



CPA

CHARTERED
PROFESSIONAL
ACCOUNTANTS
CANADA

CFE CANDIDATE NUMBER:

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**Common Final Examination
May 25, 2016 – Day 1
(Booklet #1 – CHEI Case Version 1)**

Total examination time: 4 hours.

Further details on the examination can be found on the next page.

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Examination Details

The examination consists of:

Booklet #1 – Linked Case (240 minutes) (this booklet)

Booklet #2 – Capstone 1 case and rough notes

The case should be answered in Securexam. Securexam has an answer tab and a spreadsheet tab to input your response. The main body of your response should be in the answer tab. Only supporting calculations should appear in the spreadsheet tab, **under Sheet 1**. You are responsible for clearly explaining all your calculations, as outlined in the Securexam tutorial.

Answers or part answers will not be evaluated if they are recorded on anything other than Securexam or the CPA Canada writing paper provided. Rough-note paper is available in the second booklet, which also includes a copy of the Capstone 1 case. Rough notes, and any other notations made in the exam booklet(s) will not be evaluated.

The CPA Canada Handbooks and the Income Tax Act, in the form of searchable PDF files, are available within Securexam throughout the entire examination. Securexam provides the standards in effect and tax laws enacted as of December 31, 2015.

A tax shield formula and other relevant tax information are available at the end of this booklet.

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Common Final Examination, May 2016

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Toronto, Ontario M5V 3H2

Case**(Suggested time 240 minutes)****Update**

It is now April 24, 2018. House prices are on the decline and the Canadian home construction market is weak with 2017 housing starts only reaching 184,000. However, Canadian condominium sales have been reasonably strong for the last four years. The trend towards condominium living is expected to continue. In addition the trend towards “green living” and “green building” is starting to gain momentum. Interest rates are forecast to remain low. The Canadian federal government, and most provincial governments, are restraining their spending more so than two years ago, due to deficit reduction policies. Thus, one of the continuing trends in government contracting is the use of public-private partnerships (P3s). This trend is spreading into the not-for-profit sector, and there is more variety in partnership projects being proposed. While road and bridge construction projects have been the most traditional applications of P3s in the past, some investors are predicting a broadening of these types of projects.

CHEI’s consolidated results have gone from a net income after tax of \$28.88 million in 2016, to \$15.38 million in 2017 and a loss of \$24.48 million in the first quarter of 2018 (Q1). CHEI has drawn about \$1 million on its line of credit. Internally prepared divisional financial statements and other information is provided in Appendices I and II.

CHEI’s mission and vision remain as they were and financial targets remain the same as they were in 2016. However, to reflect the possible new direction CHEI might take, the board is open to revising the mission and vision statements for the next annual meeting.

Highway 507 update

CHEI purchased Highway 507 for \$300 million, financed by the Infrastructure Financing Corporation (IFC) and based on IFC’s terms. The highway’s financial results are reported as a separate division, and the cost of the highway is being amortized over 50 years on a straight-line basis. The highway loan repayments (principal plus interest) to IFC are \$11,976,000 per year, and the current loan balance is \$266,328,000.

Soon after CHEI took over the highway in January 2017, two of the largest employers at the Oshawa end of the highway shut their plants, mainly due to an economic slowdown. In early 2018, CHEI’s woes continued when part of Interchange 64 collapsed, preventing traffic from entering a portion of Highway 507 for a few weeks. As interchanges are the province’s responsibility, CHEI has filed a legal claim against the province for loss of income of \$1.2 million. Then, in mid-February 2018, a record winter snowfall combined with sudden warm temperatures resulted in the highway being flooded, so there was no toll traffic for a 24-kilometre section for six weeks while the damage was repaired. On the positive side, toll charges are as expected based on the actual traffic volumes. Apart from the above-noted events, the highway’s toll volumes have been consistent across the seasons.

It seems that the two employers are reopening their Oshawa plants very soon, which should make the original figures forecasted by the traffic consultant achievable again. However, the board is worried about sustaining the effects of another disaster and is therefore thinking of selling Highway 507, as allowed in the agreement. CHEI has received two preliminary offers, which are detailed in Appendix III.

Even though CHEI's experience with Highway 507 has not been positive thus far, CHEI's board still believes that P3s are low-risk and worth pursuing. CHEI is currently looking at bidding on several upcoming federal and provincial P3s.

Homes division (Homes) update

Two of Homes' competitors declared bankruptcy last year. In spite of a continued good reputation in the industry, Advantaj Homes is struggling. Elspeth Mark says she has never seen demand for the company's homes so low. She has tried everything she can think of in terms of marketing, promotions and pricing, with little success. She is hearing that young professionals no longer want to purchase starter homes, preferring either larger homes or condominiums. The Toronto and Vancouver condominium markets are booming.

Homes has not purchased any new land since 2015. The Belman tract of land was not purchased. Land is now available for 10-15% less than it cost two or more years ago. Management is frustrated because CHEI does not have the cash to buy up land now, while it is less expensive. The Board is particularly concerned with the financial trend of the Homes division and wants to know if it's worth saving.

There continues to be concern over CHEI's aging workforce. In the Homes division, over the last two years, 27 employees quit and 40 were laid off in cutbacks. Kirk Reilly has tried to keep most core employees on staff, saying "We need to try to keep them." The current employee breakdown is in Appendix I.

Heavy Engineering (HE) division updates

The HE division went ahead with the Klang P3 project and is having continued success with Awani and its other projects.

In 2017, the HE division built and sold three self-storage facilities as a pilot project. These facilities are simple buildings comprised of many small storage units. Purchasers rent out the storage units to individuals and businesses.

Board meeting – April 25, 2018

Penelope Navire: I have asked CPA, from Chuck Poisson Smythe Management Consultants, to help us again. We need to figure out how to quickly get CHEI back on track.

I want the board to be reminded of the important decision factors we should be considering, so I've asked CPA to highlight the changes from the previous situational analysis and to provide a broad assessment of the issues facing CHEI using the information provided. CPA's assessment should identify significant factors we might not have considered and additional information that is critical to obtain before we make our decisions. Where there is sufficient information to do so, CPA should suggest a course of action.

First, do we need to sell off Highway 507? We have two very different offers on the table.

Sisi Nagy: I'm opposed to selling it. The problems we had this year were unusual — we aren't likely to have them again! If we increase the toll by 10% and find a way to reduce our operating costs, we'll be making money. Of course, that assumes that the two closed plants reopen.

Kathy Fernandez: Are you sure those were unusual events? With climate change, we need to consider the possibility of more freak events. The cost of maintaining the highway is killing us, and is more than we expected. I think we should cut our losses and sell.

Penelope Navire: I would like CPA's thoughts on whether CHEI should keep Highway 507, as well as an assessment of the two purchase offers we have received.

Kathy Fernandez: I see better opportunities for us. We agreed as a board that we wanted to increase private-sector revenues. We are in the early stages of discussions about purchasing Carter Developments Inc. (CDI) (Appendix IV). Based on an operational review our accounting staff estimates that CDI is worth between \$24 and \$34 million, but I'm not sure if the offer is a reasonable one or if the deal even makes sense for us.

John Higman: It builds condominiums, right? Since we have done a few consulting contracts on condominium projects, the next logical step is to start building them. Buying a company like CDI makes sense.

Penelope Navire: You might be right. I would appreciate CPA's thoughts on the offer and on our findings thus far. CPA's suggestions as to any additional information about CDI that we should obtain are also being sought.

Next, the board needs to decide if we should continue to build and sell self-storage facilities. I personally am not ready to abandon this venture yet, and want to look at the options further. We could consider operating these facilities ourselves. We are still looking for that regular and consistent income stream that we had hoped Highway 507 would provide. If HE is the division that builds them, we have the capacity to build 15 to 20 facilities per year. Perhaps CPA can provide thoughts on the feasibility of pursuing this venture and the strategic fit, and help us figure out the key decision factors. Additional information on the proposal is in Appendix V.

John Higman: Many users are seniors and students, and, mostly, condominium owners who are strapped for storage space. This is a simple concept that works well. But would we stop selling self-storage facilities to others if we decide to start operating some ourselves?

Charles Monet: Maybe. Instead of always dealing with fluctuating company profits, depending on the success of our latest construction project, this could provide us with a stable source of revenue. I wonder, though, if this venture is better suited to Homes than HE.

Sisi Nagy: I think we should drop the whole idea — the margins are too small. I think we really need to focus on saving our Homes division. We have always survived during economic slumps, and we should be able to get through this one too. Maybe it's time to let some people go. If we let go 60% of the workforce, severance pay would average \$100,000 per employee based on CHEI's severance policy and an average salary of \$80,000.

Charles Monet: I am new on the board, but it appears that CHEI has been too dependent on various levels of government for revenue. I suggest expanding our Homes division into new market segments to increase sales. Since government is more financially constrained, CHEI should try to benefit from P3s in the other markets. They are becoming more and more common. Since we are developing expertise in P3s, I suggest we include the pursuit of profitable P3s in our mission, and pursue more of them. I saw one we could bid on that is a good fit with Homes, and that would help steady our income (Appendix VI). I'd appreciate CPA's thoughts on this project and if it makes sense for CHEI to pursue it further.

Penelope Navire: Since Homes is the core business, along with HE, we should do whatever we can to save it. I don't know if we can financially support pursuing CDI, the self-storage facilities and the P3 project. I suspect we cannot do them all. Let's have CPA prioritize our options, and provide us with thoughts and suggestions as to what we should be doing and why. Obviously, we need to consider the current market conditions and our current financial position.

APPENDIX I
UPDATED INFORMATION

Canada Heavy Engineering Inc.
Heavy Engineering (HE)
Divisional Income Statement
(in thousands of dollars)

	Q1 2018	2017	2016
Revenues	\$ 115,425	\$ 422,413	\$ 439,101
Direct cost of activities	95,572	358,206	367,967
	<u>19,853</u>	<u>64,207</u>	<u>71,134</u>
Expenses			
Sales, general and administration	9,014	35,145	32,601
Interest	65	148	105
Amortization	160	654	698
Total expenses	<u>9,239</u>	<u>35,947</u>	<u>33,404</u>
Income before taxes	<u>\$ 10,614</u>	<u>\$ 28,260</u>	<u>\$ 37,730</u>

Canada Heavy Engineering Inc.
Homes
Divisional Income Statement
(in thousands of dollars)

	Q1 2018	2017	2016
Revenues	\$ 8,640	\$ 78,425	\$ 101,125
Cost of homes sold	8,502	73,798	88,383
	<u>138</u>	<u>4,627</u>	<u>12,742</u>
Expenses			
Sales, general and administration	3,080	10,402	8,800
Interest	490	1,504	1,702
Amortization	89	412	412
Total expenses	<u>3,659</u>	<u>12,318</u>	<u>10,914</u>
Income (loss) before taxes	<u>\$ (3,521)</u>	<u>\$ (7,691)</u>	<u>\$ 1,828</u>

APPENDIX I (continued)
UPDATED INFORMATION

Canada Heavy Engineering Inc.
Homes Division
Additional Statistics
For the years ended December 31

	<u>Q1 2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Active development projects at period end	2	4	5	6
Land inventory in acres at period end	24	99	141	198
Homes started in period	21	399	402	561
Homes sold in period	45	390	480	580
Homes backlogged at period end	50	74	65	143
Revenues (in thousands of dollars)	8,640	78,425	101,125	131,944
Gross profit (in thousands of dollars)	138	4,627	12,742	19,660
Average revenue per unit (in thousands of dollars)	192	201	211	227
Gross profit %	1.6%	5.9%	12.6%	14.9%
Sales, general & administration expenses as % of revenue	35.6%	13.3%	8.7%	5.8%

The Homes employee breakdown is as follows:

<u>Homes division employees</u>	<u>Dec. 31, 2015</u>	<u>Q1 2018</u>
Executives	4	4
Sales people	22	14
Project directors	24	20
Supervisors	61	43
Purchasing	19	17
Others	58	23
	<u>188</u>	<u>121</u>

APPENDIX I (continued)
UPDATED INFORMATION

Canada Heavy Engineering Inc.
Highway 507
Divisional Income Statement
(in thousands of dollars)

	Q1 2018	2017
Revenues (Note 1)	\$ 9,994	\$ 42,780
Provincial fee	(340)	(1,455)
Net revenue	<u>9,654</u>	<u>41,325</u>
Expenses		
Maintenance	1,644	6,446
Repairs (Note 2)	30,355	10,450
Snow clearing	2,145	3,402
Insurance	875	3,500
Resurfacing	385	1,590
Accounting and administration	200	801
Interest	2,160	8,640
Amortization	1,500	6,000
	<u>39,264</u>	<u>40,829</u>
Income (loss) before taxes	<u>\$ (29,610)</u>	<u>\$ 496</u>

Notes:

1. Based on initial forecasts, 2017 revenues were expected to be in the \$50 million range.
2. Included in first-quarter 2018 repairs is the unexpected cost of \$27.8 million due to flood damage in February.

APPENDIX II
BUDGET AND OTHER INFORMATION

Canada Heavy Engineering Inc.
2018 Comparison of Budget to Actual
(in thousands of dollars)

Quarter 1 Results								
	Homes		HE		Highway 507		Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget*	Actual
Revenues	25,250	8,640	106,250	115,425	11,000	9,654	142,500	133,719
Direct costs	22,473	8,502	88,188	95,572	7,856	35,404	118,517	139,478
	2,777	138	18,062	19,853	3,144	(25,750)	23,983	(5,759)
Expenses								
Sales, general and admin.	2,901	3,080	8,753	9,014	200	200	11,854	12,294
Interest	288	490	31	65	1,629	2,160	1,948	2,715
Amortization	100	89	160	160	1,153	1,500	1,413	1,749
	3,289	3,659	8,944	9,239	2,982	3,860	15,215	16,758
Income (loss) before taxes	(512)	(3,521)	9,118	10,614	162	(29,610)	8,768	(22,517)
Head office costs								1,959
Total loss before taxes								(24,476)

*excludes Head office cost

CHEI's quarterly budgets are simply one-quarter of the 2018 budget amounts.

Head office costs are on budget.

APPENDIX II (continued)
BUDGET AND OTHER INFORMATION

Canada Heavy Engineering Inc.
Consolidated Financials
Financial Analysis

	<u>Mar. 31, 2018</u>	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Current ratio	1.63	2.00	2.09
Quick ratio	0.64	0.87	0.91
Long-term debt-to-equity	1.98	1.75	0.11
Total debt-to-equity	2.75	2.38	0.82
Annualized:			
Days receivable (days)	35.8	32.6	35.7
Days in Inventory (days)	32.4	38.7	41.4
Days payable (days)	34.6	40.1	43.5
Total Equity (in millions)	\$100.5	\$125.0	\$117.9

Number of Shares issued: 23,100

**APPENDIX III
PRELIMINARY OFFERS TO PURCHASE HIGHWAY 507**

JJ Ventures Inc.

JJ Ventures Inc., a Canadian public company that has about 40% foreign ownership and investments in many businesses, has made a tentative offer of \$265 million for Highway 507, of which 80% would be payable immediately. The remaining 20% would be repayable in five years' time with interest, at 4.1%.

The proposal requires the seller to be responsible for the following:

1. Any shortfall of calendar-year toll revenue below net \$35 million, for five years post-purchase
2. Any maintenance and repairs in excess of \$30 million per calendar year, for five years post-purchase
3. Any highway damage due to acts of God, for three years post-purchase
4. Any legal actions against the purchaser related to highway operations, for six months post-purchase

Parmalea Equity Group Inc.

The Parmalea Equity Group Inc., a Canadian private equity firm with significant financial backing, offers to purchase Highway 507, conditional upon a complete engineering survey and financial review.

The offer is for \$250 million, either in cash or with partial debt assumption. Parmalea is willing to take over 50% of CHEI's Highway-507-related debt, subject to approval by CHEI's lender. CHEI is responsible for settling the balance.

CHEI must provide its highway maintenance algorithms, reflecting CHEI's intellectual property, free of charge.

APPENDIX IV
CONDOMINIUM BUILDER – CARTER DEVELOPMENTS INC.

While the Carter family is no longer involved in managing Carter Developments Inc. (CDI), three members of the family own all of the outstanding shares. The shareholders would prefer to receive cash, but will consider a 100% share offer if the valuation of their shares and CHEI's can be agreed upon, and they receive a minimum of \$2 million in dividends each year. One seat on the board would be held by one of the Carter family members.

CDI operates in Montreal, Vancouver, Calgary and Edmonton. Its stated mission is: "*with the strong values of a family-owned enterprise, we are inspired to make the world a better place to live.*" Its vision is to be "*the leader in real estate development, construction and management, with operations throughout Canada.*" CDI has been a leader in "green building" for over a decade. CDI's website says the company has always completed its projects on time and that, in 2012 it won the Top Condo Builder award from the Montreal Construction Association, and in 2014, a Leadership in Energy and Environmental Design (LEED) "gold" certification for its latest Vancouver condominium project. Its condominiums are priced at starter-to-average prices. The company has consciously decided to not pursue business in the highly competitive Toronto market.

CHEI has yet to receive interim financial statements for CDI. CDI's January 31, 2018 year-end financials, with after-tax earnings of \$4.6 million, will be signed off by their auditor in about three weeks' time. CDI's after-tax earnings for the year ending January 31, 2019 are estimated to increase and be in the range of \$4.8 to \$5.1 million on revenues of about \$70 million.

CHEI met with CDI's three biggest suppliers in structural steel, foundations, and finishing. While all three spoke positively about CDI, one supplier asked if CDI would still require the "extra payments" if they were purchased by CHEI.

CDI typically completes three or four condominium construction projects annually that range in size from 50 to 200 units and are built on one-half to one acre of land. CDI has eight land units in inventory and is awaiting zoning approval from local governments for three of them. The required paperwork for these three zoning applications was submitted quite late.

CDI has a strong marketing team. In the last six months, CDI has increased its sales inducements, offering customers incentives such as season's tickets to sporting events, large-screen televisions, and even modestly-priced cars. The inducements, which CDI usually obtains at a significant discount, have proven to be quite effective in drawing customers.

APPENDIX IV (continued)
CONDOMINIUM BUILDER – CARTER DEVELOPMENTS INC.

The backlog of units sold and not yet delivered is at an all-time high, although only slightly higher than in the prior two years. Land in inventory, in contrast, is a little lower than in the prior years. There have been a few construction delays on the Connaught project, but management says they still expect it to be nearly on time and within budget. Delays were caused by a variety of problems. Some were within CDI's control, some were not, but management is not concerned as most condo projects are completed after expected completion dates.

CDI's current projects are as follows:

Current projects	Construction Start date	Expected completion date	Total units	Units sold
Connaught	August 3, 2017	October 31, 2018	200	2
Haven	November 6, 2017	December 31, 2018	58	27
Pearl Towers	April 1, 2017	May 31, 2018	195	131

APPENDIX V
SELF-STORAGE FACILITY VENTURE INFORMATION

This business was started as a pilot to see if it could provide a new revenue source for CHEI. Three self-storage facilities were constructed and sold. Although the individual storage units are inexpensive to build, the margins are small. More money can be made from the rental side of the business. Issa Chewani and Eva Jones, from HE, believe that CHEI should build, and then operate, several self-storage facilities across Canada, and perhaps the United States. Due to their simplicity, these facilities are inexpensive to maintain and operate.

The capital investment required, per self-storage facility, is \$825,000 for land, building, and land preparation costs, of which 80% will be financed, at an estimated cost of \$52,000 per year. Industrial land on the outskirts of town is cheap and easy to find. By operating instead of selling the facilities, CHEI's current customers would become its direct competitors, which could affect future facility sales.

Most facilities make additional income by selling moving supplies, and by having attendants help customers to move in or out of their residence. These services can contribute 5 to 6% of rental revenue net of costs. At this point, CHEI is not considering offering these services, as that would require additional staff to be hired at each facility.

Each facility would be 20,500 square feet, of which 18,000 is rentable (190 rentable units). This is 25% larger than most other facilities. An occupancy level of 53% is estimated as break even to cover the fixed costs and loan payments. Jones believes no advertising would be required, believing a 50% occupancy would be easily obtainable in Year 1, and 85% would be achievable thereafter.

At 85% capacity, pre-tax earnings are estimated at \$152,000 a year. A positive net present value of approximately \$45,000 per self-storage facility is obtainable, based on the projections provided by HE to the accounting group. The projections are based solely on HE's experience and knowledge of the three self-storage facilities built and sold, as no market studies have been done.

HE recommends building 15-20 self-storage facilities next year in each of Montreal, Vancouver, Calgary and Edmonton.

**APPENDIX VI
POTENTIAL P3 PROJECT FOR HOMES**

Project

Student rental housing (Housing) for university students, designed, financed, constructed, owned, and operated by private party (Developer).

Housing will be built off-campus on land owned by the university. The university will offer Developer a 40-year lease.

The land must be fully developed into Housing. Developer will build 545 units with 1,145 bedrooms.

Developer will construct the Housing with its own funds and will have sole rights to rent out to tenants the building over a period of 40 years at no additional cost. If preferred, an external, non-profit company could be the tenant of the Housing, and Developer could lease the Housing to that company rather than renting directly to the student tenants.

Commencement

January 1, 2019. The Housing must be in service by July 2020, ready for the fall semester.

Student and rents

Rents are set by the university and will be priced at 20% more than comparable rates for on campus, university-owned bedrooms. At full occupancy, the project should provide a margin between 13-17% depending on cost assumptions.

If student demand is insufficient, the university will be obligated to pay an amount equivalent to the shortfall in rent revenue so that break-even is achieved, for each of the first three years of operation.

Bids will be accepted until midnight, June 30, 2018.

End of Exam

CPA COMMON FINAL EXAMINATION REFERENCE SCHEDULE

1. PRESENT VALUE OF TAX SHIELD FOR AMORTIZABLE ASSETS

Present Value of Total Tax Shield from CCA for a New Asset

$$= \frac{CTd}{(d+k)} \left(\frac{2+k}{2(1+k)} \right) = \frac{CdT}{(d+k)} \left(\frac{1+0.5k}{1+k} \right)$$

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

2. SELECTED PRESCRIBED AUTOMOBILE AMOUNTS

	2015	2016
Maximum depreciable cost — Class 10.1	\$30,000 + sales tax	\$30,000 + sales tax
Maximum monthly deductible lease cost	\$800 + sales tax	\$800 + sales tax
Maximum monthly deductible interest cost	\$300	\$300
Operating cost benefit — employee	27¢ per km of personal use	26¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	55¢ per km	54¢ per km
— balance	49¢ per km	48¢ per km

3. INDIVIDUAL FEDERAL INCOME TAX RATES

For 2015

If taxable income is between	Tax on base amount	Tax on excess
\$0 and \$44,701	\$0	15%
\$44,702 and \$89,401	\$6,705	22%
\$89,402 and \$138,586	\$16,539	26%
\$138,587 and any amount	\$29,327	29%

For 2016

If taxable income is between	Tax on base amount	Tax on excess
\$0 and \$45,282	\$0	15%
\$45,283 and \$90,563	\$6,792	20.5%
\$90,564 and \$140,388	\$16,075	26%
\$140,389 and \$200,000	\$29,029	29%
\$200,001 and any amount	\$46,316	33%

4. SELECTED INDEXED AMOUNTS FOR PURPOSES OF COMPUTING INCOME TAX

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

	2015	2016
Basic personal amount	\$11,327	\$11,474
Spouse, common-law partner, or eligible dependant amount	11,327	11,474
Amount for children under 18	N/A	N/A
Age amount if 65 or over in the year	7,033	7,125
Net income threshold for age amount	35,466	35,927
Canada employment amount	1,146	1,161
Disability amount	7,899	8,001
Infirm dependants 18 & over	6,700	6,788
Net income threshold for infirm dependants 18 & over	6,720	6,807
Adoption expense credit limit	15,255	15,453

Other indexed amounts are as follows:

	2015	2016
Medical expense tax credit — 3% of net income ceiling	\$2,208	\$2,237
Annual TFSA dollar limit	10,000	5,500
RRSP dollar limit	24,930	25,370
Lifetime capital gains exemption on qualified small business corporation shares	813,600	824,176

5. PRESCRIBED INTEREST RATES (base rates)

<u>Year</u>	<u>Jan. 1 – Mar. 31</u>	<u>Apr. 1 – June 30</u>	<u>July 1 – Sep. 30</u>	<u>Oct. 1 – Dec. 31</u>
2016	1			
2015	1	1	1	1
2014	1	1	1	1

This is the rate used for taxable benefits for employees and shareholders, low-interest loans, and other related-party transactions. The rate is 4 percentage points higher for late or deficient income tax 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.

6. MAXIMUM CAPITAL COST ALLOWANCE RATES FOR SELECTED CLASSES

Class 1.....	4% for all buildings except those below
Class 1.....	6% for new non-residential buildings acquired after March 18, 2007
Class 1.....	10% for new manufacturing and processing buildings acquired after March 18, 2007
Class 8.....	20%
Class 10.....	30%
Class 10.1.....	30%
Class 12.....	100%
Class 13.....	Original lease period plus one renewal period (minimum 5 years and maximum 40 years)
Class 14.....	Length of life of property
Class 17.....	8%
Class 29.....	50% Straight-line
Class 43.....	30%
Class 44.....	25%
Class 45.....	45%
Class 50.....	55%
Class 53.....	50%

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