Student name:__________

Which of the following is not considered to be a separate entity for tax purposes in Canada?

An individual

A proprietorship

A corporation

A trust

Which of the following attitudes and actions is most likely to help decision-makers develop an efficient approach to taxation?

Cash flows should be considered from a before-tax perspective when making decisions.

Functional managers should not be held responsible for the tax effects of decisions within their divisions.

Tax costs to a business should be regarded as controllable expenses, much like product costs and selling costs.

All managers should own a copy of the Income Tax Act.

Which of the following statements is true?

Dividends paid by a corporation are deductible by that corporation and are a form of property income for the recipient.

Dividends paid by a corporation are deductible by that corporation and are a form of business income for the recipient.

Dividends paid by a corporation are not deductible by that corporation and are a form of business income for the recipient.

Dividends paid by a corporation are not deductible by that corporation and are a form of property income for the recipient.

When assessing the value of a corporation, the most relevant information that decision-makers normally consider is the potential for before-tax profits.

the potential for after-tax profits.

the current corporate tax rate.

cash flow before-tax.

Income tax is calculated for which of the following jurisdictional groups?

Municipal, provincial, and federal

Municipal, federal, and foreign

Provincial, federal, and foreign

Municipal, provincial, and foreign

Two investor corporations may not enter jointly into which of the following?

Joint venture

Partnership

Separate corporation

Proprietorship

Which of the following statements is true?

Cash flow should never be calculated on an after-tax basis.

The tax cost to a business should be regarded as a cost of doing business.

Income tax cannot be treated as a controllable cost.

The value of an enterprise should be based on pre-tax cash flow.

Logan holds a 7% interest-bearing debt instrument in Glow Co. Glow Co.'s tax rate is 27%, and Logan is in a 45% tax bracket. Which of the following statements is correct?

The after-tax cost of the debt instrument is 5.11% to Glow Co., and the after-tax value to Logan is 3.85%.

The after-tax cost of the debt instrument is 5.11% to Glow Co., and the after-tax value to Logan is 3.15%.

The after-tax cost of the debt instrument is 1.89% to Glow Co., and the after-tax value to Logan is 3.15%.

The after-tax cost of the debt instrument is 7% to Glow Co., and the after-tax value to Logan is 7%.

Which of the following lists accurately names the five general income categories for tax purposes?

Business, Interest, Employment, Capital Gains, Other

Business, Property, Employment, Capital Gains, Foreign

Business, Property, Employment, Capital Gains, Other

Business, Property, Employment, Investments, Other

Proprietorships, corporations, partnerships, limited partnerships, joint ventures, and income trusts are all

categories of income for tax purposes.

tax jurisdictions.

examples of financial instruments.

forms of business.

Which of the following statements regarding taxation within jurisdictions in Canada is true?

Federal and provincial or territorial tax brackets are always identical to one another.

Only federal taxes apply to individuals while both federal and provincial or territorial taxes apply to corporations.

Both federal and provincial or territorial taxes apply to Canadian taxpayers.

Only federal taxes apply to corporations while both federal and provincial taxes apply to individuals.

Jamie is an employee at ABC Ltd. and is in a 45% tax bracket. ABC Ltd. has a tax rate of 27%. The company has offered Jamie a 10% pay raise. Jamie's current salary is $50,000. What is after-tax cost of the raise to ABC Ltd.?

$1,350

$2,750

$2,858

$3,650

Jesse is an employee at XYZ Ltd. and is in a 45% tax bracket. XYZ Ltd. has a tax rate of 27%. The company has offered Jesse a 10% pay raise. Jesse’s current salary is $50,000. What is after-tax value of the raise to Jesse?

$1,350

$2,250

$2,750

$5,000

All cash flow must be considered on an after-tax basis because

companies want a positive cash flow.

the value to a business must be considered.

the investor's tax rate is irrelevant.

decisions that appear favourable on a pre-tax basis may be unfavorable or marginally favourable on an after- tax basis.

Which of the following is not a separate entity for tax purposes?

Corporation

Trust

Partnership

Individual

The Canadian income tax system for individuals is considered

progressive.

regressive.

flat.

unfair.

What is the most significant form of taxation that affects return on investment?

Property Taxes

Excise Taxes

Income Taxes

QWERTY Co. decides to give a 6% raise to its employee Jean, who is currently in the 40% tax bracket. The company is in the 27% tax bracket. What is the after-tax implication for each of the parties in this transaction?

The company has a net after-tax cost of 4.38% and Jean has an after-tax income of 3.6%.

Both Jean and the company have a 3% after-tax cost/benefit.

We should only consider the pre-tax amount of 6% to each party.

Both the company and Jean have an after-tax cost of 4.38%.

Explain what is meant by the statement "tax should be treated as a ‘controllable cost'."

Blake holds a 5% interest-bearing debt instrument in Day Co. Day Co.'s tax rate is 27%, and Blake is in a 50% tax bracket.

Required:

A) Calculate the after-tax cost (as a percentage) of the debt-instrument to Day Co.
B) Calculate the after-tax value (as a percentage) of Blake's interest income.

Tanner holds a 7% interest-bearing debt instrument in Eve Co. Eve Co.'s tax rate is 13%, and Tanner is in a 45% tax bracket.

Required:

A) Calculate the after-tax cost (as a percentage) of the debt-instrument to Eve Co.
B) Calculate the after-tax value (as a percentage) of Tanner's interest income.

Answer Key
Test name: Ch1_Canadian Income Taxation, 2025-2026_28

B

C

D

B

C

D

B

A

C

D

C

D

C

D

C

A

C

A

Short Answer

Short Answer

Short Answer