

Sample Final Exam Questions

Q1-Taxable income Question

Your new neighbor, Jane, has recently moved to Ontario from Alberta. After being terminated by her old employer in Alberta, a private Canadian oil company, she found a new employer in Toronto, Ontario. She has discovered, in conversation with you, that you are an articling student with a CPA firm and asks for your assistance in preparing her 2016 personal income tax return.

Jane provides you with the following information regarding her various transactions during 2016:

- 3a 1. Jane's salary in 2016 was \$100,000 (\$85,000 from old employer; \$15,000 from new employer)
- 3b 2. Her sole income for 2015 was net employment income of \$95,000 and her 2015 T-4 slip showed a pension adjustment of \$6,280.
- 3c 3. Jane incurred the following moving expenses:

(a)	Cost to move household effects	\$ 5,500
(b)	Travel costs, including meals and lodging for her family	1,035
(c)	Living expenses in Toronto for three days as her home was not ready to move into when she arrived there	375
(d)	Legal fees and real estate commission on the sale of her old house	13,525
(e)	Penalty for paying off her old mortgage before maturity	4,427
(f)	Legal fees on purchase of new home	880

- 3c 4. Jane's new employer reimbursed her with a lump sum of \$15,000 without requesting any back-up receipts.

5. Jane and her husband spent \$2,200 on airfare and accommodations in October to fly to Toronto to try and find a suitable home to purchase for their family.

- 3b 6. As a result of the move, Jane sold the following items rather than move them from Calgary:

	<u>Cost</u>	<u>Proceeds</u>
Sailboat	\$ 2,700	\$ 2,200
Antique 1966 Rambler car	10,000	20,750
Painting	2,700	900
Coin Collection	875	3,560

Jane is happy with the proceeds received from this sale, unlike in 2014 when her only sale of personal property was a gold necklace that fetched \$1,000, but which originally cost \$5,000

- 3a 7. Jane earned \$1,000 in interest on investments in the US. She received only \$750 since the US withheld \$250 of taxes.
- 3a-3c 8. Jane received a \$20,000 severance package from her old employer in Alberta. She was working there since 1990.
- 3c 9. Jane invested \$25,000 into her RRSP in January of 2017. Also in 2016, she contributed \$2,000 in a RESP for her son; \$5,000 in her spouse's TSFA that earned \$100 interest and she purchased an annuity for \$10,000 from a Canada savings Bond that matured during the year.
- 3b 10. Jane was involved in her old employer's stock option plan. In 2016, she sold 5,000 common shares at \$27.50 in order to purchase new furniture for her house in Toronto. She acquired the shares through the exercising of her stock options in February of 2016 at \$22.50 per share when the market price per share was \$24.75. When the stock options were originally granted, the market price per share was \$20.00 for each of the 5,000 shares.
- 3d 11. Jane has a part time business selling chicken eggs. Due to the poor performance of the roasters, she sustained a \$8,000 loss this year.

Required:

In a point form schedule, compute Jane's minimum net income for tax (Div B) and taxable income for 2016. Show all your calculations and **note any loss carry forward balances**. Also, note any items that had no impact on your calculations (ie, Nil items).

QUESTUIN 2- Non-Refundable Tax Credit (NRTC) Question

Mr. Dee, age 66, who resides in Toronto, only has employment income of \$63,600 and OAS of \$6,400 in 2016. He has provided you with the following information concerning his 2016 tax return: 5 credit here

Additional Information:

- (1) During the year, Mr. Dee married Ms. Cee, age 48, a widow who received the following income in 2016:

	<i>Before marriage</i>	<i>After marriage</i>
	<i>e</i>	<i>e</i>
Employment insurance	\$2,000	\$ 700
Annual pension from her deceased husband's estate	3,000	—
Interest — Canadian.....	200	150
Dividends from taxable Canadian public corporations	—	300
	\$5,200	\$1,150

- (2) Ms. Cee moved into Mr. Dee's home immediately after the marriage along with her 72-year-old mother whose only income is Old Age Security Pension -\$6,400

- (3) Mr. Dee supported the following persons during 2016:

- (a) Ms. Cee. (his new wife)
- (b) Ms. Cee's mother (who is certified disabled by a doctor) lives with Mr. Dee
- (c) Donald, a son aged 20, is a Concordia University student and has the following sources of funds and selected expenses for 2016:

Employment income	
6,150	
Canadian bank interest	200
Scholarship.....	3,100
Student loan	2,000
Tuition fees for eight months of full time attendance	3,000

Donald has agreed to transfer the maximum amount of his tuition education credit to his father

(d) Debra, a daughter aged 19 at year-end, who was unemployed for most of the year and whose total net income for tax purposes was only \$1,200.

(e) David, a son aged 15, who is a paraplegic and has been confined to bed or wheelchair since early childhood. He has been certified by a medical doctor as disabled. He earned no income in 2016

(f) Donna, Mr. Dee's 50-year-old sister who is mentally disabled as certified by a medical doctor and requires the services of a full-time attendant which cost Mr. Dee \$5,000 in 2016. Donna has no income for tax purposes and lives with Mr. Dee

(4) Mr. Dee made the following selected payments during 2016:

Charitable donations.....	\$1,000
Political donations to Federal Political Party.....	500
Medical insurance premiums	
Liberty Mutual — Extended Care.....	1,000
Sun Life — Drug Plan	
	380

(5) Mr. Dee paid for essential surgery for Ms Cee, not reimbursed by provincial or private plan 1,500

6) Employment Insurance premiums of \$955 and QPP contributions of \$2,544 were withheld from Mr. Dee's employment income.

Required:

In a point form schedule, determine Mr. Dee's minimum federal tax payable for 2016. Show all your calculations. Ignore any possible clawback consequences.

QUESTION 3 GST Question

Placements Tate Inc. purchased on October 1, 2016 a used building for \$1,600,000. The building was immediately leased for the following amounts of rents (rents for Oct1-Dec.31/16 excluding sales taxes):

Retail stores	\$ 80,000
Bank branch	30,000
Medical offices	40,000
Residential apartments	50,000

The following were t payments made for Oct.1-Dec.31/16 (excluding any PST or GST):

Payments made for expenditures for the entire building:

Accounting fees	\$ 2,000
Electricity	12,000
Mortgage interest	24,000
Insurance	4,500
Repairs	3,200
Purchase of truck	32,000
Montreal real estate taxes	9,000

Payments made for specific tenants:

Equipment for the residential apartments	\$ 6,000
Repairs for retail stores	9,400
Entertainment to attract commercial tenants	800
Advertising for new residential tenants	1,000

Purchase of a \$40,000 car for the janitor who will use it 45% of the times for activities related to the residential apartments and the balance of time for all other sales.

Required:

In a point form schedule, calculate the GST payable or refund for the period October 1 to December 31 2016. Show all your calculations. Note all items that had no impact in calculating the GST payable or refund.