CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

CFE CANDIDATE NUMBER: | | | | | | | | |

Common Final Examination
May 23, 2025 – 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 candidate number on the booklets. The examination booklets (or paper response, as instructed) must be submitted before leaving the examination writing centre. They must NOT BE REMOVED from the writing centre. If these items are not received, the response may not be accepted.
2. Follow the instructions provided. Instructions must not be removed from the writing centre.
3. Sign the Policy Statement and Agreement Regarding Examination Confidentiality below.

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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 the examination including but not limited to generative artificial intelligence and similar technologies (for example, ChatGPT, Grammarly, ChatBots, etc.); or
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I further agree to report to the Regional/Provincial/Territorial Body 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 In-Person Examination Regulations* and the *Policy on Academic Integrity and the Use of Artificial Intelligence* and I agree to all of their 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 (80 minutes)**
- **Case #2 (75 minutes)**
- **Case #3 (85 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 examination 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**. All financial tables in the case with ten lines or more have been preloaded into the spreadsheets that follow Sheet 1. Those spreadsheets are in read-only mode. You must copy and paste the financial information into your Sheet 1, where you can then do all your calculations. You are responsible for clearly explaining all your calculations.

Answers or part answers will not be evaluated if they are recorded on anything other than the examination software or, in the event of computer failure, the CPA Canada writing paper 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, the *Income Tax Act* and the *Excise Tax Act* are available in the examination software throughout the entire examination. These materials provide the standards in effect and tax laws substantively enacted as at December 31, 2024.

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 examination questions as presented even though the circumstances described in the examination questions may not be reflective of the current environment.

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Common Final Examination, 2025

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

Case #1 **(Suggested time: 80 minutes)**

It is April 3, 2025. You, CPA, are meeting with Beth Price, a new consulting client and owner of the Lazy Guest Ranch Inc. (Lazy Ranch), a 12-cabin ranch that offers guest accommodation and outdoor experiences (Appendix I).

Beth starts: “Welcome to the ranch, CPA. I purchased the company in 2023, and I am now ready to make some changes. I’ve summarized two of our upcoming business initiatives (Appendix II). First, instead of daily cabin rentals, we will offer weekly rental packages. Customers will have the choice between a basic rental package and a deluxe rental package. Can you calculate the break-even selling price for each package? Second, we will offer a luxury camping experience and must decide whether to lease or buy the tents and furniture needed. Please analyze these options and make a recommendation, ignoring any tax and financial reporting implications for now.

“We also need your help with the financial reporting treatment, under ASPE, for two events that occurred in 2025 (Appendix III). First, please explain the financial reporting treatment for the grant we received from the provincial government. Next, we have a financial reporting question regarding our decision to repurpose our barn.

“Lazy Ranch has a line of credit, and the bank requires an audit of the December 31, 2025, financial statements. Can you describe audit procedures the auditor will likely perform over the two financial reporting issues we just discussed so I can prepare accordingly?

“Lazy Ranch had a net loss in 2024, so I don’t think we need to file an income tax return. However, I’m wondering if there are benefits of filing one for a year with a loss. Please also calculate Lazy Ranch’s 2024 taxable income. I’ve provided some additional tax information (Appendix IV).”

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APPENDIX I
BACKGROUND INFORMATION

Current Operations

There are seven basic cabins and five deluxe cabins. Deluxe cabins are the same size as the basic cabins but offer upgraded furniture and fixtures. There is a main lodge used exclusively by cabin guests. Property taxes are $10,000 per year, of which $6,500 relates to the cabins and main lodge and the remainder to detached storage structures and vacant land.

Salaries of the three full-time staff are as follows:
- Beth – $80,000
- Jean – $60,000 (receptionist and bookkeeper)
- Annette – $70,000 (groundskeeper)

Beth, Jean, and Annette spend 50%, 60%, and 35% of their time managing the cabins, respectively. The occupancy rate has increased from 57% to 75% since Beth purchased Lazy Ranch.

2025 Additional Information

- Lazy Ranch has an undrawn $100,000 line of credit.
- Utilities average $150 per week for the main lodge. Base utilities for each cabin average $25 per week with an extra $70 per week when a cabin is in use.
- Monthly truck operating costs are $1,000. The truck is used 80% of the time for errands related to the cabins and 20% of the time for other business activities.
- The estimated annual capital re-investment for the cabins, main lodge, and related equipment is $40,000. Repairs and maintenance are expected to be $20,000.
- Lazy Ranch plans to spend $18,000 on marketing to promote cabin rentals in 2025.

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APPENDIX II
INFORMATION ON BUSINESS INITIATIVES

Rental Packages

Our new weekly rental packages will include the following:

Basic Package
- One week rental of a basic cabin.
- Two cleanings. We pay our cleaning company $30 per cabin per cleaning.

Deluxe Package
- One week rental of a deluxe cabin.
- Daily cleaning.
- A welcome package with wine and chocolates, which will cost us $60. We will partner with a local company that will make custom chocolates for us.
- A tour of the property, led by Annette during her regular working hours. Other ranches offer similar tours at a price of $20 per person.
- The option to separately purchase a helicopter tour of the surrounding area from Peak Helicopters, a local tour company, for a special price of $600. We have successfully partnered with Peak Helicopters on other initiatives in the past.
- Deluxe hair and body products, which will cost us $12 per rental week.

Luxury Camping

We could rent six luxury tents on a five-year term from Sky Canvas (Sky), a new local company. The annual lease payment is $3,000 for each tent and its furniture, payable at the beginning of each year. There will be an upfront fee of $2,000 per tent for installation. At the end of each year, Sky requires mandatory maintenance and inspection to be performed by its technicians at a cost of $1,000 per tent. The lease doesn't allow for any customizations. At the end of the term, we can renew the lease at a new price, but there is no option to purchase the tents.

Alternatively, we can buy the six tents from Dutton's Buttons (Dutton's), a renowned Canadian manufacturer. We would use our line of credit, bearing interest at 7%, to fund this purchase. Each tent costs $13,000, plus $3,000 per tent for furniture. The manufacturer will set up all tents for a total of $4,000. Dutton's tents and furniture typically last five years but, if well maintained, can last eight years. Annette will perform any tent maintenance needed.

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APPENDIX III
FINANCIAL REPORTING ISSUES

Grant

We received a $50,000 grant on January 1, 2025. We don't have to repay it if we meet the following criteria over the next three years:

1. Use the grant towards marketing and promotion expenses.
2. Support at least two local businesses through purchases of goods and services or other forms of partnership.
3. Increase occupancy rate by at least 5 percentage points per year.
4. Submit an annual report on the status of the grant criteria by March 31 of the following year.

We recorded the full $50,000 as revenue. We have spent $8,000 on eligible expenses since January 1, 2025.

Barn Repurposing

Our barn had a remaining useful life of five years at the end of 2024. To date, it has been used to store all-terrain vehicles (ATVs), but we have decided to stop offering our ATV trail rides. We just sold our ATVs for proceeds equal to their carrying value. The barn will now be repurposed to house our neighbour's alpacas. Alpacas are mountain animals that can carry small loads, so we plan to have them accompany guests on hikes.

The neighbour will pay us $800 per month for the alpacas to live on Lazy Ranch's property for five years. Alpacas need exercise, so the neighbour doesn't mind them being used to carry guests' gear while they hike. We estimate the treks will generate $1,000 in monthly revenue for 10 months of the year. It will cost Lazy Ranch $300 a month to feed the alpacas.

Alpaca treks will not be as profitable as ATV rides, but we want to address local residents' concerns about the noise pollution caused by our ATVs. The barn has a $90,000 carrying amount. Given this change in circumstances, could its value be impaired?

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APPENDIX IV
2024 TAX INFORMATION

Income Statement Excerpt

		Note
Gross revenue	$ 450,900	
Gain on sale of shares	5,000	1
Total revenue	455,900	
Expenses:		
Salaries	210,000	
Utilities	125,000	
Repairs and maintenance	32,000	
General administration	25,000	
Marketing	14,000	2
Donations	1,000	3
Amortization	68,000	4
Interest	2,600	
Total expenses	477,600	
Net loss before tax	$ (21,700)	

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APPENDIX IV (CONTINUED)
2024 TAX INFORMATION

Notes:

1. In May 2024, we sold 500 shares of a public company for $15 each. We originally paid $5 per share.
2. Includes $2,000 of meals and entertainment and $3,500 in golf dues.
3. Includes a $400 municipal political contribution and a $600 charitable donation.
4. Property, plant, and equipment continuity schedule:

Asset	2024 Opening Balance ($)	Additions ($)	Amortization ($)	2024 Closing Balance ($)
Land	500,000			500,000
Barn	108,000		18,000	90,000
Cabins and main lodge	780,000		39,000	741,000
Truck	30,000		5,000	25,000
ATVs	7,000	6,000	1,000	12,000
Furniture and fixtures	15,000	3,000	2,000	16,000
Computer equipment	6,000		3,000	3,000
Total	1,446,000	9,000	68,000	1,387,000

Our 2023 tax return had the following ending UCC balances:

- Class 1: $1,150,000
- Class 8: $11,000
- Class 10: $28,000
- Class 50: $4,500

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Case #2 **(Suggested time: 75 minutes)**

You, CPA, work on the advisory team of M&M CPAs. Your next engagement is with Ocean Brewing Inc. (OBI), a craft brewery located in Seaside, Nova Scotia. Today is February 28, 2025, and you open an email from Angelo Beals, president of OBI.

To:	CPA
From:	Angelo Beals
Subject:	OBI

Dear CPA,

OBI was incorporated in 2019 by me and my friends Fiona, Max, and Emmanuel. We hold equal shares of OBI. While Max and Fiona have a good understanding of the brewing industry, only Emmanuel and I are involved in the day-to-day operations. Emmanuel, who holds a graduate degree in brewing science, serves as OBI's chief brewmaster. I supervise all non-brewing aspects of the business and am the sole director. OBI does not have a formal board of directors.

OBI had initial success. We quickly became known for delicious beer and ethical business practices, such as supporting community organizations and compensating employees generously. We focused on those things, and the sales simply materialized! However, competition has intensified recently. Sales have declined, and we have been dangerously low on cash at times.

We approached our bank for a loan, and they asked for a SWOT analysis. Please prepare this for us. They also inquired about OBI's liquidity, so please provide a ratio analysis on working capital and each of its components, and explain the cause of any potential issues. OBI's audited balance sheet is attached (Appendix I). I have also compiled information about OBI and the industry (Appendix II).

During my conversations with the auditors, they expressed concerns about our internal controls. I have summarized their concerns and added my comments (Appendix III). Can you discuss the control weaknesses they found and recommend improvements?

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I decided OBI would not declare the usual annual dividend, to preserve liquidity, which took Fiona and Max by surprise. They became concerned that they were not aware of decisions being made at OBI that would impact their investment and that OBI was lacking proper policies and procedures in general. What could we do to improve our governance practices?

Also, we have been approached about a special order, and we are wondering if we should accept it (Appendix IV). Please analyze this opportunity.

Lastly, OBI must be creative in terms of employee compensation due to the cash constraints, so I've provided some ideas (Appendix V). Please explain the income tax implications of my ideas for OBI and the employees.

Angelo

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APPENDIX I
BALANCE SHEET

Ocean Brewing Inc.
Balance Sheet
As at December 31

	2024	2023
	Audited	Audited
Assets		
Current assets:		
Cash	$ 23,000	$ 250,000
Accounts receivable (net of allowance for doubtful accounts)	215,000	190,000
Inventory	342,000	250,000
Total current assets	580,000	690,000
Equipment, fixtures, and furniture	350,000	412,000
Total assets	$ 930,000	$ 1,102,000
Liabilities		
Current liabilities:		
Accounts payable	$ 52,000	$ 35,000
Other accrued liabilities	42,000	10,000
Dividends payable	0	240,000
Total current liabilities	94,000	285,000
Shareholders' equity		
Common shares	600,000	600,000
Retained earnings	236,000	217,000
Total shareholders' equity	836,000	817,000
Total liabilities and shareholders' equity	$ 930,000	$ 1,102,000

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APPENDIX II
OBI AND INDUSTRY INFORMATION

OBI-Specific Information

The December 31, 2022 working capital account balances were similar to those of December 31, 2023.

Other information:

Item	2024	2023
Net sales on credit	$ 1,140,000	$ 1,662,500
Cost of goods sold	$ 876,000	$ 1,242,500
Net purchases on credit	$ 535,000	$ 380,000

Craft Brewing Industry Benchmarks and Information

Current ratio: 2:1
A/R turnover: 10 times
Inventory turnover: 7.3 times
A/P turnover: 8 times

A key success factor in our industry is strong relationships with customers. Our customers are mainly restaurants, bars, and retail alcohol stores. To ensure customer satisfaction, OBI does not require a credit check and offers extended payment terms. OBI has two salespeople who work hard and receive positive feedback from customers.

Most of OBI’s competitors require retailers to place orders two months in advance, to help with production planning. Retailers do not always like to commit that far in advance, so we simply ensure that we produce enough to allow for higher-than-normal demand.

Although demand for craft beer remains high overall, there are many new entrants into the market, and this is expected to continue. Consumers want to support local, ethical, and socially responsible businesses. We plan our business strategy about a month in advance, which worked well at first. However, our recent weakened results took us by surprise.

Raw materials and direct labour costs are increasing, which also impacts our profitability. OBI has not increased prices yet, but I should check how our prices compare to competitors’ prices.

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APPENDIX III
SUMMARY OF AUDITORS' KEY CONCERNS

Marcus is our bookkeeper. I trust him completely to perform all aspects of accounting and banking, so I provide little oversight.

Accounts Receivable

When the audit team sent accounts receivable confirmations, a few customers were surprised OBI hadn't contacted them earlier about their outstanding balance. We trust our customers to pay us, so we let them buy on credit when needed, and we don't like to bug them too much if they are late.

The auditors concluded that a larger allowance for doubtful accounts was needed since some of the outstanding balances were with restaurants in financial difficulty.

Inventory

The auditors attended our physical inventory count at year end. They had to do more tests than initially planned due to differences between the actual quantities on hand and what was on our inventory listing.

I explained that most of the differences were due to employees having permission to take what they wanted from the fridges as a holiday gift, which we didn't track. We don't want to put someone in charge of tracking this as we trust our employees, and since we like to treat them equally, we don't have a formal organizational structure.

The auditors showed concern that all employees have access to the warehouse fridges. I explained that this access was needed because some restaurant and bar owners come to the brewery to purchase beer, instead of placing an order for delivery. I want this process to be quick and easy for them.

Sales

All employees are allowed to make sales to customers who come to the brewery; they are then asked to leave a note on Marcus's desk for him to record the sale, including contact information for new clients buying on credit. We know this is an unusual approach, but formal procedures would reduce efficiency. The auditors collected sufficient evidence to conclude that our revenue was not materially misstated, but they encouraged us to adopt a better process. This could be challenging to implement: our employees don't have job descriptions because they can share tasks.

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APPENDIX IV
SPECIAL ORDER

The promoter of a music festival that will be hosted in several Atlantic Canadian towns in summer 2025 has asked OBI to provide the official drink of the festival. They want OBI to develop a shandy (beer mixed with lemonade). Emmanuel has never made shandy but believes it will be easy. He estimates it will cost $17,000 to develop a recipe.

The promoter wants 30,000 cans of shandy and will pay $3.05 per can, which is higher than OBI's average sales price of $2.85 per can. They say that the "free advertising" that comes with providing these drinks will be wonderful.

Manufacturing costs of OBI's current products are as follows, per can:

Cost	Amount ($)
Direct materials	1.15
Direct labour	0.50
Variable manufacturing overhead	0.10
Fixed overhead	0.30
Total	2.05

Emmanuel estimates that direct materials cost will be 20% lower for the shandy.

The only production constraint is time spent in the fermentation tanks. Production of the shandy would have to happen in April 2025. Last April, the fermentation tanks were used at full capacity. If OBI accepts this order, and assuming the same production level as last year for other products, we will have to either:

- rent a fermentation tank for two weeks for a total cost of $16,000; or
- reduce production of beer by 13,000 cans.

I am concerned that we will disappoint our customers if we produce less beer. It's a hard decision!

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APPENDIX V
IDEAS FOR EMPLOYEE COMPENSATION

- Offer all employees a 30% discount on beer purchases.
- Provide stock options to all employees.
- Declare bonuses to employees to recognize their hard work, with the promise to pay when liquidity improves. We hope this will be within six to nine months.
- Offer all employees a free annual gym membership. A friend of mine who owns a gym has agreed to a group rate of $9,500 for OBI’s 20 employees. The regular cost of an individual membership is $1,100.
- Offer up to $500 towards training or other types of courses for each employee. For example, one of our employees wants to learn to play the piano.

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Case #3 **(Suggested time: 85 minutes)**

Pierre and Michel LeBlanc are brothers who each own 50% of two companies, LeBlanc Asphalt Inc. (AsphaltCo) and LeBlanc Paving Inc. (PavingCo), collectively known as the LeBlanc Group. AsphaltCo produces asphalt and sells it to many customers, including PavingCo. Both companies have a June 30 year end and are situated in a small Canadian town. The LeBlanc Group has been operated by the LeBlanc family for over 75 years and has made it its mission to support local companies, employ local people, and be environmentally conscious in all its activities. The LeBlanc Group has very low employee turnover, and the brothers pride themselves on being loyal to their employees. Michel, who is nearing retirement, manages AsphaltCo full time. Pierre, who has no current plan to retire, manages PavingCo full time.

Muller Inc. (Muller), an American company, has approached the brothers with a tentative $7 million offer to purchase the net assets, excluding the long-term debt, of AsphaltCo. If the sale goes through, Michel plans to retire, as it would be perfect timing for him.

You, CPA, are the new controller for the LeBlanc Group. The previous controller was off sick for several months and did not return. It is August 5, 2025, and Adele, the bookkeeper, needs your advice on how to account for two USD transactions made by PavingCo (Appendix I).

Michel asks you for advice on the potential sale (Appendix II) and provides an excerpt of AsphaltCo's draft financial statements as of June 30, 2025, using ASPE (Appendix III).

Assuming the $7 million offer is accepted, Michel would also like to know the impact of the potential sale on AsphaltCo's federal corporate income taxes payable, before any eventual distribution of funds to the shareholders. He provides you with tax information (Appendix IV).

Muller has informed the LeBlanc Group that AsphaltCo will no longer supply PavingCo with asphalt once sold. Pierre is glad he has found a new asphalt supplier, as there is currently a shortage of asphalt, which is expected to continue going forward. The new supplier would charge $60 per tonne. Pierre would like to know how this compares to AsphaltCo's current production cost (Appendix V).

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Lastly, Michel asks you how the past year's events will impact the upcoming audit of AsphaltCo. In particular, he would like to understand, from the auditor's perspective, the impact of these events on the assessment of risk at the financial statement level and on the approach. He would also like you to explain what the auditors' materiality assessment will likely be. In the past, the auditors took a combined approach because there were very few audit adjustments, and the internal controls in both companies were effective.

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APPENDIX I
USD TRANSACTIONS IN PAVINGCO

Paving Equipment

On May 31, 2025, PavingCo received equipment it had purchased for US $1 million. The company paid the invoice on July 31, 2025, and the converted amount based on that day's exchange rate was CA $1.5 million. Adele had originally recorded the equipment and related payable at CA $1 million, but made an adjusting entry of CA $500,000 back-dated to May 31, 2025 to record the equipment and payable at CA $1.5 million.

The average monthly exchange rates for the last quarter of the 2025 fiscal year from the Bank of Canada website are as follows:

Month	Average Exchange Rate
April	CAD 1.40 = USD 1.00
May	CAD 1.43 = USD 1.00
June	CAD 1.46 = USD 1.00

The exchange rate on May 31, 2025 was CAD 1.44 = USD 1.00 and on June 30, 2025 was CAD 1.48 = USD 1.00.

Sales Contract

During the month of April 2025, PavingCo completed the work for a US $90,000 sales contract, and the customer is expected to pay in August. Nothing has been recorded yet.

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APPENDIX II
POTENTIAL SALE

Offer Details

On September 30, 2025, Muller will pay CA $7 million, based on the June 30, 2025, financial statement figures. Muller is not interested in a share purchase. Before the contract is signed, Muller will require an unmodified audit opinion on the financial statements. Muller will not employ any of AsphaltCo's staff, even the long-time employees.

An expert has confirmed that three times EBITDA is the industry norm for valuing companies like AsphaltCo.

Muller prides itself on being a "green" company, and this has earned it several awards.

Michel's Questions

Michel is wondering if Muller's offer is reasonable based on what AsphaltCo is worth.

Michel would also like your advice on what other factors should be considered in deciding whether to sell.

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APPENDIX III
EXCERPTS FROM LEBLANC ASPHALT INC.'S DRAFT FINANCIAL STATEMENTS

Balance Sheet
As at June 30, 2025

Assets	
Current assets:	
Cash	$ 326,000
Accounts receivable (net of allowance for doubtful accounts)	2,450,000
Inventory	825,000
Total current assets	3,601,000
Property, plant, and equipment	2,733,000
Total assets	$ 6,334,000
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	$ 1,650,000
Current portion of long-term debt	55,000
Total current liabilities	1,705,000
Long-term debt	325,000
Total liabilities	2,030,000
Shareholders' equity	
Common shares	100
Retained earnings	4,303,900
Total shareholders' equity	4,304,000
Total liabilities and shareholders' equity	$ 6,334,000

Note: The book value equals the fair market value for all items except property, plant, and equipment. No goodwill has been acquired from previous acquisitions.

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APPENDIX III (CONTINUED)
EXCERPTS FROM LEBLANC ASPHALT INC.'S DRAFT FINANCIAL STATEMENTS

Income Statement
For the year ended June 30, 2025

		Note
Revenue	$ 15,105,000	1
Cost of goods sold	10,210,000	2
Gross margin	4,895,000	
Expenses:		
Salaries and wages	2,390,000	3
Interest on long-term debt	18,000	4
Maintenance and repairs	90,000	5
Training	225,000	
Office and general	365,000	2, 6
Total expenses	3,088,000	
Net income before taxes	1,807,000	
Income taxes	450,000	
Net income	$ 1,357,000	

Notes:

1. Revenue includes an award of $150,000 for being environmentally friendly.
2. Total amortization is $285,000, of which $210,000 is related to production and is included in cost of goods sold, and $75,000 is included in office and general expenses.
3. This includes Michel's salary of $200,000. The average salary for a similar role would be $120,000.
4. This debt relates to the land and building. The interest rate is due to be renegotiated in October 2025 and is expected to increase.
5. These costs have doubled from the prior year due to a fire in a warehouse during the year. The insurance did not cover the full repair costs.
6. This includes a provision for a $50,000 legal claim from a customer related to damages during a job. The legal letter confirmed this claim has merit, and management correctly recorded a provision for it.

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APPENDIX IV
TAX INFORMATION

Asset	Cost	Fair market value as of June 30, 2025	Ending UCC as of June 30, 2025
Land	$ 250,000	$ 475,000	N/A
Building	$ 700,000	$ 1,450,000	$ 334,913
Equipment	$ 4,000,000	$ 500,000	$ 562,037

Due to changes in technology, the equipment will require a costly upgrade next year, which AsphaltCo would need to finance.

AsphaltCo's federal tax rate is 15% on active business income and 38.67% on aggregate investment income.

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APPENDIX V
CURRENT PRODUCTION COST INFORMATION

You meet with Thom, Michel's son, who shows you his calculation of the production cost of asphalt in 2025, using balances from the general ledger. Thom is learning everything he can about the business side of things because he hopes to take over his father's role in the company one day.

Cost	Amount ($)
Marketing expenses	58,000
Transportation of direct materials	265,000
Accounting salaries	125,000
Direct materials	5,895,000
Electricity (for 1,707,964 kWh used)	193,000
Property tax	46,000
Indirect labour	250,000
Direct labour	3,775,000
Amortization	285,000
Insurance	93,000
Total costs	10,985,000

Additional information:

- There were 200,000 tonnes of asphalt produced during the year.
- The production plant uses 8 kWh of electricity per tonne of asphalt.
- The industry markup on asphalt is 15% of the production cost.
- The office uses 25% of the square footage of the building.

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End of Examination

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CPA COMMON FINAL EXAMINATION
REFERENCE SCHEDULE

Present Value of Tax Shield for Amortizable Assets

Present value of total tax shield from CCA for a new asset acquired on or after January 1, 2024, and before January 1, 2028, other than those eligible for immediate expensing, which would normally be subject to the half-year rule.

$$= \frac{CdT}{(d+k)}$$

Present value of total tax shield from CCA for a new asset acquired after November 20, 2018, and before January 1, 2024, or, under proposed legislation, on or after January 1, 2025, and before January 1, 2030, other than those eligible for immediate expensing.

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

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

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Selected Prescribed Automobile Amounts

Item	2024	2025
Maximum depreciable cost — Class 10.1	$37,000 + sales tax	$38,000 + sales tax
Maximum depreciable cost — Class 54	$61,000 + sales tax	$61,000 + sales tax
Maximum monthly deductible lease cost	$1,050 + sales tax	$1,100 + sales tax
Maximum monthly deductible interest cost	$350	$350
Operating cost benefit — employee	33¢ per km of personal use	34¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	70¢ per km	72¢ per km
— balance	64¢ per km	66¢ per km

Individual Federal Income Tax Rates

For 2024:

If taxable income is between	Tax on base amount	Tax on excess
$0 and $55,867	$0	15%
$55,868 and $111,733	$8,380	20.5%
$111,734 and $173,205	$19,833	26%
$173,206 and $246,752	$35,815	29%
$246,753 and any amount	$57,144	33%

For 2025:

If taxable income is between	Tax on base amount	Tax on excess
$0 and $57,375	$0	15%
$57,376 and $114,750	$8,606	20.5%
$114,751 and $177,882	$20,368	26%
$177,883 and $253,414	$36,782	29%
$253,415 and any amount	$58,687	33%

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Selected indexed amounts for purposes of computing income tax

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

Item	2024	2025
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	$14,156	$14,538
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	15,705	16,129
Age amount if 65 or over in the year	8,790	9,028
Net income threshold for age amount	44,325	45,522
Canada employment amount	1,433	1,471
Disability amount	9,872	10,138
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	2,616	2,687
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	8,375	8,601
Net income threshold for Canada caregiver amount	19,666	20,197
Adoption expense credit limit	19,066	19,580

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Other indexed amounts are as follows:

Item	2024	2025
Medical expense tax credit — 3% of net income ceiling	$2,759	$2,834
Old age security repayment threshold	90,997	93,454
Annual TFSA dollar limit	7,000	7,000
RRSP dollar limit	31,560	32,490
Lifetime capital gains exemption		1,250,000
Lifetime capital gains exemption for dispositions before June 25	1,016,836	
Lifetime capital gains exemption for dispositions after June 24	1,250,000	

Prescribed interest rates (base rates)

Year	Jan. 1 – Mar. 31	Apr. 1 – June 30	July 1 – Sep. 30	Oct. 1 – Dec. 31
2025	4	4		
2024	6	6	5	5
2023	4	5	5	5

This is the rate used for taxable benefits for employees and shareholders from interest-free and low-interest loans. The rate is 4 percentage points higher for overdue income taxes 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.

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Maximum capital cost allowance rates for selected classes

Class	Rate	Additional information
Class 1	4%	For all buildings except those below
Class 1	6%	For buildings acquired for first use after March 18, 2007, and ≥ 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 ≥ 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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