense credit limit	16,563	16,729

Other indexed amounts are as follows:

	<b>2020</b>	<b>2021</b>
Medical expense tax credit — 3% of net income ceiling	\$2,397	\$2,421
Annual TFSA dollar limit	6,000	6,000
RRSP dollar limit	27,230	27,830
Lifetime capital gains exemption on qualified small business corporation shares	883,384	892,218

**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>
2021	1	1		
2020	2	2	1	1
2019	2	2	2	2

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%	

(THIS PAGE INTENTIONALLY LEFT BLANK)