

TEST ITEM FILE - PROBLEMS

Byrd & Chen's Canadian Tax Principles 2018 - 2019 Edition

ISBN-0135225361, 978-0-13-522536-3
Copyright © 2018 Clarence Byrd Inc. All rights reserved.

This work is protected by Canadian copyright laws and is provided solely for the use of instructors in teaching their courses and assessing student learning.

Problem Concordance

A concordance of the problems in the 2017/18 vs. 2018/19 editions is available to assist instructors who have previously used *Canadian Tax Principles*.

Bookmarks In PDF File

To assist you in navigating through the electronic version of this solutions manual, there are bookmarks on the first page of each Test Item File Problem.

Contact Information

Comments and queries from instructors should be e-mailed to Ida Chen at:

idachen700@gmail.com

If you have any further questions, please contact Spencer Snell, Customer Experience Manager, Pearson Canada, at:

spencer.snell@pearson.com

Subjects Covered By Test Item File Problems

Chapter 1 Introduction

<i>Problem</i>	<i>Subject</i>	<i>Page</i>
1-1	Essay questions	1
1-2	True or false	3
1-3	Multiple choice (Sorted by topic)	5
1-4	Exam exercises	15
1-5A	Key term matching (Easy)	21
1-5B	Key term matching (Moderate)	23
1-6	Application of qualitative characteristics	25
1-7	Application of qualitative characteristics	26
1-8	Residency after departure from Canada	27
1-9	Residence of individuals	28
1-10	Residence of corporations	29
1-11	Residence of individuals and corporations	30
1-12	Residence of individuals and corporations	31
1-13	Net Income For Tax Purposes	32
1-14	Net Income For Tax Purposes	33
1-15	Net Income For Tax Purposes	34
1-16	Net Income For Tax Purposes	35

Chapter 2 Procedures and Administration

2-1	Essay questions	36
2-2	True or false	37
2-3	Multiple choice (Sorted by topic)	39
2-4	Exam exercises	47
2-5A	Key term matching (Easy)	51
2-5B	Key term matching (Moderate)	53
2-6	Individual tax instalments	55
2-7	Individual tax instalments	56
2-8	Corporate tax instalments	57
2-9	Individual tax instalments	58
2-10	Corporate tax instalment	59
2-11	Individual tax instalments	60
2-12	Corporate tax instalments	61
2-13	Appeals	62
2-14	Third party civil penalties	63

Chapter 3 Income Or Loss From An Office Or Employment

<i>Problem</i>	<i>Subject</i>	<i>Page</i>
3-1	Essay questions	65
3-2	True or false	67
3-3	Multiple choice (Sorted by topic)	68
3-4	Exam exercises	77
3-5A	Key term matching (Easy)	83
3-5B	Key term matching (Moderate)	85
3-6	Bonus arrangements	87
3-7	Employer provided vs. employee owned automobile	88
3-8	Automobile benefits	89
3-9	Automobile benefits	90
3-10	Employee loans	91
3-11	Employee loans	92
3-12	Employee stock options	93
3-13	Employee stock options	94
3-14	Alternative employment offers	95
3-15	Commission income and work space in home costs	97
3-16	Commission income and work space in home costs	98
3-17	Employment income	99
3-18	Employment income	101

Chapter 4 Taxable Income And Tax Payable For Individuals

4-1	Essay questions	102
4-2	True or false	104
4-3	Multiple choice (Sorted by topic)	105
4-4	Exam exercises	111
4-5A	Key term matching (Easy)	118
4-5B	Key term matching (Moderate)	120
4-6	Personal tax credits - 5 Cases	122
4-7	Personal tax credits - 7 Cases	123
4-8	Personal tax credits - 6 Cases	125
4-9	Personal tax credits - 5 Cases	126
4-10	Tax payable with employment income	127
4-11	Comprehensive tax payable with employment income	129
4-12	Comprehensive tax payable with employment income	131
4-13	Comprehensive tax payable with employment income	133

Chapter 5 Capital Cost Allowance

<i>Problem</i>	<i>Subject</i>	<i>Page</i>
5-1	Essay questions	135
5-2	True or false	137
5-3	Multiple choice (Sorted by topic)	138
5-4	Exam exercises	145
5-5A	Key term matching (Easy)	151
5-5B	Key term matching (Moderate)	152
5-6	Purchase and sale of goodwill	154
5-7	CCA calculations over 4 years	155
5-8	CCA and CEC calculations over 3 years	157
5-9	Asset retirements and goodwill sale includes capital gain	158
5-10	CCA calculations over 3 years	159
5-11	CCA calculations	160
5-12	CCA and tax planning	161
5-13	CCA and tax planning	162
5-14	CCA calculations including CEC transition	163

Chapter 6 Income Or Loss From A Business

6-1	Essay questions	164
6-2	True or false	166
6-3	Multiple choice (Sorted by topic)	168
6-4	Exam exercises	177
6-5A	Key term matching (Easy)	182
6-5B	Key term matching (Moderate)	183
6-6	Reserves	185
6-7	Work space in home costs and CCA	186
6-8	Automobile costs and benefits	187
6-9	Inventory valuation	188
6-10	Deductible business expenses - corporation	189
6-11	Reverse comprehensive business income	190
6-12	Business income - proprietorship	192
6-13	Business income with CCA and CEC - corporations	193
6-14	Business income with CCA - proprietorship	195
6-15	Comprehensive business income	196
6-16	ITA 22 accounts receivable election	198
6-17	Comprehensive case (with coverage of preceding chapters)	199
6-18	Comprehensive case (with coverage of preceding chapters)	201

Chapter 7 - Income From Property

Problem	Subject	Page
7-1	Essay questions	204
7-2	True or false	205
7-3	Multiple choice (Sorted by topic)	206
7-4	Exam exercises	214
7-5A	Key term matching (Easy)	219
7-5B	Key term matching (Moderate)	220
7-6	Interest deductibility	222
7-7	Rental income and CCA on rental properties	223
7-8	Rental income and CCA on rental properties	224
7-9	Rental income and CCA on rental properties	225
7-10	Dividend vs. interest income	226
7-11	Property income - alternative investments	227
7-12	Investments in income trusts and common stock	228
7-13	Income trusts, mutual funds and foreign income	229
7-14	Business vs. property income	230
7-15	Comprehensive case (with coverage of preceding chapters)	231
7-16	Comprehensive case (with coverage of preceding chapters)	233

Chapter 8 Capital Gains And Capital Losses

8-1	Essay questions	235
8-2	True or false	237
8-3	Multiple choice (Sorted by topic)	239
8-4	Exam exercises	251
8-5A	Key term matching (Easy)	257
8-5B	Key term matching (Moderate)	258
8-6	Capital gains and losses - identical properties	260
8-7	Warranties and bad debts	261
8-8	Capital gains reserves	262
8-9	Capital gains reserves	263
8-10	Capital gains reserves	264
8-11	Principal residence designation	265
8-12	Personal property dispositions	266
8-13	Foreign currency gains and losses	267
8-14	Court cases - identification of capital gains	268
8-15	Change in use - depreciable property	269

(continued)

Chapter 8 continued

Capital Gains And Capital Losses

<i>Problem</i>	<i>Subject</i>	<i>Page</i>
8-16	Deemed dispositions on departure from Canada	270
8-17	Deferral on small business shares	271
8-18	Voluntary dispositions - with ITA 44(6) election	272
8-19	Involuntary dispositions - no ITA 44(6) election	273
8-20	Involuntary dispositions - no ITA 44(6) election	274
8-21	Short cases on capital gains	275
8-22	Comprehensive case (with coverage of preceding chapters)	276
8-23	Comprehensive case (with coverage of preceding chapters)	278

Chapter 9

Other Income, Other Deductions, Income Attribution

9-1	Essay questions	280
9-2	True or false	282
9-3	Multiple choice (Sorted by topic)	285
9-4	Exam exercises	297
9-5A	Key term matching (Easy)	304
9-5B	Key term matching (Moderate)	306
9-6	Death benefits	308
9-7	Moving expenses	309
9-8	Moving expenses	311
9-9	Child care expenses	313
9-10	Child care expenses	314
9-11	Pension income splitting with OAS	315
9-12	Pension income splitting with OAS	316
9-13	Other income and deductions including RESPs	317
9-14	Non-arm's length transfer of depreciable property	318
9-15	Non-arm's length transfer of depreciable asset	319
9-16	Deemed dispositions at death	320
9-17	Deemed dispositions at death and departure from Canada	321
9-18	Transfers to a spouse - income attribution	322
9-19	Income attribution	323
9-20	Income attribution	324
9-21	Comprehensive case (with coverage of preceding chapters)	325

Chapter 10 - Retirement Savings

Problem	Subject	Page
10-1	Essay questions	327
10-2	True or false	329
10-3	Multiple choice (Sorted by topic)	330
10-4	Exam exercises	338
10-5A	Key term matching (Easy)	343
10-5B	Key term matching (Moderate)	345
10-6	Calculation of PAs, PSPAs, and PARs	347
10-7	Excess RRSP contributions vs. TFSA	348
10-8	RRSPs, TFSAs, and Tax Planning	349
10-9	RRSP contribution calculations	350
10-10	RPP and RRSP contribution calculations	351
10-11	RRSP contribution calculations	352
10-12	Net income and RRSP contribution calculations	353
10-13	Employment income with RRSP	354
10-14	Retiring allowances	355
10-15	Comprehensive Case (with coverage of preceding chapters)	356
10-16	Comprehensive Case (with coverage of preceding chapters)	358

Chapter 11 Taxable Income And Tax Payable For Individuals Revisited

11-1	Essay questions	361
11-2	True or false	363
11-3	Multiple choice (Sorted by topic)	365
11-4	Exam exercises	374
11-5A	Key term matching (Easy)	381
11-5B	Key term matching (Moderate)	383
11-6	Losses and their carry over - individuals	384
11-7	ABILs	385
11-8	ABILs and lifetime capital gains deduction	386
11-9	Tax on split income	387
11-10	Transfer of credits and pension income splitting	388
11-11	Alternative minimum tax	389
11-12	Alternative minimum tax	390
11-13	Comprehensive personal tax payable Deceased and pension income splitting	391
11-14	Comprehensive personal tax payable	393
11-15	Comprehensive tax payable	395

Chapter 12 Corporate Taxable Income And Taxes Payable

<i>Problem</i>	<i>Subject</i>	<i>Page</i>
12-1	Essay questions	397
12-2	True or false	399
12-3	Multiple choice (Sorted by topic)	401
12-4	Exam exercises	410
12-5A	Key term matching (Easy)	417
12-5B	Key term matching (Moderate)	419
12-6	Schedule 1 adjustments	421
12-7	Corporate taxable income	422
12-8	Corporate net and taxable income	423
12-9	Corporate loss carry forwards	425
12-10	Corporate loss carry forwards - 1 year	426
12-11	Corporate loss carry forwards - 4 years	427
12-12	Geographical allocation of income	428
12-13	Part I tax with reduced small business deduction	429
12-14	Corporate tax payable	430
12-15	Corporate tax payable with foreign tax credit	431
12-16	Corporate tax payable with M&P deduction	432
12-17	Comprehensive corporate tax payable	433

Chapter 13 Taxation Of Corporate Investment Income

13-1	Essay questions	435
13-2	True or false	437
13-3	Multiple choice (Sorted by topic)	439
13-4	Exam exercises	446
13-5A	Key term matching (Easy)	452
13-5B	Key term matching (Moderate)	454
13-6	Integration example	456
13-7	Part I and Part IV refundable taxes	457
13-8	Simple Part I tax with ART	458
13-9	Part I and Part IV refundable taxes, GRIP	459
13-10	Part I and Part IV refundable taxes	460
13-11	Part I tax (simple) with SBD, ART, M&P, FTC, and GRR	461
13-12	Part I tax (simple) with SBD, ART, M&P, FTC, and GRR	462
13-13	Tax payable with SBD, ART, M&P, FTC, GRR, and GRIP	463
13-14	Tax payable with SBD, ART, M&P, FTC, GRR, and GRIP	465
13-15	Tax payable with SBD, ART, M&P, FTC, GRR, and GRIP	467

Chapter 14 Other Issues In Corporate Taxation

<i>Problem</i>	<i>Subject</i>	<i>Page</i>
14-1	Essay questions	468
14-2	True or false	470
14-3	Multiple choice (Sorted by topic)	472
14-4	Exam exercises	480
14-5A	Key term matching (Easy)	488
14-5B	Key term matching (Moderate)	490
14-6	Acquisition of control - losses	492
14-7	Acquisition of control - losses	493
14-8	Associated companies	494
14-9	Associated companies	495
14-10	Investment tax credits	496
14-11	Capital dividend account	497
14-12	Corporate surplus distribution	498
14-13	Corporate surplus distributions	499

Chapter 15 Corporate Tax And Management Decisions

15-1	Essay questions	500
15-2	True or false	502
15-3	Multiple choice (Sorted by topic)	504
15-4	Exam exercises	511
15-5A	Key term matching (Easy)	518
15-5B	Key term matching (Moderate)	520
15-6	Flow through of interest income	522
15-7	Flow through of interest income	523
15-8	Flow through of dividend income	524
15-9	Partner as individual or corporation	525
15-10	Incorporation of investment income	526
15-11	Shareholder loans	527
15-12	Shareholder loans	528
15-13	Salary vs. dividend - required amount	529
15-14	Salary vs. dividend - optimum mix	530
15-15	Salary vs. dividend - optimum mix	531

Chapter 16

Rollovers Under Section 85

<i>Problem</i>	<i>Subject</i>	<i>Page</i>
16-1	Essay questions	532
16-2	True or false	534
16-3	Multiple choice (Sorted by topic)	536
16-4	Exam exercises	544
16-5A	Key term matching (Easy)	549
16-5B	Key term matching (Moderate)	551
16-6	Transfers to a corporation vs. direct sale	553
16-7	Section 85 rollovers - short cases	554
16-8	ACB of consideration and PUC	555
16-9	Depreciable asset transfer - three cases	556
16-10	Transfer to a corporation - depreciable property	557
16-11	Transfers to a corporation and sale/redemption of shares	558
16-12	Transfers to a corporation and sale of shares	559
16-13	Transfers to a corporation and sale/redemption of shares	560
16-14	Transfers to a corporation and sale of shares	561
16-15	Gift to related party - Section 85	563
16-16	Excess consideration	565
16-17	Dividend stripping	566
16-18	Capital gains strips	567

Chapter 17

Other Rollovers And Sale Of A Business

17-1	Essay questions	568
17-2	True or false	570
17-3	Multiple choice (Sorted by topic)	572
17-4	Exam exercises	581
17-5A	Key term matching (Easy)	586
17-5B	Key term matching (Moderate)	588
17-6	Section 85.1 share for share exchange	590
17-7	Section 86(1) share exchange	591
17-8	Section 86(1) share exchange	592
17-9	Section 86 reorganization with gift	593
17-10	Section 86(1) reorganization	594
17-11	Winding-up of a corporation	595
17-12	Sale of assets	596
17-13	Sale of assets vs. shares	598

Chapter 18 Partnerships

Problem	Subject	Page
18-1	Essay question	600
18-2	True or false	602
18-3	Multiple choice (Sorted by topic)	604
18-4	Exam exercises	613
18-5A	Key term matching (Easy)	619
18-5B	Key term matching (Moderate)	621
18-6	Existence of partnership	623
18-7	Partnership income allocation	624
18-8	Partnership income allocation	626
18-9	Partnership income allocation with ACB	627
18-10	Withdrawal of a partner	629
18-11	Withdrawal of a partner	630
18-12	Limited partnership	631
18-13	Transfer of partnership to a corporation	632
18-14	Partnership winding up and transfer to corporation	633
18-15	Partnership income and sale of partnership interest	634

Chapter 19 Trusts And Estate Planning

19-1	Essay questions	635
19-2	True or false	637
19-3	Multiple choice (Sorted by topic)	639
19-4	Exam exercises	648
19-5A	Key term matching (Easy)	654
19-5B	Key term matching (Moderate)	656
19-6	Property transfers to and from trusts	658
19-7	Inter vivos trusts - income attribution	659
19-8	Trusts and income splitting	660
19-9	Inter vivos trusts - tax payable	661
19-10	Graduated rate estates - transfers and tax payable	662
19-11	Inter vivos trusts - tax payable	663
19-12	Graduated rate estates - transfers and tax payable	664

Chapter 20 Issues In International Income

Problem	Subject	Page
20-1	Essay questions	665
20-2	True or false	666
20-3	Multiple choice (Sorted by topic)	668
20-4	Exam exercises	673
20-5A	Key term matching (Easy)	677
20-5B	Key term matching (Moderate)	679
20-6	Permanent establishments	681
20-7	Part XIII tax on non-residents	682
20-8	Emigration - part year resident - net income	683
20-9	Departure from Canada	684
20-10	Foreign investment reporting rules	685
20-11	Foreign source investment income	686
20-12	Foreign source dividends received by an individual	687

Chapter 21 GST/HST

21-1	Essay questions	688
21-2	True or false	690
21-3	Multiple choice (Sorted by topic)	692
21-4	Exam exercises	700
21-5A	Key term matching (Easy)	705
21-5B	Key term matching (Moderate)	707
21-6	Turnover tax vs. GST	709
21-7	GST registration	710
21-8	HST on real property purchase	711
21-9	HST input tax credits	712
21-10	Regular GST return	713
21-11	HST payable	714
21-12	Quick method	715
21-13	GST payable including quick method	716
21-14	Employee HST rebate including CCA	717
21-15	Streamlined input tax credit method	718
21-16	Regular and streamlined HST return	719
21-17	New housing GST rebate	720