

Test Bank
Canadian Income Taxation: Planning and Decision Making 2023-2024, 26th Edition
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Chapter 1

1.

Award: 10.00 points

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

A proprietorship is correct as the entities subject to tax on income in Canada are individuals, corporations, and trusts.

2.

Award: 10.00 points

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.

Taxation should be considered in all aspects of business planning on an ongoing basis.

3.

Award: 10.00 points

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.

Dividends are paid from after-tax corporate income and are not a deductible expense. Dividends received by individuals are a form of property income.

4.

Award: 10.00 points

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.

Decision-making should always address the after-tax values.

5.

Award: 10.00 points

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

Canadian taxpayers are usually subject to provincial, federal, and foreign tax on international income.

6.

Award: 10.00 points

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

- ☐ Joint venture
- ☐ Partnership
- ☐ Separate corporation
- ☐ Proprietorship

A proprietorship, since it is an operation run by one individual.