



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS
CANADA

CFE CANDIDATE NUMBER:

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**Common Final Examination
September 11, 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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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 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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Chartered Professional Accountants of Canada
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Case #1**(Suggested time: 90 minutes)**

Capsule Clothing Inc. (CCI), founded on January 1, 2023, is a private company with five shareholders. Three of the shareholders provided most of the initial investment but are not involved in the daily operations. The other two, Greenlee and Hazel, made a small initial investment but run the day-to-day operations.

CCI produces and sells capsule wardrobes. A capsule wardrobe is a small collection of clothing items that can be mixed and matched to create many outfits. CCI currently has three capsule wardrobe options, each containing 10 to 12 clothing items. The clothing items are ethically made using high-quality, sustainably-sourced materials that allow for years of use. CCI's goal is to move consumers away from the fast-fashion industry, where clothing is often made from low-priced materials, produced under poor working conditions, and thrown away after being worn a few times.

It is now January 29, 2025. CCI has hired you, CPA, as a consultant, and you are meeting with Greenlee and Hazel.

Greenlee: First, we need help with production planning. Our cutting machine is operating at full capacity, and is creating a bottleneck. Here is information on our production process and our capsule wardrobes (Appendix I). We planned our annual production based on current capacity and demand. Does our plan maximize profit? If not, what changes should be made to production?

Hazel: We currently produce only business clothing but would like to expand into leisure wear. We received an offer from Harold Marley, the owner of a leisure wear company called Tailored to Me (TTM) (Appendix II). Harold wants to retire and has asked if CCI would like to acquire TTM's shares for \$4 million. We asked the other three shareholders if they would be willing to finance the acquisition, but they want to know if the asking price is reasonable. Please determine this, using information on recently-sold clothing companies (Appendix III). We would also like you to assess whether TTM is a good strategic fit for CCI.

Greenlee: Before the other shareholders finance any expansion, they want CCI's financial statements to be audited. CCI's financial statements are prepared in accordance with ASPE. Because neither Hazel nor I have an accounting background, we need you to explain the financial reporting treatment for three items (Appendix IV).

With respect to the audit, I contacted an audit firm and was shocked at the fee they quoted. They said the procedures would be fully substantive, and they also mentioned materiality. Can you explain what a substantive approach is, and why it might affect the amount of audit work to be performed? Can you also explain what changes we could make to decrease the amount of audit work in the future? Also, what does materiality mean? Can you calculate CCI's materiality and explain how it impacts the amount of work to be done? I've included additional financial information for the year ended December 31, 2024 (Appendix V).

Hazel: Finally, providing fair employee remuneration is very important to us. As part of our employee compensation, we want to match each employee's RRSP or TFSA contributions, up to \$3,000 per employee. Some of our employees are saving for items such as cars and vacations, while others are nearing retirement. Please explain the differences between an RRSP and a TFSA from a personal tax perspective and which one our employees might benefit from most.

APPENDIX I
DESCRIPTION OF CCI'S PRODUCTION PROCESS
AND THREE CAPSULE WARDROBES

Our cutting machine measures and cuts fabrics to precise specifications based on our capsule designs and client sizes. Each capsule wardrobe requires the machine for a specific amount of time. To be consistent with our sustainability goal, we want our machine to run for only 12 hours per day (365 days per year).

The following table shows forecasted information on our three capsule wardrobes for 2025:

Item	Classic Professional	Work-from-Home	Business Casual
Retail price (per capsule wardrobe)	\$3,300	\$2,500	\$2,200
Costs (per capsule wardrobe):			
Direct materials	\$1,270	\$ 728	\$ 736
Direct labour	\$ 731	\$ 405	\$ 434
Allocated fixed manufacturing overhead	\$ 595	\$ 460	\$ 400
Sales commissions	\$ 100	\$ 75	\$ 66
Allocated fixed selling and administration	\$ 215	\$ 215	\$ 215
Shipping costs	\$ 25	\$ 25	\$ 25
Cutting machine time (minutes per capsule wardrobe)	175	140	120
Planned annual production (number of capsule wardrobes)	705	730	310
Annual demand (number of capsule wardrobes)	705	730	580

We have prioritized production of the Classic Professional and Work-from-Home capsule wardrobes because they have higher retail prices, using any leftover time to produce the Business Casual capsule wardrobe.

APPENDIX II
LETTER FROM TAILORED TO ME OWNER

Dear Greenlee and Hazel,

I have read so many positive customer reviews on the quality of your products. In fact, many of my customers have asked if TTM has similar goals in terms of ethics and sustainability.

I am retiring soon, and wonder if you might be interested in expanding your company. I have calculated my asking price based on the values for other, recently-sold clothing companies (Appendix III). TTM is a private company that I founded in 2015. It has a solid customer base in Canada, and sales have grown between 2% and 5% every year. Its machines have excess capacity to support growth into the future as well.

TTM's clients appreciate the ability to acquire a complete leisure wear wardrobe with minimal effort. The company's capsule wardrobes contain four different shirt patterns and three different pant patterns; all clients do is select colours and sizes. TTM has significantly increased its margins by sourcing a new supplier whose fabric costs 30% less than the prior supplier, and by switching to contract labour, which really reduced overtime and employee benefit costs.

Yours sincerely,

Harold Marley

APPENDIX III
RECENTLY-SOLD CLOTHING COMPANIES AND TTM VALUATION

The enterprise value of clothing companies is typically determined based on a multiple of EBITDA. A multiple of four times was applied to TTM's most recent EBITDA in calculating the \$4 million asking price. This multiple is the average of those used in the three transactions shown below.

Item	Company 1	Company 2	Company 3
Clothing style	Leisure wear	Leisure wear	Business attire
Region	North America	Canada	Canada
Annual sales	\$16 million	\$115 million	\$5 million
Average annual sales growth	6%	2%	21%
Ownership	Private	Public	Private
Founded in	2012	1985	2023
EBITDA multiple	3x	7x	2x

TTM's most recent relevant financial information is as follows:

- Annual sales = \$5.8 million
- EBITDA = \$1.0 million
- Long-term debt = \$0.4 million
- Redundant assets = \$0.1 million

The long-term debt and redundant assets will be included in the sale of TTM.

**APPENDIX IV
FINANCIAL REPORTING ITEMS**

1. The Work-from-Home capsule wardrobe was launched in March 2024. We purchased the exclusive rights to the related clothing patterns from a local designer at a cost of \$100,000. In addition to the purchase price, we incurred the following costs:

Material used in testing the patterns	\$ 6,000
Employees' salaries to test the patterns	\$12,000
Employee training on use of patterns	\$15,000
Advertising for the new capsule wardrobe	\$10,000
Legal fees for purchase contract	\$ 4,000

Capsule wardrobes are meant to be timeless, so patterns can generally be used as long as desired, with minor modifications every five to ten years. All costs have been expensed to date.

2. In July 2024, we ordered inventory from a new company that claimed their fabric was 100% cotton, but upon further investigation, we found it to contain some polyester. As it goes against our commitment to use sustainable materials, we refuse to use it. However, we also don't want to throw it in the landfill. Instead, we will donate the fabric to a charity that sews pet blankets for animal shelters across Canada. This inventory is currently valued at its cost of \$75,000 in our December 31, 2024, financial statements.
3. In November 2024, we were unable to get certain fabric from our usual supplier, so we ordered US \$130,000 of fabric from a supplier in California. When we received the order, we recorded the transaction in inventory and accounts payable at CA \$188,500, using the exchange rate in effect on that day. This amount remains in both accounts at December 31, 2024, since we have not yet paid the supplier or used the inventory. The foreign exchange rate on December 31, 2024, was CAD 1.35 = USD 1.00.

APPENDIX V
CCI FINANCIAL INFORMATION

Select CCI Financial Information at December 31, 2024

Net income before tax:	\$ 753,000
Total assets:	\$ 1,478,000
Total liabilities:	\$ 253,000
Total equity:	\$ 1,225,000

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

Fresh Air Beauty Inc. (FAB) produces soap made from natural ingredients. Launched five years ago by Frank Vaughan and Isla Jones, FAB started simply: Frank and Isla made the soap in their homes and sold it at local farmers' markets. FAB's mission is to produce quality soap using sustainable business practices. FAB's core values are transparency, community engagement, and respectful and fair treatment of employees. Although some sales still take place at local shops and farmers' markets, FAB's soaps are now sold throughout Canada.

FAB's growth accelerated over the past year, and the company now has 60 employees, double that of the prior year. You, CPA, are the new controller. It is now July 25, 2025, and you are meeting with Frank.

"FAB's rapid growth has been welcome, but Isla and I have a few concerns (Appendix I). Please discuss the internal control weaknesses you identify, and recommend improvements.

"Also, please discuss the instances where our business practices and employees' actions are not aligned with FAB's mission and core values, as well as any issues you identify related to FAB's Board of Directors, which consists of Isla and myself.

"We hope to expand into body butters and shampoo bars (Appendix II). This will require an upfront investment that we hope will generate a 12% return. Please quantitatively assess whether this project is worth doing, ignoring taxes for now.

"If we expand, we will need either a review or an audit of our June 30, 2025, financial statements in order to get financing. Please provide examples of review procedures and audit procedures that the practitioner would likely perform to address accounts receivable, accounts payable, and inventory, so we know what to expect under each scenario. Prior to your hiring, we contracted with a CPA consultant to assist with some of the controller's work. Their comments will be helpful to you (Appendix III).

"Some of the CPA consultant's work was in progress when you were hired. For example, they had just started working on an analysis of the variances between budget and actual costs for our most popular product, coconut soap (Appendix IV). Please calculate the price and quantity variances for the direct material, and the rate and efficiency variances for the direct labour, and explain possible reasons for these variances.

"Lastly, I am late with my 2024 personal tax return. Please calculate my personal federal income taxes payable (Appendix V)."

APPENDIX I CONCERNS

Prepared by Frank

Among our 30 new employees are a new purchase manager and a new production manager. We have been so busy with this growth that Isla and I have not had a chance to hold a Board of Directors' meeting during the past year.

Some employees have complained that they were not paid a higher rate for their overtime hours while some of their counterparts were. They had to work a lot of extra time sorting coconut oil when containers from a new shipment were put in front of older containers, which meant many containers expired before they could be used. When I asked the new production manager about this, they said that, to keep payroll costs low, they only granted the overtime rate when an employee asked for it.

In July 2024, we switched coconut oil suppliers, and the new oil is not fair-trade certified. When I asked the new purchase manager about this, they said they switched because "it saves FAB money, which is good because FAB's ultimate goal is to make money." Their response surprised me.

Our bookkeeper mentioned they do not always receive supporting documentation for payments to suppliers. They said they sign off anyway if the amount seems reasonable as they don't have time to chase people for the documentation. They also don't do a credit check on our customers, or follow up on overdue accounts receivable. Also, employees often access petty cash to use for expenses, simply leaving a note to support what was taken and how it was used.

APPENDIX I (CONTINUED)
CONCERNS

Prepared by Frank

The inventory count in June went smoothly, although it was difficult to identify the age of some products (ingredients and finished goods). FAB doesn't use preservatives, which is good for the earth and our customers, but results in a shorter shelf life for products. We indicate a best-before date on our soaps; however, some were accidentally labelled with a much later best-before date than they should have been. The sales manager said they didn't bother fixing the labels because customers don't have to know. In addition, the new supplier's oil containers do not have labels, which makes tracking of the ingredients' expiry dates impossible. Each staff member conducted their part of the inventory count alone, and since our usual count team was busy, some of our new employees stepped in to help.

This is the first year we didn't have time to hold our "Community Day of Caring," a day when FAB employees visit shelters to give away our products, and host a barbecue where community members can obtain free samples to take home.

**APPENDIX II
POTENTIAL EXPANSION**

We estimate annual revenues as follows over the next five years:

Year	Shampoo Bars (\$)	Body Butter (\$)
Year 1	300,000	100,000
Year 2	500,000	250,000
Years 3, 4, and 5	600,000	500,000

Shampoo bars and body butters will generate contribution margins of 55% and 30%, respectively.

To produce both products, a total investment in capital assets of \$800,000 will be required. These assets will last five years and have an annual amortization of \$156,000. Their salvage value after five years will be \$20,000. Working capital requirements to start the project will be \$200,000, which would be released at the end of the five years.

Production will be supervised by one of FAB's current employees, who earns \$75,000 annually. As compensation for the additional responsibility, they will receive a \$15,000 raise in addition to the usual 5% annual salary increase.

To accommodate production of the new products, FAB will have to rent additional space adjacent to the current location. This will cost \$100,000 annually. However, the landlord has agreed to charge only \$80,000 for the first year of the five-year lease.

**APPENDIX III
COMMENTS FROM CPA CONSULTANT**

Accounts Receivable

The year-end balance is higher than I expected it to be, based on historical information and the level of sales for the last quarter of the year.

Accounts Payable and Accrued Liabilities

These balances are lower than I expected, based on higher operating expenses than in the prior year and higher soap production during June 2025.

Inventory

Due to the expired coconut oil on hand at year end, FAB should pay particular attention to the valuation of inventory.

APPENDIX IV
VARIANCE INFORMATION – COCONUT SOAP

Prepared by CPA Consultant

As planned, one million bars were produced in the year ended June 30, 2025. The total variable cost of this product was \$3.43 million, which is \$480,000 more than budgeted.

Budgeted Costs

Per Bar	Per Bar (\$)	Total (\$) (1 million bars)
0.1 kg of coconut oil	1.20	1,200,000
0.05 hours of direct labour	1.75	1,750,000
Total	2.95	2,950,000

Direct Materials

FAB used 115,000 kilograms of coconut oil and paid \$10 per kilogram. The oil from the new supplier cost \$2 less per kilogram.

Direct Labour

It took 60,000 hours to produce the soap, which resulted in a total direct labour cost of \$2.28 million.

Direct labour costs averaged more than the budgeted \$35 per hour.

APPENDIX V
FRANK'S PERSONAL TAX INFORMATION

I received a gross salary of \$90,000 and non-eligible dividends of \$31,000 from FAB in 2024. In addition, FAB matched my \$4,500 contribution to my RRSP. The following amounts were withheld from my salary:

Federal income tax	\$16,000
Canada Pension Plan (Note)	\$ 4,056
RRSP contributions (employee)	\$ 4,500

Note: This includes Canada Pension Plan (CPP) enhanced contributions of \$838. The CPP is the federal version of the Québec Pension Plan (QPP) in the provinces and territories other than Québec.

I took a 12-week online course on sustainable production methods that was paid for by FAB and cost \$3,000. I am single and have a four-year-old daughter who lives with me full-time. Daycare cost \$10,000 in 2024. I also donated \$2,000 to a registered charity.

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

Bijou Inc. (Bijou) manufactures 14-karat gold rings and sells them online. Bijou began operating on January 1, 2023, and is a Canadian-controlled private corporation with two shareholders. One shareholder, Ahmad Iman, is a silent shareholder who owns 95% of the voting shares of Bijou, and 85% of the voting shares of OfficeCo, a furniture store; he does not own shares in any other companies. The other shareholder, Rachel Rivera, runs the daily operations. Bijou's mission is to create high-quality jewellery at an affordable price. Its vision is to be a recognized name in the affordable-jewellery space.

Bijou sells its rings well below traditional retail prices, mainly due to cost savings from not having a physical storefront and from the way it sources its gold. Bijou's supplier of 14-karat gold is Refurbish Inc., which purchases unwanted gold jewellery from individuals. Rachel purchases this jewellery from Refurbish Inc. in bulk at a discounted price, melts the gold, and moulds it into new rings.

It is February 16, 2025. You, CPA, are the new controller for Bijou, and you are meeting with Rachel. Bijou reports under ASPE.

"Good morning, CPA. Here are excerpts of the draft financial statements for the year ended December 31, 2024, with my notes and financial reporting questions for you (Appendix I). Also, please calculate Bijou's 2024 federal corporate income taxes payable.

"I am happy with how Bijou is performing (Appendix II). Customers have been pleased with the quality and design of our rings, and with the fact that they don't come with the price tag of traditional 14-karat gold rings.

"We decided to sell a new type of ring made of vermeil (Appendix III). Vermeil is a gold-plated material that is composed of a thick layer of good-quality gold over solid sterling silver. The thickness of the gold and the type of metal it covers is what sets vermeil apart from other gold-plated jewellery. I'd like you to analyze whether we should manufacture the vermeil rings in-house or purchase them from a supplier. For the purpose of this analysis, ignore any financing costs.

“Could you also propose indicators we could use to assess Bijou’s success with both its current rings and the new vermeil line, and to monitor whether Bijou is continuing to align with its mission and vision?”

“Bijou needs financing for the new vermeil ring line. We have received two financing options (Appendix IV). Can you help me decide which option Bijou should go with?”

APPENDIX I
EXCERPTS FROM DRAFT BIJOU FINANCIAL STATEMENTS

Balance Sheet
As at December 31, 2024

Cash	\$ 76,000
Prepaid expenses	10,000
Inventory	317,000
Current assets	<u>403,000</u>
Property, plant, and equipment (Note 1)	<u>734,000</u>
Total assets	<u>\$ 1,137,000</u>
Accounts payable	\$ 126,000
Current portion of long-term debt	25,000
Current liabilities	<u>151,000</u>
Long-term debt	75,000
Total liabilities	<u>226,000</u>
Share capital	450,000
Retained earnings	461,000
Total shareholders' equity	<u>911,000</u>
Total liabilities and shareholders' equity	<u>\$ 1,137,000</u>

APPENDIX I (CONTINUED)
EXCERPTS FROM DRAFT BIJOU FINANCIAL STATEMENTS

Income Statement
For the year ended December 31, 2024

Revenue	\$ 5,138,000
Cost of goods sold	4,270,000
Gross margin	<u>868,000</u>
Expenses	
General and administrative	184,000
Rent	267,000
Meals and entertainment	5,000
Interest and penalties (Note 2)	6,000
Payment to DeLux Jewels (Note 3)	50,000
Depreciation	133,000
Total expenses	<u>645,000</u>
Net income	<u>\$ 223,000</u>

APPENDIX I (CONTINUED)
EXCERPTS FROM DRAFT BIJOU FINANCIAL STATEMENTS

Notes:

1. Bijou purchased computer hardware for \$13,100 in January 2024, and \$100,000 worth of moulds in October 2024. At the end of 2023, Bijou had an ending balance of \$4,000 in Class 50 and nil in all other CCA classes. Bijou incurred a net loss for income tax purposes in 2023 of \$350,000.

In January 2025, we purchased office furniture from OfficeCo. The furniture could have been sold to other customers at its regular selling price of \$30,000, but since Ahmad has ownership in both companies, he agreed to sell the furniture to Bijou at \$24,000, which is only \$2,000 above its cost. I capitalized the \$24,000 paid as furniture. I know this does not impact the 2024 financial statements, but can you tell me if this is the right treatment in 2025?

2. Bijou was late filing some GST/HST returns in 2024 and incurred \$1,000 of penalties and interest, which is included in this expense.
3. Once we identified DeLux Jewels (DeLux) as a potential supplier of vermeil rings, we sent them a deposit of \$50,000 to secure the initial 5,000-unit delivery, in case we decide to buy the rings. Otherwise, we would have had to wait a while for the next available shipment. If we place an order, the deposit is applied against the price of the units purchased, but since the deposit is non-refundable, I expensed it. Is that the correct treatment?

APPENDIX II
CURRENT OPERATIONS

Bijou's annual production capacity is 30,000 rings, and it is projected that 16,500 rings will be produced in 2025.

According to our after-sale survey, 75% of our customers heard of Bijou through word-of-mouth. Returns are less than 2% of sales, and we recently received an award for having the highest-quality jewellery and most original designs. We have many returning customers who aim to include all of our ring designs in their collections. We have also received feedback from some customers that they would like an even cheaper alternative.

APPENDIX III NEW RINGS

We will be expanding our product offering to include vermeil rings, a popular trend that we expect will last. Vermeil jewellery strikes the perfect balance between quality and value. Vermeil is the perfect option for someone wanting to build a collection of high-quality jewellery without the price tag of 14-karat gold.

The annual demand for Bijou's vermeil rings is anticipated to be 8,500 rings. The sales price per ring will be \$175. For this new line, Bijou has two options.

1. Purchase Rings

DeLux agreed to sell us bulk orders of 5,000 rings each. Each 5,000-unit order would cost \$550,000 plus import duties of \$30,000, and would all have the same design. Bijou will incur additional labour costs of \$5,000 per order.

2. Make Rings

We would use our current equipment to make the rings in-house. The following costs would be incurred:

- Direct materials: \$40 per ring
- Direct labour: \$60 per ring
- Variable overhead: \$5 per ring
- Remuneration of ring designer to create different designs: \$45,000 annually
- Gold plating machine: \$300,000, and the machine can plate approximately 150,000 rings over its useful life

APPENDIX IV FINANCING OPTIONS

Financing is needed, either for the initial order of purchased rings, or for the additional gold-plating machine needed if we choose to make the rings in-house.

Line of Credit

A \$1 million line of credit from the bank, renewable annually. Interest would be payable monthly, at the prime rate plus 5%. The current prime rate is 3.5%. The line of credit would be unsecured and callable on demand at the bank's option.

Five-Year Term Loan

A \$600,000 loan from an investment fund that would be secured by all of Bijou's assets. Bijou would need the fund's permission before selling any capital assets. The principal would be payable at the end of five years, with no early repayment permitted. Interest, at an annual rate of 6%, would be payable semi-annually.

End of Examination

**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

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%

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

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	3	
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.

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 \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%	

