

**CFE CANDIDATE NUMBER:**

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## Common Final Examination May 27, 2016 – Day 3

**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 7-digit candidate number on the booklets and the USB key. The exam booklets and the USB key (or paper response, as instructed) must be submitted before leaving the writing centre. They must **NOT BE REMOVED** from the writing centre. If these items are not received, the response may not be accepted.
2. Sign the Policy Statement and Agreement Regarding Exam Confidentiality below.
3. Follow the Securexam instructions provided. Instructions must not be removed from the examination centre.

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I hereby agree that I will maintain the confidentiality of the CPA Canada Examination. In addition, I agree that I will not:

- Divulge the specifics of any CPA Canada Examination question or answer under any circumstances, other than immediately following the examination, to another candidate who has already sat the same examination;
- 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 testing; or
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I further agree to report to CPA Canada 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 Writing Centre Rules and I agree to all of its terms and conditions.

In addition, I understand that failure to comply with this Policy Statement and Agreement may result in the invalidation of my results, 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 (90 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 in Securexam. Each case has an answer tab and a spreadsheet tab in Securexam. Make sure that you answer each case in the right tabs. The main body of your response should be in the answer tab. Only supporting calculations should appear in the spreadsheet tab. 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.

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 at December 31, 2015.

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

Rough-note paper is available in a separate booklet. Rough notes, and any other notations made in the exam booklet will not be evaluated.

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Common Final Examination, May 2016

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

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

You, CPA, recently joined the Office of the Auditor General (OAG) as a senior accountant. Today is January 31, 2016, and you have just been assigned to the financial audit of National Mail (NM). NM has a December 31 year end and is a Crown corporation of the Government of Canada (GoC). NM offers the following three service lines:

- **Mail Services** — NM is mandated to deliver mail to every address in the country. As a result, the GoC ensures that NM has the exclusive right to provide this service. This service line is partially funded by stamp sales, and grants from the GoC covering any deficit, as presented in NM's internal financial statements. The grants are paid to NM the following year. NM delivered 1.5 billion pieces of mail in 2015.
- **Courier Services** — NM also offers local and national courier services under the name, Courier Inc. Ranging from express deliveries to large shipments, Courier Inc. has many competitors, such as FedEx. The sole revenue from this service line is courier charges. In 2015, NM couriered 150 million parcels.
- **Concessionary Services** — At all NM postal outlets, the corporation sells mail-related items, such as envelopes. The pricing of items is always cost plus 15%. The 15% margin is intended to cover general overhead costs. As at December 31, 2015, NM had 6,200 postal outlets across Canada.

This morning, you met with your manager, who had the following comments: “CPA, I have a few tasks for you to perform. We have decided to take a fully substantive approach for income statement items this year. Can you please propose substantive procedures for auditing revenue and expenses?”

“In addition, while the GoC subsidizes the Mail Services, the OAG is required to ensure that the GoC is not subsidizing the Courier and Concessionary Services. Please determine the revenues and costs, including the allocated costs, for each service line, and assess whether the GoC's subsidies benefitted Courier or Concessionary services. Provide your thoughts on NM's allocations and whether there are any factors the GoC should be considering in relation to the allocation formula. We received some draft financial information that will help you with your analysis (Appendix I).

“Please also perform a cash flow analysis for 2016, to ensure there is no liquidity concern. Make sure you incorporate the new initiatives proposed for 2016 (Appendix II), and suggest ways to improve NM's future cash flows.

“The OAG will be performing a separate engagement for NM in the coming months. In preparation for it, I'd like your thoughts on whether the new initiatives are a good fit with NM's vision and mission statements.

“Finally, you will see from the CFO's notes that NM is facing strategic challenges (Appendix III). Please let me know if you note any matters of significance we should share with its Board.”

**APPENDIX I**  
**DRAFT FINANCIAL INFORMATION**

**Revenue**

In 2015, the average piece of mail generated \$2.20 in stamp revenue, the average courier parcel generated \$15.60 in courier fees, and each postal outlet generated a gross margin of approximately \$0.1 million for the concessionary services.

**Costs**

Total expenditures for the three service lines for the 2015 fiscal year are as follows (*in millions of dollars*):

		Notes
Labour and employee benefits	\$ 3,200	1
Non-labour collection, processing and delivery	800	2
Property and facilities maintenance	300	3
Selling, administrative and other	200	4

**Notes:**

1. Approximately 60% of employees work on Mail Services, 30% on Courier Services, and 10% at Concessionary Services.
2. Collection, processing and delivery costs are incurred evenly between Mail Services and Courier Services.
3. Maintenance staff say it is difficult to estimate the time they spend on each service line due to the many things they do in a day. Internally, NM allocates 60%, 30%, and 10% of maintenance costs to Mail, Courier, and Concessionary Services respectively; these percentages were last updated in 2007.
4. Approximately 5% of “selling, administrative and other” costs are related to the Mail Services, 15% are related to the Courier Services and 80% are costs associated with storing inventory, regular advertising for clearance items, and other promotional activities for the Concessionary Services.

In addition to these expenditures, capital assets for each service line resulted in depreciation of \$100 million for Mail Services, \$75 million for Courier Services, and \$50 million for Concessionary Services.

**APPENDIX I (continued)**  
**DRAFT FINANCIAL INFORMATION**

In 2015, NM also incurred a total of \$2,100 million in headquarters administrative costs, such as maintaining the finance and legal departments. As these costs cannot be traced to each service line, NM has always allocated them evenly across the three lines in its internal financial statements. They have always wondered if there is a better basis for the allocation.

NM does not allocate investment income to the service lines. NM has significant investments in bonds and term deposits. They yielded \$390 million in income for 2015.

**APPENDIX II**  
**FORECAST OF REVENUES AND EXPENSES FOR 2016 INITIATIVES**

**Community mailboxes**

Starting in 2016, NM is significantly reducing door-to-door home delivery of mail. Instead, community mailboxes are being installed, which will reduce the delivery time of postal workers.

Revenue is not expected to change as a result of this initiative. Total labour costs, however, should decrease by 15% in 2016.

Installation of community mailboxes is expected to cost \$400 million and is expected to be completed by the end of 2016. Maintenance costs will increase by approximately 5% in 2016.

**Electronic post**

Starting on April 1, 2016, customers will have the option of having their GoC-related mail delivered electronically. This initiative is not expected to have an impact on revenue, but will decrease labour costs by \$20 million, and collection, processing and delivery costs by 5% in 2016. The initial setup of the electronic portal is expected to cost NM \$140 million, all to be incurred between January 1 and April 1, 2016. There will also be promotional costs of \$60 million, to encourage Canadians to sign up for this initiative.

**APPENDIX III  
EXCERPTS FROM DRAFT MANAGEMENT DISCUSSION AND ANALYSIS**

**Vision and mission statements**

NM's vision is to be a world leader in providing physical delivery solutions, creating value for its customers, employees and all Canadians.

NM's mission is to:

- continually improve existing services in order to ensure customer satisfaction
- focus on efficiencies of current processes, to ensure that services are provided at the lowest cost
- minimize environmental impact, to build a better future

**Notes from the CFO**

... In 2015, we delivered 1.2 billion fewer pieces of mail than we did in 2005. Households and businesses have moved away from mail as the primary source of communication...

... We are facing a defining moment in our history. There are fewer letters in our system every year, yet Canadians are turning to NM in growing numbers to deliver the goods they order through digital means...

... NM continues to experience operating losses, similar to the past several years. It must find ways to reinvent itself in the coming years...

... NM is looking at all options to improve its financial situation. It is currently exploring different funding models with the GoC, such as not just funding the Mail Services...

**Case #2****(Suggested time 90 minutes)**

You, CPA, started as the part-time controller for Perfecto Painters Inc. (PPI) in January 2016, one month ago. PPI, incorporated in 2010, is a Canadian controlled private corporation (CCPC). PPI is located in Fredericton, New Brunswick, and is owned and operated by Peter Steele.

Prior to 2015, PPI provided painting services solely to residential customers. However, in early 2015, Peter decided to serve both the commercial and residential markets. The real estate council reported future growth in demand for commercial spaces and renovations, and Peter believed that expansion would provide PPI with a better chance for survival as the residential market has been flooded with discount providers.

Peter reasoned that the larger size of commercial jobs would allow for efficiencies, and therefore cost reductions. He expected reduced setup, take down, and travel times in the commercial business, which would permit his crews to spend more time performing chargeable work, translating into a bump in profits. Much to Peter's disappointment, PPI is instead reporting a loss on the draft income statement for the year ended December 31, 2015 (Appendix I). Peter believes that an analysis of PPI's costs of performing painting services, performing drywall repair work and providing job support would be useful and might explain the financial results. He also wonders whether he should stay in both the residential and commercial markets, or whether he should concentrate on only one of them. He has provided you with information about the 2015 operations (Appendix II).

PPI has experienced a cash shortage and Peter applied to PPI's bank for an increase in the operating line of credit. In addition to a copy of the internal financial statements, a strategic plan for a profitable 2016 is required by the bank. If the bank is not satisfied that PPI is able to improve its performance in fiscal 2016, the operating line increase will not be granted.

Peter has reflected back over the first year in the commercial business. He is not happy with the way the business is operating, and feels he has lost control as the business has grown. He believes he can make improvements in several areas. Peter noted a few issues and asks for your help. He wonders if there are taxation considerations related to these issues, details of which are presented in the notes to the financial statements (Appendix I). He hopes you can provide him with advice.



**APPENDIX I**  
**DRAFT INCOME STATEMENT**

*Perfecto Painters Inc.*  
*Draft Income Statement*  
*For the year ended December 31*

	<u>2015</u>	<u>Notes</u>
	(unaudited)	
Revenues	\$ 1,200,000	1
Expenses		
President salary	80,000	2
Wages and benefits	500,000	3
Supplies	550,000	4
Equipment depreciation	60,000	
Vehicle expenses	90,000	5
Office costs	150,000	
Loss on investment	35,000	6
	<u>1,465,000</u>	
Income (loss) before tax	<u>\$ (265,000)</u>	

**Notes:**

1. PPI has a simple fee structure, charging \$5 per estimated square metre to be painted. PPI charges the same rate for residential and commercial customers. PPI's revenues were split evenly between residential and commercial jobs.

When PPI's customer base was 100% residential, only cash, debit and credit cards were accepted. In 2015, Peter decided to extend credit to commercial customers, providing customers with an invoice at the end of the job, and allowing 30 days before payment. PPI secured many of its commercial jobs by aggressively promoting this policy. Collection issues have been much greater than Peter had expected. In fact, only 90% of the \$600,000 billed to commercial customers in 2015 has been collected to date. 75% of the uncollected balance was more than 90 days past due as of year-end. He is looking for ways to reduce the uncollectible balance and speed collections in the future.

**APPENDIX I (continued)**  
**DRAFT INCOME STATEMENT**

2. Peter used to draw a higher salary, close to the market rate for a senior site supervisor. As a consequence of the weak financial results, Peter reduced his salary in 2015 to \$80,000 to minimize the loss in the corporation. To meet his personal needs, he took out an interest-free shareholder loan of \$10,000 from PPI. It was his first time taking a company loan. He does not know when he will repay the loan. He recently heard at a networking event that there may be a tax advantage to declaring dividends instead of taking salary. He wonders what the tax implications would be of doing so.
3. PPI hired a new crew of two painters. These painters were hired for their ability to repair drywall. Cleanup and furniture moving for commercial jobs is frequently done during evening hours, resulting in additional overtime wages in 2015 compared to 2014 as the painters were paid time-and-a-half. Peter often drops by the site to check on the job. On a few occasions, the crew was not there, even though they said they were going to be working late. He assumed they finished earlier than expected or rescheduled. However, with the higher overtime, he now wonders if they have sometimes charged for time when they were not working. He reviewed their monthly-submitted time sheets, but could not recall the dates of his site visits.
4. Peter believes the supplies expense is too high. The supplies are currently kept in the open storage area and the painters take the supplies necessary to complete a job. Peter has always trusted the crews to only take what they needed. He wonders if there is wastage by the crews or if materials are being taken for personal use.
5. The crews use PPI's vehicles to pick up supplies at a store or to go back and forth from the office to a job site. The employees use personal credit cards to purchase fuel and supplies. They give receipts to Peter and PPI reimburses them based on the receipts they submit. Peter does not ask them for further documentation, or odometer readings. He suspects that some of the crews are charging PPI for gas used for their own personal vehicles.

**APPENDIX I (continued)**  
**DRAFT INCOME STATEMENT**

6. At the end of 2014, Peter's friend, the chief marketing officer of a start-up technology company, SBI Inc. (SBI), which is considered a small business corporation for tax purposes, convinced Peter to invest some of PPI's cash in SBI's shares at a cost of \$35,000. SBI declared bankruptcy in 2015. The investment in SBI of \$35,000 was written off in 2015 although PPI continues to hold the shares.

**APPENDIX II**  
**INFORMATION ABOUT 2015 OPERATIONS**

Peter has analyzed the expenses incurred by PPI in 2015, divided them into the major activities he thinks add directly to the cost of a job, and has estimated the volume of each activity, as follows:

<b>Activity</b>	<b>Cost driver</b>	<b>Volume of Activity</b>
Painting services	Square metres painted	240,000 square metres
Drywall repair	Number of repairs	125 repairs*
Job support	Hours of job support	800 hours**
Office costs (not directly attributable to major activities)	Not applicable	Not applicable

\* 35 drywall repairs were residential and 90 were commercial.

\*\* 85% of job support (getting permits, liaising with landlords, and so on) related to commercial customers, and 15% to residential customers. Peter was surprised at how much job support some of his commercial customers required.

To determine how expenses incurred by PPI are distributed across the major activities, employees were interviewed and source documentation was reviewed. The results were determined to be as follows:

	<b>Painting</b>	<b>Drywall repair</b>	<b>Job support</b>	<b>Other</b>
President's salary	5%	0%	75%	20%
Wages and benefits	80%	10%	0%	10%
Supplies	90%	10%	0%	0%
Equipment depreciation	20%	65%	0%	15%
Vehicle expenses	0%	0%	50%	50%
Office costs	0%	0%	50%	50%
Loss on investment	0%	0%	0%	100%

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

The Canadian Holistic Health Practitioners (CHHP) is a not-for-profit organization (NPO) that has run holistic health education courses in cities across Canada for the last decade. CHHP has chosen to report under Not-For-Profit accounting standards. You, CPA, have worked in the accounting group at CHHP for a few years.

CHHP's mission is to teach students integration of body, mind and spirit, and is dedicated to providing training in preventative and holistic health education. As an NPO, CHHP's vision is to produce the highest quality and trusted program at the lowest cost amongst the industry's providers.

CHHP will now provide a recognized certification of "Holistic Health Practitioner" to students who pass a new certification exam and complete a practicum within CHHP's training program. A new department has been formed to administer this exam, and you have been temporarily transferred to this department to help with its implementation. On your first day, you meet Holly, your new manager, who has the following comments:

"Welcome, CPA! The first offering of our new annual exam is a few months away and we are busy getting ready. The first decision is what amount to charge for the exam. We expect there to be around 2,000 students writing the exam each year, including repeat writers beginning in Year 2. Since the number of students may change over time, I'd also like to know the suggested amount to be charged if we have only 1,000 students, and if we have 3,000 students. As an NPO, we need to just cover our costs, which include an allocation of \$150,000 of the organization's general overhead costs to the examination department. Here are the expected revenues and costs of the exam (Appendix I).

"This is a relatively small profession and many of the practitioners and students know each other. There are many experienced practitioners who willingly take time away from their regular day jobs to author or mark exams for us. A temporary "marking centre" will be set up off-site for this intensive, week-long event. We still need to figure out who we should give priority to when vetting the marker applications. I'm a little worried that some of the practitioners we will use may know the students personally. Here are some process details (Appendix II). Let me know what you think about our proposed marking centre operations and processes and recommend improvements where you identify weaknesses.

“We have heard that some organizations are being challenged lately by Canada Revenue Agency as to whether those we outsource temporary work to are employees or self-employed. For simplicity, and to avoid CPP/QPP and EI, we would prefer that our markers be considered self-employed. Can you determine whether they meet the requirements for self-employment? Also, is there anything that we can change to make sure they are considered self-employed?”

“Finally, your manager, in the accounting group, would like you to prepare a report discussing all accounting implications related to this new department’s operations. He also needs a decision from us with respect to the specialized equipment (Appendix III).”

## APPENDIX I ESTIMATED REVENUES AND COSTS

- The exam fee (to be determined) will be charged and collected two months before the exam. Students who fail the exam will be allowed to rewrite the exam at a reduced rate (50% lower). Beginning in year 2, 25% of the total writers are expected to be repeat writers, as most of unsuccessful students are expected to take advantage of the reduced rate.
- The exam taking and the marking end up being separated by our financial year-end. The plan is to recognize revenue on the percentage of completion basis, as the exam is authored, offered and marked.
- Three employees work in the new department, with annual combined salaries of \$160,000. Employment benefits average 15% of salary.
- CHHP outsources the authoring of the exam questions. Multiple-choice questions cost \$50 per question. Although there are 100 multiple-choice questions on an exam, CHHP has to buy 250 multiple-choice questions in order to find 100 that fit well together on an exam. There are also three long-answer questions, which cost \$1,000 each. Again, CHHP outsources five questions in order to find three that fit well together on an exam. The unused questions are “banked” for use on future exams. In order to help build up a bank, CHHP plans to purchase a similar number of questions for the next few years.

All of the multiple-choice and long-answer questions are accounted for as prepaid expenses, but we are not sure this is correct. We have decided not to disclose the exams. Therefore, the questions can be used again. However, after a few years, changes in the profession may make some of questions outdated. A few of the multiple-choice questions probably aren't usable. We wonder how these factors impact the way the questions are accounted for in the financial statements.

- Authors sign a contract agreeing not to use or disclose the questions they write, and to remove all evidence of the questions from their computer. Authors write their questions and send them in by email. Unfortunately, one question was compromised this year. The compromised question resulted from an author's email account being hacked into.
- The examination will be offered in 15 cities across Canada at the same time, at an average cost of \$6,000 for facilities and staff at each location. If there are 1,000 students, exams will be held in only 10 cities, for the same average cost. At 3,000 students, bigger venues in the 15 cities are needed, so the average cost increases to \$10,000 per city.

**APPENDIX I (continued)**  
**ESTIMATED REVENUES AND COSTS**

- The following are the costs related to the marking centre:

Hotel cost	\$1,000 per marker
Meal expense	\$300 per marker
Travel cost	\$800 per marker
Conference room rental	\$30,000 per session
Rental of office equipment, and office supplies	\$5,000 per session

The markers mark in the hotel conference room. If there are 3,000 papers, a second conference room would be needed.

- Markers are paid a flat fee of \$2,500, with no benefits. Payment is made by direct deposit immediately following the marking centre.
- Finding markers is not an issue since we mark the exam during a time of year that is less busy for them.



**APPENDIX II  
DETAILS OF MARKING CENTRE OPERATIONS**

- On the first day of the marking centre, CHHP staff will train markers on how to mark the long-answer questions. Using model answers provided by the original author and refined by CHHP staff, they then mark exams for the subsequent four days.
- The hotel has agreed to leave the conference room unlocked so that markers can mark on their own schedule. Markers randomly take several exam responses from the “to be marked” pile and a stack of blank marking keys. On the marking key, the marker documents their name, the student’s number and name, and the marks awarded. When completed, the exam response and marking key are put on the “finished” pile.
- While responsible for marking a predetermined number of responses each day, all markers may start and end their day, and take breaks, when they choose.
- One marker is needed for every 40 students writing the exam.
- Multiple-choice questions are electronically marked by specialized equipment.
- It is critical that exam responses be kept secure. As there is only the one copy, losing a response would be disastrous.

**APPENDIX III  
SPECIALIZED EQUIPMENT DECISION**

CHHP needs new specialized equipment to handle the volume of exams. The supplier has offered two options to CHHP:

- Option 1: Upfront purchase at a price of \$55,000. CHHP will have to pay \$1,800 per year for an annual maintenance contract at the end of each year.
- Option 2: Lease of 48 months at \$1,500 per month to be paid at the beginning of the month. CHHP has already incurred \$800 to provide a credit report to the supplier for credit approval.

CHHP's annual borrowing cost is 9%. The specialized equipment has a useful life of four years with a salvage value of \$5,000.

**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**

	<b>2015</b>	<b>2016</b>
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**

<u>If taxable income is between</u>	<u>Tax on base amount</u>	<u>Tax on excess</u>
\$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**

<u>If taxable income is between</u>	<u>Tax on base amount</u>	<u>Tax on excess</u>
\$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:

	<b>2015</b>	<b>2016</b>
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:

	<b>2015</b>	<b>2016</b>
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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