

# Practice Examination

## Chapter 2 (Procedures And Administration)

### Instructions To Students

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#### Create An Examination Environment

Your text and the accompanying Study Guide provide you with a large number of Exercises and Self Study Problems for which solutions are provided. These problems are designed to assist you with understanding the content of each Chapter. In contrast, the goal of this Practice Examination is to allow you to evaluate your ability to write the examinations in your tax course.

To get maximum benefits from this Practice Examination, you should write it under examination conditions. It is designed as a 90 minute examination and it should be written within that time constraint. You should make an effort to set aside 90 minutes of time during which you will not be interrupted. You should also pick a location where you will not be distracted by extraneous influences.

#### Materials To Be Used

The materials that you use while writing this Practice Examination should be consistent with the materials that will be available during the examinations that you will be writing in your tax course. These vary from course to course, and include the following possibilities:

- you may be allowed to bring a copy of the *Income Tax Act* into the examination room,
- you may be provided with the list of “Rates and Other Data” that is found in the front of your *Canadian Tax Principles* textbook and as a .PDF file on your Student CD-ROM,
- you may be allowed to bring a “cheat sheet” with various notes into the examination room, or
- you may be allowed to bring your *Canadian Tax Principles* textbook into the examination room.

You should determine, either from your course outline or directly from your instructor, which of these approaches applies in your situation. You should write this Practice Examination using only the materials permitted for your examination.

#### Types Of Questions

Different instructors use alternative types of questions on their examinations. This examination includes essay questions, true or false questions, and multiple choice questions. However, the majority of the marks on this examination are allocated to problems that are similar to the Exercises and Self Study Problems that are available in your *Canadian Tax Principles* text.

This content may not be consistent with the types of questions used by the instructor in the course you are taking (e.g., an instructor might choose to have an examination that contains only multiple choice questions, or only one comprehensive question). You should take this into consideration when you are evaluating your results on this examination.

### How To Use The Marking Guides

For each question on this Practice Examination, we have provided information as to how marks would be allocated. In some cases, this allocation is very straightforward. For example, if a 12 mark question consists of 6 multiple choice questions, 2 marks will be allocated to each correct answer.

However, in other situations the allocation process is more complex. Consider, for example, an employment income calculation that has 11 separate components (i.e., salary, RPP contributions and so forth). If 15 grading marks were assigned to this problem, the marking guide could assign 1.36 marks (15 marks divided by 11 components) to each line or, alternatively, award more than one mark to some components. Both of these approaches can be awkward.

To resolve this problem, the marking guides that we provide in these more complex situations will be based on “grading points”. In the preceding example, 11 grading points would be assigned to this question — one for each component in the calculation. These “grading points” would then be converted into the relevant mark. Continuing the example, if you had 8 of 11 components in the calculation correct, this result would be converted to a mark as follows:

$$[(8/11)(15\%)] = 10.9\%$$

In the solution that we have provided for this Practice Examination, these grading points have been identified with **highlighting** the appropriate number or word.

## Practice Examination On Procedures And Administration

### Examination Content

The content of this examination, along with the marks and times for each question, are found in the following table.

Question	Type Of Question Or Subject	Marks	Time In Minutes
1	Essay Questions	20	18.0
2 - 7	True Or False	9	8.1
8 - 14	Multiple Choice	21	18.9
15	Instalments (Individual And Corporate)	50	45.0
Total		100	90.0

### Question 1 (20 Marks)

Provide answers to each of the following questions.

- A. Under what circumstances must an individual file an income tax return? If an individual is required to file an income tax return, by what date must it be filed?
- B. Jane Dallas filed her 2012 tax return on the April 30, 2013 due date. She received her assessment notice on July 15, 2013. The notice did not indicate any problems with her return. On January 13, 2014, she receives a notice of reassessment, indicating that deductions of \$15,000 were being disallowed and that she owed an additional \$5,900 in taxes. The reassessment was mailed on January 10, 2014. Jane does not agree with the reassessment and has asked your advice on how to deal with the situation. Outline the procedures that can be taken by Jane to appeal this assessment.

### Questions 2 Through 7 (9 Marks)

2. An individual is required to make deductible spouse support payments on an annual basis. This individual can request that his employer reduce the amount withheld for income taxes.

True or False?

3. An individual, whose only income is from an unincorporated business, dies on December 29, 2013. This individual's 2013 tax return must be filed by June 15, 2014.

True or False?

4. An individual whose filing date is April 30, does not file his tax return until June 27. He has not previously missed a filing date. His penalty for late filing would be equal to 6 percent of the tax owing on the filing date.

True or False?

5. Without regard to the date on which their tax return must be filed, all corporations must pay any balance owing within three months of their year end.

True or False?

6. For individuals, trusts, and Canadian controlled private corporations, reassessment can occur for up to three years from the date of the mailing of the original assessment.

True or False?

7. The rate used to charge interest on insufficient instalments for individuals is 4 percent higher than the rate used to calculate interest paid to individuals on refunds.

True or False?

**Questions 8 Through 14 (21 Marks)**

8. Mr. Levin dies on December 5, 2013. While he was an employee of a publicly traded Canadian company, he owned an unincorporated business which was managed by his common-law partner. What is the latest date for filing his 2013 income tax return?

A. April 30, 2014.  
B. June 5, 2014  
C. June 15, 2014.  
D. June 30, 2014.

9. With respect to the filing of an individual income tax return, which of the following statements is not correct?

A. An individual is required to file an income tax return if their only source of income is business income, even if no tax is payable.  
B. An individual is required to file a tax return if he has an outstanding balance under the home buyers plan.  
C. If an individual has disposed of a capital property during the year, they are required to file an income tax return, even if no tax is payable.  
D. An individual is required to file an income tax return if they owe taxes for the year.

10. Joan Bass, an individual whose only income resulted from pensions, did not pay her net tax owing for 2013 until she actually filed her return on September 10, 2014. Her net tax owing on her balance-due day was \$5,600. This is the first time she has late filed her return. How much of a late filing penalty will Joan incur?

A. Nil.  
B. \$280.  
C. \$504.  
D. \$560.

11. Cheung Trading Inc., a CCPC, has a year end of September 30. For its 2013 taxation year, its income tax return is due on:

A. November 30, 2013.  
B. December 31, 2013.  
C. April 30, 2014.  
D. March 31, 2014.  
E. None of the above.

12. Brandon Ltd. is a Canadian public corporation with an August 31 year end. For the 2013 taxation year, the Company's taxes must be paid by:

A. October 31, 2013.  
B. February 28, 2014.  
C. December 31, 2013.  
D. November 30, 2013.

13. Martin Houde is retired and recently divorced. He filed his 2013 tax return on February 3, 2014. He received a portion of the tax refund claimed and an assessment notice, dated May 12, 2014, which set out the difference between the amount claimed and the amount of the refund. As Martin disagrees with the notice of assessment, he wishes to file a notice of objection. By which of the following dates must he file his notice of objection?
- February 3, 2015.
  - May 12, 2015.
  - April 30, 2015.
  - August 10, 2014.
  - June 15, 2015.
14. Of the following statements related to appeals, which one is not correct?
- If an appeal to the Tax Court Of Canada is not successful, the taxpayer has the right to appeal to the Federal Court Of Appeal.
  - Under the informal procedure, a taxpayer can represent himself in the Tax Court Of Canada.
  - The Minister is responsible for the taxpayer's costs if the Minister appeals in a case where the amount of Tax Payable is less than \$25,000.
  - Under the informal procedure, the taxpayer cannot be required to pay court costs in the Tax Court Of Canada.

### Question 15 (50 Marks)

For the three years ending December 31, 2013, the taxpayer's combined federal and provincial taxes payable were as follows:

Year Ending December 31	Taxes Payable
2011	\$56,742
2012	22,785
2013 (Estimated)	64,457

- Case One** The taxpayer is an individual whose employer withholds combined federal and provincial taxes of \$51,060 in 2011, \$16,165 in 2012, and \$60,472 in 2013.
- Case Two** The taxpayer is an individual whose employer withholds combined federal and provincial taxes of \$53,426 in 2011, \$23,486 in 2012, and \$59,426 in 2013.
- Case Three** The taxpayer is an individual whose employer withholds combined federal and provincial taxes of \$57,101 in 2011, \$19,483 in 2012, and \$58,048 in 2013.
- Case Four** The taxpayer is a corporation with a December 31 year end. It does not qualify as a small CCPC.
- Case Five** The taxpayer is a small CCPC with a taxation year that ends on December 31. Assume that its combined federal and provincial taxes payable for the year ending December 31, 2012 were \$71,560, instead of the \$22,785 given in the problem.

**Required:** For each of the preceding independent Cases, provide the following information:

- Indicate whether instalments are required during 2013. Explain your conclusion.
- Calculate the amount of instalments that would be required under each of the acceptable methods available.
- Indicate which of the available methods would best serve to minimize instalment payments during 2013 and indicate the date on which they are due.

**END OF EXAMINATION**