

TIF PROBLEM SEVEN - 3**Property Income - Multiple Choice**

Interest

1. A taxpayer loaned \$20,000 for one year to his mother-in-law on October 1, 2008. Interest at 6 percent per year was payable on September 30, 2009, but was not paid until February 1, 2010. There are several ways in which the interest can be allocated to the years involved. For the following parts of the question, indicate which method corresponds to the interest allocation if it is a method that is permitted by the ITA. If it is not a permitted method, indicate the answer E.
 - A. Accrual Method
 - B. Cash Method
 - C. Compound Interest Method
 - D. Receivable Method
 - E. Not Allowed Method
 - i. Income for 2008 is \$300, 2009 income is \$900, and 2010 income is nil.
 - ii. Income for 2008 is nil, 2009 income is \$1,200, and 2010 income is nil.
 - iii. Income for 2008 is nil, 2009 income is \$900, and 2010 income is \$300.
 - iv. Income for 2008 is nil, 2009 income is nil, and 2010 income is \$1,200.
2. A corporation issues debt with a maturity value of \$1,000,000 for proceeds of \$900,000. The debt matures in 10 years and pays annual interest at a rate of 10 percent. Which of the following statements is correct?
 - A. The corporation will be able to deduct interest of \$110,000 in each of the years 1 through 10.
 - B. The corporation will be able to deduct interest of \$100,000 in each of the years 1 through 10 and will have a fully deductible loss of \$100,000 in year 10.
 - C. The corporation will be able to deduct interest of \$100,000 in each of the years 1 through 10 and will have a capital loss in year 10 of \$100,000, only one-half of which will be deductible.
 - D. The corporation will be able to deduct interest of \$90,000 in each of the years 1 through 10.
3. A corporation issues debt with a maturity value of \$1,000,000 for proceeds of \$1,100,000. The debt matures in 10 years and pays annual interest at a rate of 10 percent. The issuer is not a money lender and there is no evidence that there was a deliberate creation of a premium. Which of the following statements is correct?
 - A. The corporation will be able to deduct interest of \$90,000 in each of the years 1 through 10.
 - B. The corporation will be able to deduct interest of \$100,000 in each of the years 1 through 10 and will have a fully taxable gain of \$100,000 in year 10.
 - C. The corporation will be able to deduct interest of \$100,000 in each of the years 1 through 10 and will have a capital gain in year 10 of \$100,000, only one-half of which will be taxable.
 - D. The corporation will be able to deduct interest of \$100,000 in each of the years 1 through 10 and there will be no tax consequences at maturity.

TIF Problem Seven - 3

Property Income - Multiple Choice

4. Which of the following is not a characteristic of interest?
 - A. It must represent compensation for use of a principal amount.
 - B. It must accrue continuously over time.
 - C. It must be paid on a regular, periodic basis.
 - D. It must be calculated with reference to a principal amount.
5. On July 1, 2010, Jon Laxtor acquires an investment contract with a maturity value of \$100,000. It matures on June 30, 2015, with interest accruing at 8 percent per annum. Interest is paid for the first one and one-half years on December 31, 2011. The remaining interest will be paid at maturity. With respect to the minimum amount of interest that Jon must recognize for tax purposes, which of the following statements is correct?
 - A. Jon will have to recognize \$4,000 in 2010 and \$8,000 in 2011.
 - B. Jon will have to recognize nil in 2010 and \$8,000 in 2011.
 - C. Jon will have to recognize nil in 2010 and nil in 2011.
 - D. Jon will have to recognize nil in 2010 and \$12,000 in 2011.

Rental Income

6. Saul has two residential rental properties that are mortgaged. Both properties are in Class 1 with a maximum CCA rate of 4 percent. At the beginning of the year, Property A has a UCC of \$500,000 and Property B has a UCC of \$1,100,000. Before consideration of CCA, Property A earned net rental income of \$43,000, and Property B had a net rental loss of \$27,000. What is the maximum amount of CCA Saul will be able to claim this year?
 - A. Nil.
 - B. \$16,000.
 - C. \$20,000.
 - D. \$44,000.

Dividends

7. Sherry is in the top federal tax bracket of 29 percent. She lives in a province where her provincial marginal tax rate is 17.5 percent and the provincial dividend tax credit is 31 percent of the dividend gross up. If Sherry receives an eligible dividend of \$16,000 from a Canadian public corporation in 2010, how much will she have left after tax?
 - A. \$ 4,390.
 - B. \$10,607.
 - C. \$11,610.
 - D. \$12,326.
8. Martin held 2 percent of the outstanding shares of a Canadian public corporation. The corporation issued an eligible stock dividend in 2010 and capitalized \$800,000 of its retained earnings. By how much will Martin's Taxable Income increase as a result of the dividend?
 - A. \$ 8,000.
 - B. \$16,000.
 - C. \$20,000.
 - D. \$23,040.

Income Trusts

9. On January 1, 2010, John Traverse acquires 12,000 units of the RV Income Trust at a cost of \$720,000. During 2010, the trust makes a distribution of \$5.00 per unit. Of this total \$1.50 is a return of capital while the remaining \$3.50 is ordinary income. John reinvests the total distribution in RV units at a cost of \$55 per unit. What is the adjusted cost base of John's units on December 31, 2010?
- A. \$58.21 per unit.
 - B. \$53.62 per unit.
 - C. \$59.58 per unit.
 - D. \$60.00 per unit.

Foreign Source Income

10. Ravinder, an individual whose other income places him in the maximum 29 percent federal tax bracket, has a foreign investment that earns \$50,000 (Canadian) of non-business income. The government of the foreign country withholds \$10,000 of this amount, with the remaining \$40,000 being remitted to Ravinder during 2010. By what amount will Ravinder's 2010 Federal Tax Payable increase as a result of this transaction?
- A. \$ 4,500.
 - B. \$ 6,275.
 - C. \$11,600.
 - C. \$14,500.

TIF PROBLEM EIGHT - 3**Capital Gains And Losses - Multiple Choice**

General Rules

1. The term proceeds of disposition can be used in a number of situations. Indicate which of the following would not be considered proceeds of disposition for the PD Company.
 - A. Amounts paid to PD Company under insurance policies for property that has been damaged.
 - B. Amounts paid to PD Company under insurance policies for property unlawfully taken.
 - C. Amounts paid to PD Company by a municipal government for property that has been expropriated.
 - D. Amounts paid to PD Company on the sale of inventories.
 - E. Amounts paid to PD Company on the sale of a warehouse.
2. Which of the following is not included in ITA 53 as an adjustment to the cost base of an asset?
 - A. Government assistance with the cost of acquisition.
 - B. CCA taken in previous years.
 - C. Superficial losses.
 - D. In the case of vacant land, interest and property taxes.

Capital Gains Reserves

Question 3 And 4 Questions 3 and 4 are based on the following information:

BMP Products Ltd. (BMP) has been in operation for more than 20 years. Ten years ago, planning for future growth of its manufacturing facilities, BMP purchased a plot of land in an industrial area for \$150,000. During the last couple of years, BMP has not met expectations. Business has fallen slightly and cash flows are tight. Due to the decrease in product demand, management does not believe that BMP will use this plot of land in the near future. As a result, during the taxation year ended March 31, 2010, BMP sold this land for \$400,000. \$150,000 was received in February, 2010, with the remainder to be paid in two equal instalments in February, 2011 and February, 2012. You have been advised that capital gains treatment is appropriate for this transaction.

3. BMP can claim a reserve on the above sale at March 31, 2010 of:
 - A. Nil.
 - B. \$156,250.
 - C. \$200,000.
 - D. \$250,000.
4. BMP can claim a reserve on the above sale at March 31, 2011 of:
 - A. Nil.
 - B. \$78,125.
 - C. \$125,000.
 - D. \$150,000.

TIF Problem Eight - 3

Capital Gains And Losses - Multiple Choice

5. Bob sold a capital property on December 31, 2010 for \$300,000; \$280,000 is payable on December 31, 2016, and the balance was paid immediately in cash. The adjusted cost base of the property was \$170,000 and the selling costs totalled \$10,000. Which one of the following amounts represents the **minimum** taxable capital gain in 2010?
- A. \$4,000.
 - B. \$10,000.
 - C. \$12,000.
 - D. \$24,000.

Non-Arm's Length Transactions

6. John Bartel owns land with an adjusted cost base of \$250,000 and a fair market value of \$320,000. He sells the land to his son for \$250,000. Which of the following statements is correct?
- A. John will have a taxable capital gain of \$70,000 and the adjusted cost base of the land to his son will be \$250,000.
 - B. John will have a taxable capital gain of \$70,000 and the adjusted cost base of the land to his son will be \$320,000.
 - C. John will have a taxable capital gain of \$35,000 and the adjusted cost base of the land to his son will be \$320,000.
 - D. John will have a taxable capital gain of \$35,000 and the adjusted cost base of the land to his son will be \$250,000.
7. John Bartel owns land with an adjusted cost base of \$250,000 and a fair market value of \$320,000. He gifts the land to his son for no consideration. Which of the following statements is correct?
- A. John will have a taxable capital gain of \$70,000 and the adjusted cost base of the land to his son will be \$250,000.
 - B. John will have a taxable capital gain of \$70,000 and the adjusted cost base of the land to his son will be \$320,000.
 - C. John will have a taxable capital gain of \$35,000 and the adjusted cost base of the land to his son will be \$320,000.
 - D. John will have a taxable capital gain of \$35,000 and the adjusted cost base of the land to his son will be \$250,000.
8. Jolinda Morris has a depreciable property with a capital cost of \$225,000, a UCC of \$175,000, and a fair market value of \$240,000. Because of his exceptional performance during the last year, she gives this property to her common-law partner Biff. What is the minimum increase in Net Income For Tax Purposes that Ms. Morris will record as a result of this gift?
- A. \$57,500.
 - B. \$65,000.
 - C. \$7,500.
 - D. Nil

Change In Use

9. Jose Montana owns a cottage that he purchased in 2001 for \$330,000, with \$100,000 of this amount reflecting the value of the land. On January 1, 2010, this cottage is converted to a rental property. At the time of conversion, it is estimated that the cottage has a fair market value of \$600,000, with \$150,000 of this amount reflecting the value of the land. For 2010, rental income, net of all expenses except CCA equals \$10,200. What is the maximum amount of CCA that Jose can deduct on this rental property for 2010?
- A. \$10,200.
 - B. \$6,800.
 - C. \$9,000.
 - D. \$18,000.

Departures From Canada

10. When an individual departs from Canada, there is a deemed disposition of several types of property. Which of the following properties would not be subject to this deemed disposition rule?
- A. A large painting by a well known Canadian artist.
 - B. Land and building that is being used as a rental property.
 - C. Shares in a CCPC involved in earning active business.
 - D. Shares in a CCPC that is used to hold investments.

Principal Residence Rules

11. Susan Cousins purchased a house in Oshawa from a friend in March, 2008, for \$250,000. Even though Susan would be unable to reside in the house immediately, she felt it was a very good price and did not want to miss the opportunity to own this house. She rented out the house as of April, 2008. She will be moving back to Oshawa in January, 2010. Her tenants will move out in December, 2009, and she will move into her house. The fair market value of the house at January 1, 2010 was \$300,000.

Which of the following is correct?

- A. There is no capital gain on the house for tax purposes at January 1, 2010.
 - B. Susan must recognize a capital gain for tax purposes of \$50,000 on the house at January 1, 2010.
 - C. Susan must recognize a capital gain for tax purposes of \$25,000 at January 1, 2010.
 - D. Susan can elect to defer the recognition of any capital gain until she disposes of the house.
 - E. None of the above.
12. In 1987, Ms. Boisvert became a homeowner, acquiring a residence in Halifax at a cost of \$135,000. In 1998, she was transferred by her employer to Winnipeg. She rented accommodations in Winnipeg and leased the Halifax residence. Ms. Boisvert filed an election to deem the rental property as her principal residence and therefore, did not claim CCA on the property. In July, 2010, after 24 years, she sold the Halifax house for \$207,000, netting a gain of \$72,000. She had decided she would not return to Halifax. Which one of the following amounts represents the **minimum** capital gain that she may report in 2010?
- A. Nil.
 - B. \$21,000.
 - C. \$33,000.
 - D. \$36,000.

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Capital Gains And Losses - Multiple Choice

13. Mr. Winestock owned two homes from 2007 to 2009. He had purchased Home A in 1996 for \$60,000. In 2007, he purchased Home B for \$180,000, with the intention of selling Home A immediately. Due to market conditions, mortgage rates, and the asking price, he was unable to sell Home A until 2009. The proceeds received on the sale of Home A were \$150,000. In 2010, he was transferred to a different city and sold Home B. He designated 2007 and 2008 to Home A when it was sold. The proceeds received on the sale of Home B were \$200,000. What is his taxable capital gain on Home B?
- A. Nil.
 - B. \$2,500.
 - C. \$5,000.
 - D. \$10,000.
 - E. \$20,000.

Personal Use Property

14. Mike sold the following assets in 2010:

	Sales Price	Cost
Painting	\$2,500	\$ 800
Stamp collection	600	1,200
Outboard motor	900	100
Antique desk	1,300	1,950

Which one of the following amounts represents his capital gain, net of capital losses, for tax purposes in 2010?

- A. \$650.
 - B. \$1,250.
 - C. \$1,300.
 - D. \$1,500.
15. Indicate which of the following is not listed personal property:
- A. A stamp.
 - B. A rare manuscript.
 - C. An antique chair.
 - D. A piece of jewelry.
 - E. A piece of sculpture.

TIF PROBLEM NINE - 3

Other Income/Deductions, Attribution - Multiple Choice

Other Inclusions

1. Which of the following statements with respect to Subdivision d income inclusions is correct?
 - A. 100 percent of any death benefit received by a spouse must be included in income.
 - B. 100 percent of any scholarships received must be included in income.
 - C. 100 percent of any retiring allowance received must be included in income.
 - D. Social assistance payments received do not have to be included in income.

Moving Costs

2. Stan Aiken changed employers during 2010 and, as a result of the change, moved 150 kilometers, from Windsor to London. His new employer was located in London and reimbursed 50 percent of Stan's eligible moving expenses. On his 2010 personal tax return, Stan can:
 - A. Claim 0 percent of his moving expenses.
 - B. Claim 50 percent of his moving expenses against his income from employment.
 - C. Claim 50 percent of his moving expenses against his income from his new employer.
 - D. Claim 100 percent of his moving expenses against his income from employment.
3. In 2010, Mr. Kumar moved from Saskatchewan to Prince Edward Island to start a new business. In his 2010 fiscal year, the business generated income in excess of \$50,000. Mr. Kumar incurred the following costs of moving:

Transport of household effects	\$5,000
Travel - self, spouse, and three children	2,000
Legal fees - house purchase in PEI	900
Cancellation costs - lease in Saskatchewan	750
Temporary accommodation while waiting for new house at \$70 per day for 30 days	2,100
House-hunting trip (prior to move)	500

- Which one of the following amounts represents the **maximum** amount that Mr. Kumar may deduct for moving expenses in his 2010 personal income tax return?
- A. \$ 8,800.
 - B. \$ 9,850.
 - C. \$10,350.
 - D. \$10,750.
 4. During 2010, Jan Harding accepted a job transfer from British Columbia to Ontario. She will begin her new position on December 1. Her new salary will be \$102,000 per annum. Upon arriving, Jan spent 25 days staying in a hotel due to an unfortunate delay in moving into her new residence. Jan incurred expenses related to the move of \$13,402. Included in this total was \$1,125 for meals and \$2,125 for hotel stays while waiting for her new residence to be ready. How much can she claim on her 2010 tax return for moving expenses?
 - A. \$ 8,500.
 - B. \$12,102.
 - C. \$12,952.
 - D. \$13,402.

Other Income/Deductions, Attribution - Multiple Choice

5. Maxine used to work and live in Alberta, but has accepted a new job in Ontario. The new job has a starting salary of \$105,600 per year, or \$8,800 per month. She moved there with her family in October, so she could start her new job on November 1. While she had rented her accommodations in Alberta, she bought a new house in Ontario. She incurred the following expenses as a result of the move:
- canceling the lease on her rental apartment, \$1,200.
 - hiring movers to pack and move her household effects, \$12,000.
 - legal fees on the house purchase, \$1,400.
 - land transfer tax on the house purchase, \$3,000.
 - cost of disconnecting utilities in Alberta, \$100.
 - cost of connecting utilities in Ontario, \$200.
 - gas, food, and lodging while traveling from Alberta to Ontario, \$2,800.

How much can she claim for moving expenses for the year of the move?

- A. \$16,000.
- B. \$16,300.
- C. \$20,400.
- D. \$20,700.

Child Care Costs

6. John and Alexandria are married and they have two children, aged 2 and 5. They pay Alexandria's 22 year old sister \$150 per week to take care of their children for 48 weeks each year. John works full time and earns a salary of \$90,000 per year. Alexandria works part time, earning a salary of \$28,000 per year. She also goes to college part time during the fall semester, for a total of 17 weeks, or 4 months, each year. Which of the following is correct with respect to John and Alexandria's ability to claim a deduction for child care expenses?
- A. Neither John nor Alexandria can claim child care expenses because they paid a relative to take care of their children.
 - B. Alexandria must claim all of the child care expenses because she is the supporting person with the lower Net Income.
 - C. John can claim child care expenses of \$5,950 and Alexandria can claim the remaining \$1,250.
 - D. John can claim child care expenses of \$7,200.

Spousal And Child Support

7. Which of the following is not a requirement for spousal support payments to be deductible?
- A. The payments must be made on a periodic basis.
 - B. The payments must be made for a period of time that the spouses, or former spouses, are living apart.
 - C. The payments must be made pursuant to a separation agreement.
 - D. The amount for child support must be specified separately.
 - E. None of the above.

TIF Problem Nine - 3

Other Income/Deductions, Attribution - Multiple Choice

8. Jack and his wife, Sally, separated during 2004. The written separation agreement requires Jack to make payments for the maintenance of Sally and their child. Payments were set at \$250 per month for Sally and \$150 per month for their child. During 2010, Jack's payments totaled \$4,000. How much of the 2010 payments can Jack deduct on his 2010 personal tax return?
- A. \$4,000.
 - B. \$3,000.
 - C. \$1,800.
 - D. \$2,200.

Registered Savings Plans

9. With respect to the tax rules for Registered Education Savings Plans (RESPs), which of the following statements is not correct?
- A. The total contributions to one individual's plan cannot exceed \$50,000.
 - B. Earnings paid out of the plan are subject to tax in the hands of the recipient.
 - C. The annual contributions made by any one individual cannot exceed \$4,000.
 - D. Distributions can be made to a beneficiary of a plan when they commence full-time studies at an institution that would qualify the individual for the education tax credit.
10. There are a number of benefits and tax advantages associated with Registered Education Savings Plans (RESPs). Which of the following is not a benefit or advantage?
- A. Contributions to the plans are deductible.
 - B. Earnings on assets within the plan are not subject to tax.
 - C. The government makes contributions in the form of Canada Education Savings Grants and Canada Learning Bonds.
 - D. Distributions from the plan may be received by some recipients without incurring any additional taxation.
11. With respect to Registered Disability Savings Plans (RDSPs), which of the following statements is correct?
- A. Contributions to the plan are deductible.
 - B. Distributions to beneficiaries are not subject to tax.
 - C. Earnings on assets in the plan will accumulate tax free.
 - D. While the beneficiary has to have a disability, they do not have to qualify for the disability tax credit.
12. With respect to Tax Free Savings Accounts (TFSA), which of the following statements is not correct?
- A. Contributions to the accounts are not deductible.
 - B. Contributions to the accounts can be returned tax free at any time.
 - C. Earnings on assets in the accounts can accumulate tax free.
 - D. Withdrawals of accumulated account earnings will be subject to tax.

Income Attribution

13. Mr. Johnson wants to help his daughter, Erin, save for her college education. To this end, in 2008, when she was 15 years old, he put \$3,000 into a GIC in her name, for a one year term. The GIC renews on an annual basis. On its maturity in 2009, Erin rolled the \$3,000 into another GIC for one year and the interest earned during the first year into a second one-year GIC for \$300. In 2010, the interest earned on the two GICs was \$240 and \$24 respectively.

How much of this interest, if any, must Mr. Johnson report on his 2010 income tax return?

- A. Nil.
 - B. \$24.
 - C. \$240.
 - D. \$264.
 - E. None of the above.
14. Agatha Harkness wishes to gift mutual funds to her three grandchildren, all of whom are under the age of 6. She wants to minimize any income that will be attributed to her. Which one of the following mutual funds will best accomplish this goal?
- A. An equity fund that invests in preferred shares of top Canadian corporations and earns primarily dividend income.
 - B. A bond fund that invests in long-term, interest-bearing Government of Canada bonds, earning interest income and capital gains.
 - C. A growth fund that invests in corporations with a history of paying minimal dividends and earns its income primarily in the form of capital gains.
 - D. A money-market fund that invests in short-term treasury bills and earns only interest income.
15. William Choring owned shares of two publicly traded companies, as follows:

	Fair Market Value On Date Of Disposition	Adjusted Cost Base
TriStar Limited	\$1,000	\$10,000
Global Inc.	2,500	200

William gifted the TriStar Limited shares to his wife on July 1, 2010. His wife kept the shares and received \$125 of taxable dividends (grossed up amount) in September, 2010. William sold the Global Inc. shares on the open market. Assuming William earned no other income, did not elect out of ITA 73(1), and these are the only transactions that occurred in the year, which one of the following represents William's 2010 Net Income For Tax Purposes?

- A. Nil.
- B. \$1,150.
- C. \$1,250.
- D. \$1,275.

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Other Income/Deductions, Attribution - Multiple Choice

16. Hans Myers wishes to transfer an investment to his wife, Olga. However, Olga does not have sufficient cash to purchase the investment for fair value. Hans would like to loan the funds to Olga to facilitate the purchase, as he wants the income on this investment to be reported by her. Olga will pay interest on the loan, as Hans expects the investment to generate substantial income. Which one of the following is **not** a requirement to ensure that the income on this investment will be taxable to Olga, and not attributed to Hans, in the future?
- A. Hans must elect to realize any gains inherent in the property at the transfer date.
 - B. Interest on the loan must be paid from Olga to Hans annually, by January 30 of the following year.
 - C. Olga must pay no less than the full fair market value of the investment (although this can include the loan's face value).
 - D. The interest rate on the loan must be at fair market value, even when that rate is greater than the prescribed rate.
17. Martin has a marginal tax rate of 52 percent. His wife, Carmen, has a marginal tax rate of 26 percent. In order to give his wife a supplemental source of income, he gave her a portion of his investment portfolio. Carmen's new investment portfolio generated interest income of \$6,800 and taxable capital gains of \$9,900. Which of the following statements is not correct?
- A. Martin faces an additional tax liability of \$3,536 as a result of Carmen's interest income.
 - B. Martin faces an additional tax liability of \$5,148 as a result of Carmen's capital gains.
 - C. Carmen has no additional tax liability as a result of the investment portfolio.
 - D. Carmen faces a tax liability of \$2,574 as a result of her capital gains.
18. Joan Marx loaned \$22,000 to four different people. Each of them used the money they received from Joan to invest in bonds. In which situation will the resulting interest income not be attributed to Joan?
- A. The loan is interest free and made to Joan's 15 year old daughter.
 - B. The loan is interest free and made to Joan's 14 year old nephew.
 - C. The loan is interest free and made to Joan's 19 year old son.
 - D. The loan is interest free and made to Joan's husband.
19. Sandy gives a gift of \$12,000 to each of the following people. Each of them used the money they received from Sandy to invest in shares of publicly trading companies. In which situation will the resulting dividend income not be attributed to Sandy?
- A. The gift is to Sandy's long-time business partner.
 - B. The gift is to Sandy's wife.
 - C. The gift is to Sandy's 14 year old nephew.
 - D. The gift is to Sandy's 10 year old daughter.

TIF PROBLEM TEN - 3**Retirement Savings - Multiple Choice**

Defined Benefit Vs. Defined Contribution

1. With respect to a defined benefit Registered Pension Plan, which of the following statements is correct?
 - A. The employer is required to make a specific contribution to the plan in each year.
 - B. The employer promises each employee a retirement benefit that is based on a contractually specified formula.
 - C. The Pension Adjustment that will be calculated for each employee is based on the amounts of contributions that have been made by the employer.
 - D. Employees cannot make contributions to this type of plan.
2. With respect to a defined contribution Registered Pension Plan, which of the following statements is not correct?
 - A. The employer agrees to make a specified contribution for each year of service.
 - B. The Pension Adjustment that will be calculated for each employee is based on the amounts of contributions that have been made by the employee and employer.
 - C. Both the employee and employer can make contributions to such plans.
 - D. The employee's ultimate pension benefit is not affected by rates of return on the pension plan assets.

RRSPs

3. With respect to self-administered Registered Retirement Savings Plans, which of the following is not a qualified investment?
 - A. Shares in a publicly traded company.
 - B. A mortgage on the principal residence of the plan beneficiary.
 - C. Direct investments in rental properties.
 - D. Canada Savings Bonds.
4. During the year ending December 31, 2009, Ms. Donna Collins has employment income before the deduction of any RPP contributions of \$40,000, a net rental loss of \$16,000, interest income of \$6,000, and income from royalties of \$7,000. The royalties were on a book written by Ms. Collins in her undergraduate years at university. She has no Unused RRSP Deduction Room from previous years.

For each of the **independent** parts of the question, choose one of the following answers. Each answer can be used more than once.

- | | |
|-------------|-------------|
| A. Nil | F. \$3,580. |
| B. \$ 400. | G. \$4,320. |
| C. \$ 580. | H. \$5,400. |
| D. \$1,660. | I. \$5,580. |
| E. \$2,580. | J. \$6,660. |
- i) Ms. Collins is a member of a money purchase Registered Pension Plan in which, during 2009, she has contributed \$2,000 and her employer has contributed \$3,000. Her maximum deductible Registered Retirement Savings Plan contribution for 2010 is:
 - ii) She is a member of a Deferred Profit Sharing Plan in which, during 2009, her employer has contributed \$3,000 per employee. Assume that instead of having a 2009 net rental loss of \$16,000, she had a net business loss of \$16,000. Her maximum deductible Registered Retirement Savings Plan contribution for 2010 is:

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Retirement Savings - Multiple Choice

- iii) She is not a member of a Registered Pension Plan during 2009. Assume that instead of receiving 2009 interest income of \$6,000, she received dividends from taxable Canadian corporations with a total grossed up amount of \$6,000. Her maximum deductible 2010 Registered Retirement Savings Plan contribution is:
 - iv) She is not a member of a Registered Pension Plan during 2009. She has contributed \$2,000 to her husband's Registered Retirement Savings Plan in 2010. The maximum deductible 2010 Registered Retirement Savings Plan contribution to a plan in her name is:
5. Mrs. Jacks is employed by RME Industries Ltd. RME Industries Ltd. does not offer a Registered Pension Plan or a Deferred Profit Sharing Plan to its employees. She has no Earned Income prior to 2008. Given the following, what is the maximum RRSP contribution that Mrs. Jacks can deduct for the 2010 taxation year?

	2008	2009	2010
Earned Income	\$50,000	\$52,000	\$53,000
RRSP Contributions Deducted	Nil	\$ 6,000	?

- A. \$9,000.
 - B. \$9,360.
 - C. \$12,000.
 - D. \$12,360.
 - E. None of the above.
6. Which one of the following lists describes items that are all included in the determination of Earned Income for RRSP purposes?
- A. Author's royalties, net rental income or losses, and spousal support received/paid.
 - B. Auto standby charge, salesperson's expenses, and resource royalties.
 - C. Business income or losses, CPP retirement benefits, and research grants.
 - D. Rental income or losses, salaries, and scholarships.
7. With respect to RRSP contributions, which of the following statements is correct?
- A. Contributions made during the current year and within 30 days of the end of the current year, must be deducted in the current year.
 - B. Contributions in excess of available deduction room cannot be deducted in the current year or in any subsequent year.
 - C. There is no penalty for making contributions that are in excess of available deduction room.
 - D. Contributions made during the current year can be deducted in any subsequent year.

Home Buyers' Plan

8. Which of the following statements with respect to the Home Buyers' Plan (HBP) is not correct?
- A. All amounts withdrawn must be repaid within 10 years of the year of withdrawal.
 - B. Amounts withdrawn must be used to acquire a dwelling by October 1 of the year following withdrawal.
 - C. The maximum RRSP withdrawal is \$25,000 per individual.
 - D. In the year an individual departs from Canada, any outstanding HBP balance must be repaid by the due date for his tax return for the year of departure.

RPPs

9. Eileen is a member of her employer's Registered Pension Plan to which her employer contributed \$3,500 and Eileen contributed \$2,600 in the current year. Which of the following statements is correct?
- A. Eileen can deduct her contribution from her Net Income For Tax Purposes and her employer's contribution is not considered a taxable benefit.
 - B. Eileen cannot deduct her contribution from her Net Income For Tax Purposes and her employer's contribution is not considered a taxable benefit.
 - C. Eileen can deduct her contribution from her Net Income For Tax Purposes and she must include her employer's contribution in her income.
 - D. Eileen cannot deduct her contribution from her Net Income For Tax Purposes and her employer's contribution is considered a taxable benefit.

RRIFs

10. Which of the following statements with respect to Registered Retirement Income Funds (RRIFs) is correct?
- A. An individual can make non-deductible contributions to a RRIF.
 - B. The minimum annual withdrawal from a RRIF is always determined by dividing the fair market value of the assets in the plan by 90, less the age of the beneficiary at the beginning of the year.
 - C. Earnings accumulate within the RRIF on a tax free basis.
 - D. A RRIF can only be established by individuals over the age of 71.

Transfers Between Plans

11. There are a number of tax free transfers of accumulated pension entitlements. Indicate the transfer that is not tax free.
- A. Registered Pension Plan to Registered Retirement Savings Plan.
 - B. Registered Retirement Savings Plan to Registered Retirement Income Fund.
 - C. Profit Sharing Plan to Deferred Profit Sharing Plan.
 - D. Deferred Profit Sharing Plan to Registered Pension Plan.
 - E. Registered Pension Plan to different Registered Pension Plan.

Retiring Allowances

12. Mr. Smith, the sole shareholder and employee of Smithco Ltd. since its incorporation in 1976, has decided to sell the corporation and retire in 2010. He has never belonged to a pension plan, and wishes to maximize his RRSP. Which one of the following amounts represents the **largest** retiring allowance from Smithco that Mr. Smith can transfer to his RRSP in the year he retires?
- A. \$40,000.
 - B. \$56,000.
 - C. \$59,500.
 - D. \$70,000.