Quiz Reference Sheet

Up to $43,000	24.1%	(+ $0)
$43,001 to $87,000	34.1%	(+ $10,363)
$87,001 to $135,000	38.4%	(+ $25,367)
$135,000 and up	43.3%	(+ $43,799)

<u>Months & Days per Month</u>

January – 31 days
February – 28 days
March – 31 days
April – 30 days
May – 31 days
June – 30 days
July – 31 days
August – 31 days
September – 30 days
October – 31 days
November – 30 days
December – 31 days

Quiz #2
ECON3204 – Fall 2019 Term
November 20, 2019

Student Number/Name:________________________

Please complete this assignment in the spaces provided. Do not forget to include your name and/or student number.

Value: 25% of your final grade

*Also, please remember that in the practice cases there was an error in the CCA calculation in that they used a 50% half year rule in the first year an asset was purchased. The rules for 2019 are different and so you should use the slides instead.3

Question 1

Ryan purchased an office desk during 2019 for $1,500. The opening balance of his class 8 UCC pool is $3,000. Calculate Ryan's maximum CCA he can take during the year.

$3,000 x 20% = $600
$1,500 x 20% x 150% = $450
$600 + 450 = **$1,050 Total CCA**

Question 2

Ryan has opening UCC of $50,000 on class 10 assets. He sold a vehicle during the year for $30,000 which had an original cost of $40,000. He has no other vehicles remaining. Calculate the impact on his taxable income.

$50,000 - $30,000 (lesser of cost and proceeds) = **$20,000 Terminal loss since no assets remaining.**

Question 3

Ryan has opening UCC of $50,000 on Class 10 assets. He sold a vehicle during the year for $60,000 which had an original cost of $70,000. He has no vehicles remaining. Calculate the impact on his taxable income.

$50,000 - $60,000 (lesser of cost and proceeds) = **$(10,000). $10,000 of recapture income**

Question 4

Ryan has an opening UCC balance for Class 10.1 of $20,000. He sold this vehicle during the year for $10,000 and it had an original cost of $35,000. Calculate the impact on his taxable income.

$20,000 x 30% x 50% = **$3,000 CCA for the year.**

Question 5

Ryan purchased a new luxury vehicle (a BMW) costing $100,000 during the year. Calculate the maximum amount of CCA he can deduct on this vehicle.

$30,000 (max to class 10.1) x 30% x 150% = **$13,500 CCA deduction**

Question 6

Jim has provided you with the financial statements below along with some additional information. Please calculate his taxable income from his business.

Revenue	$800,000
Salary	$200,000
Supplies	$70,000
Meals	$6,000
Amortization	$10,000

Net Income before tax	$514,000
Taxes	($154,200)

Net income after tax	359,800

Capital cost allowance has been calculated to be $7,500.
Jim pays his oldest child $100,000 in salary to be the night manager. If he were to replace his child with someone else, it would cost $60,000 in salary.

$359,800	**net income after tax**
154,200	**tax**
3,000	**50% of meals**
$10,000	**amortization**
(7,500)	**CCA**
$100,000	**adjustment for unreasonable salary**
(60,000)	**reasonable salary**

559,500	**taxable income**

Question 7

Kerry sold a couch during the year for $800. They'd purchased it a few years ago for $3,500. Calculate Kerry's income/loss from the sale of the couch.

$0 of income

$1,000 deemed proceeds - $3,500 cost = ($2,500) loss. Losses on personal use property are denied.

Question 8

Henriette is considering selling her home and cottage in 2019. She's provided you the following facts about the two properties. Calculate the minimum amount of income she can report assuming she's never sold a property before.

	Home	Cottage
Proceeds	$500,000	$240,000
Cost	$200,000	$120,000
Realtor fees on sale	$60,000	$10,000
Year of purchase	2012	2017

Proceeds	$500,000	$240,000
Cost	(200,000)	(120,000)
Cost of sale	(60,000)	(10,000)
Gross gain	240,000	110,000
Years of ownership	8 (2019-2012+1)	3 (2019-2017+1)
Average gain/year	30,000 (240,000 / 8)	36,667 (110,000 / 3)

Elect first on cottage since higher gain /year.

Exemption amount	(6+1)/8 x 240,000 = 210,000	(2+1)/3 x 110,000 = 110,000
Gross Gain	240,000	110,000
Exempt Gain	(210,000)	(110,000)
Non-exempt gain	$30,000	$0
	50%	50%
Taxable capital gain	15,000	0

Question 9

Kate invested $35,000 in her corporation, Katco, in 2016. In 2019, Katco receives a loan from its bank and uses the proceeds from that loan to repay Kate for the $35,000 she invested in the corporation.

Is the interest on the bank loan deductible? Why?

Yes.
The bank loan is 'filling the hole' of the funds she invested.

Question 10

Kate receives $13,000 in non-eligible dividends during 2019.

a) Calculate the amount of taxable income she will need to report.

   $13,000 x 1.25 = **16,250 of income**

b) Calculate the dividend tax credit resulting from the dividend.

   $13,000 x 16.67%= **$2,167**

Question 11

Kate receives $500 in dividends from ABC Co, a US corporation. She receives a letter from ABC Co showing that they withheld tax of $88. What is the amount of income Kate must report?

$588 (the dividends plus the withheld tax).

Question 12

Calculate the maximum grant that will be received on a contribution to an RESP of $4,000 if the individual has made contributions of $4,000 since the beneficiary was born two years ago.

$2,500 x 20% **= $500** (the maximum grant per year)

Question 13

Craig has fully used his TFSA contribution room as of February, 2019. He wants to withdraw all the funds from the TFSA in April, 2019, in order to take a trip to Vegas. He is confident he will win back more than he started with, and plans to put the money back into the TFSA in September, 2019.

Explain to Craig whether his plan for his TFSA will work, and why. (You can ignore whether he is being reasonable in his forecasts for Vegas results).

No, the plan will not work. Withdrawals from a TFSA do not increase contribution room until the following year.

Question 14

Explain what happens with an RRSP when you

a) contribute,

   A deduction for the amount contributed

b) earn income over time, and

   Income grows within the RRSP tax free

c) withdraw funds.

   The withdrawal is fully taxable in income.

Question 15

Question is the key difference between an RPP and a PRPP?

An RPP you have to opt into. A PRPP you have to opt out of.